

GENERAL ELECTRIC CAPITAL CORP

Form 10-K

February 27, 2014

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange
Act of 1934

For the fiscal year ended December 31, 2013

or

☐ Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange
Act of 1934

For the transition period from _____ to _____

Commission file number 1-6461

General Electric Capital Corporation
(Exact name of registrant as specified in 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)

203/840-6300
(Registrant's Telephone No.,
including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class
4.875% Notes Due October 15,
2052
4.875% Notes Due January 29,
2053
7½% Guaranteed Subordinated
Notes Due August 21, 2035
4.70% Notes Due May 16, 2053

Name of each exchange on
which registered
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act:

(Title of class)

NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

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Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

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

Aggregate market value of the outstanding common equity held by nonaffiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter: None.

At February 1, 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.

DOCUMENTS INCORPORATED BY REFERENCE

The consolidated financial statements of General Electric Company, set forth in the Annual Report on Form 10-K of General Electric Company for the year ended December 31, 2013, are incorporated by reference into Part IV hereof.

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

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General Electric Capital Corporation

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PART I

Item 1. Business.

General Electric Capital Corporation

General Electric Capital Corporation (GE Capital or GECC) was incorporated in 1943 in the State of New York under the provisions of the New York Banking Law relating to investment companies, as successor to General Electric Contracts Corporation, which was formed in 1932. Until November 1987, our name was General Electric Credit Corporation. On July 2, 2001, we changed our state of incorporation to Delaware. As of December 31, 2013, all of our outstanding common stock was wholly-owned by General Electric Company (GE Company or GE). Financing and services offered by GE Capital are diversified, a significant change from the original business of GE Capital, which was, financing distribution and sale of consumer and other GE products.

We operate in five segments described in the Operating Segments Section beginning on page 4. These operations are subject to a variety of regulations in their respective jurisdictions. Our operations are located in North America, South America, Europe, Australia and Asia.

Our principal executive offices are located at 901 Main Avenue, Norwalk, CT 06851-1168. At December 31, 2013, GECC employed approximately 50,000 persons.

We are a regulated savings and loan holding company under U.S. law and became subject to Federal Reserve Board (FRB) supervision on July 21, 2011, the one-year anniversary of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). In addition, on July 8, 2013, the U.S. Financial Stability Oversight Council (FSOC) designated GECC as a nonbank systemically important financial institution (nonbank SIFI) under the DFA. Many of the rulemakings for supervision of nonbank SIFIs are not final and therefore the exact impact and implementation date remain uncertain. GECC continues to plan for the enhanced prudential standards that will apply to nonbank SIFIs. These DFA rulemakings will require, among other items, enhanced capital and liquidity levels, compliance with the comprehensive capital analysis and review regulations (CCAR), compliance with counterparty credit exposure limits, and the development of a resolution plan for submission to regulators.

Our financial information, including filings with the U.S. Securities and Exchange Commission (SEC), is available at www.ge.com/secreports. Copies are also available, without charge, from GE Corporate Investor Communications, 3135 Easton Turnpike, Fairfield, CT, 06828-0001. Reports filed with the SEC may be viewed at www.sec.gov or obtained at the SEC Public Reference Room in Washington, D.C. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. References to our website addressed in this report are provided as a convenience and do not constitute, and should not be viewed as, an incorporation by reference of the information contained on, or available through, the website. Therefore, such information should not be considered part of this report.

Forward-Looking Statements

This document contains “forward-looking statements” – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” or “will.” Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, particular uncertainties that could cause our actual results to be materially different than those expressed in our forward-looking statements include: current economic and financial conditions, including volatility in interest and exchange rates, equity prices and the value of financial assets; potential market disruptions or other impacts arising in the United

States or Europe from developments in sovereign debt situations; the impact of conditions in the financial and credit markets on the availability and cost of our funding and on our ability to reduce our asset levels as planned; the impact of conditions in the housing market and unemployment rates on the level of commercial and consumer credit defaults; 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

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rating and the impact on our funding costs and competitive position if we do not do so; our ability to pay dividends to GE at the planned level; the level of demand and financial performance of the major industries GE serves, including, without limitation, air transportation, energy generation, real estate and healthcare; the impact of regulation and regulatory, investigative and legal proceedings and legal compliance risks, including the impact of financial services regulation; our success in completing announced transactions and integrating acquired businesses; our ability to complete the staged exit from our North American Retail Finance business 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. These uncertainties are described in more detail in Part I, Item 1A. "Risk Factors" of this Form 10-K Report. We do not undertake to update our forward-looking statements.

Operating Segments

Segment revenue and profit information and additional financial data and commentary on recent financial results for operating segments are provided in the Segment Operations section in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in Note 19 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Operating businesses that are reported as segments include Commercial Lending and Leasing (CLL), Consumer, Real Estate, Energy Financial Services and GE Capital Aviation Services (GECAS). A summary description of each of our operating segments follows.

GE Capital businesses offer a broad range of financial services and products worldwide for businesses of all sizes. Services include commercial loans and leases, fleet management, financial programs, credit cards, personal loans and other financial services. GE Capital also develops strategic partnerships and joint ventures that utilize GE's industry-specific expertise in aviation, energy, infrastructure and healthcare to capitalize on market-specific opportunities.

During 2013, GE Capital provided approximately \$115 billion of new financings in the U.S. to various companies, infrastructure projects and municipalities. Additionally, we extended approximately \$105 billion of credit to approximately 61 million U.S. consumers. GE Capital provided credit to approximately 31,200 new commercial customers and 43,000 new small businesses in the U.S. during 2013 and ended the period with outstanding credit to more than 237,000 commercial customers and 212,000 small businesses through retail programs in the U.S.

We have communicated our goal of reducing our ending net investment (ENI), most recently targeting ENI of \$300 billion to \$350 billion. ENI is a metric used to measure the total capital invested in the financial services business. Our ENI (excluding cash and equivalents) was \$380 billion at December 31, 2013. To achieve this goal, we are more aggressively focusing our businesses on selective financial services products where we have deep domain experience, broad distribution, and the ability to earn a consistent return on capital, while managing our overall balance sheet size and risk. We have a strategy of exiting those businesses that are deemed to be non-strategic or that are underperforming. We have completed a number of dispositions in our businesses in the past and will continue to evaluate options going forward.

While we are exiting non-core businesses, we are investing in our core businesses in markets where we believe that GECC has deep domain experience and is competitively advantaged. Accordingly, in the short-term, as we reduce our ENI through exiting non-core businesses, the overall level of our future net earnings may be reduced. However, over the long-term, we believe that this strategy will improve our long-term performance through higher returns as we will have a larger concentration of assets in our core businesses, as opposed to the underperforming or non-strategic assets

we will be exiting; reduce liquidity risk as we pay down outstanding debt and diversify our sources of funding (with less reliance on the global commercial paper markets and an increase in alternative sources of funding such as deposits); and reduce capital requirements while strengthening capital ratios. Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K Report.

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We also continue our longstanding practice of providing supplemental information for certain businesses within the segments.

Commercial Lending and Leasing

CLL has particular mid-market expertise, and primarily offers secured commercial loans, equipment financing and other financial services to companies across a wide range of industries including construction, retail, manufacturing, transportation, media, communications, technology and healthcare. Equipment financing activities include industrial, medical, fleet vehicles, corporate aircraft, construction, office imaging, and many other equipment types.

In the first quarter of 2013, we announced the planned disposition of our CLL trailer services business in Europe (CLL Trailer Services) and classified the business as discontinued operations. We completed the sale in the fourth quarter of 2013.

In 2011, we completed the sale of our CLL marine container leasing business, which consists of our controlling interests in the GE SeaCo joint venture along with other owned marine container assets, and our CLL trailer fleet services business in Mexico.

We operate in a highly competitive environment. Our competitors include commercial banks, investment banks, leasing companies, financing companies associated with manufacturers, and independent finance companies. Competition related to our lending and leasing operations is based on price, that is, interest rates and fees, as well as deal structure and terms. In recent years, there has been a disruption in the capital markets and in access to and availability of capital as well as the exit of some competitors. Profitability is affected not only by broad economic conditions that affect customer credit quality and the availability and cost of capital funding, but also by successful management of credit risk, operating risk and market risks such as interest rate and currency exchange risks. Success requires high-quality risk management systems, customer and industry specific knowledge, diversification, service and distribution channels, strong collateral and asset management knowledge, strong transaction expertise and the ability to reduce costs through technology and productivity.

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Consumer

Consumer, through consolidated entities and associated companies, is a leading provider of financial services to consumers and retailers around the world. We offer a full range of financial products to suit customers' needs. These products include, on a global basis, private-label credit cards; personal loans; bank cards; auto loans and leases; mortgages; debt consolidation; home equity loans; deposit and other savings products; and small and medium enterprise lending.

In the fourth quarter of 2013, we completed a sale of 68.5% of our Swiss consumer finance bank, Cembra Money Bank AG (Cembra), through an initial public offering (IPO); we committed to sell our Consumer banking business in Russia (Consumer Russia) and classified the business as discontinued operations; and we sold our remaining equity interest in the Bank of Ayudhya (Bay Bank).

In November 2013, we announced that we intend to pursue an IPO of our North American Retail Finance business (Retail Finance) as a first step in a staged exit from that business. We plan to file a registration statement with the SEC in the first quarter of 2014 and complete the IPO later in 2014.

We plan to issue up to 20% of the equity of Retail Finance in the IPO, in exchange for cash that will be used to increase the capital of the new company. We currently intend to complete our exit from Retail Finance in 2015 through a split-off transaction, by making a tax-free distribution of our remaining interest in Retail Finance to electing GE stockholders in exchange for shares of GE's common stock. We may also decide to exit by selling or otherwise distributing or disposing of all or a portion of our remaining interest in the Retail Finance shares.

In the first quarter of 2013, we acquired the deposit business of MetLife Bank, N.A., which is an online banking platform with approximately \$6.4 billion in U.S. retail deposits that will allow us to better serve our customers.

In 2011, we sold our Consumer Singapore business and our Consumer home lending operations in Australia and New Zealand (Australian Home Lending) and classified them as discontinued operations. Also in 2011, we sold a substantial portion of our Garanti Bank equity investment. During 2012, we sold our remaining equity interest in Garanti Bank, which was classified as an available-for-sale security.

Our operations are subject to a variety of bank and consumer protection regulations. Further, a number of countries have ceilings on rates chargeable to consumers in financial service transactions. We are subject to competition from various types of financial institutions including commercial banks, leasing companies, consumer loan companies, independent finance companies, finance companies associated with manufacturers, and insurance companies. Industry participants compete on the basis of price, servicing capability, promotional marketing, risk management, and cross selling. The markets in which we operate are also subject to the risks from fluctuations in retail sales, interest and currency exchange rates, and the consumer's capacity to repay debt.

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Real Estate

Real Estate offers a range of capital and investment solutions, including equity capital for acquisition or development, as well as fixed and floating rate mortgages for new acquisitions or re-capitalizations of commercial real estate worldwide. Our business finances, with both equity and loan structures, the acquisition, refinancing and renovation of office buildings, apartment buildings, retail facilities, hotels, warehouses and industrial properties. Our typical real estate loans are intermediate term, senior, fixed or floating-rate, and are secured by existing income-producing commercial properties. We invest in, and provide restructuring financing for, portfolios of commercial mortgage loans, limited partnerships and tax-exempt bonds.

We own and operate a global portfolio of real estate with the objective of maximizing property cash flows and asset values. In the normal course of our business operations, we sell certain real estate equity investments when it is economically advantageous for us to do so. However, as real estate values are affected by certain forces beyond our control (e.g., market fundamentals and demographic conditions), it is difficult to predict with certainty the level of future sales, sales prices, impairments or write-offs.

During 2013, in conjunction with our initiative to increase our overall real estate lending portfolio and reduce our exposure to real estate equity investments, we acquired certain loan portfolios and sold real estate equity investments when economically advantageous for us to do, including the sale of real estate comprising certain floors located at 30 Rockefeller Center, New York.

In 2012, we completed the sale of a portion of our Business Properties portfolio (Business Property), including certain commercial loans, the origination and servicing platforms and the servicing rights on loans previously securitized by GECC. The portion that we retained comprises our owner-occupied/credit tenant portfolio.

Our competitors include banks, financial institutions, real estate companies, real estate investment funds and other financial companies. Competition in our equity investment business is primarily based on price, and competition in our lending business is primarily based on interest rates and fees, as well as deal structure and terms. As we compete globally, our success is sensitive to the economic and political environment of each country in which we do business.

Energy Financial Services

Energy Financial Services invests in long-lived, capital-intensive energy projects and companies by providing structured equity, debt, leasing, partnership financing, project finance and broad-based commercial finance.

We operate in a highly competitive environment. Our competitors include banks, financial institutions, energy companies, and other finance and leasing companies. Competition is primarily based on price, that is, interest rates and fees, as well as deal structure and terms. As we compete globally, our success is sensitive to the economic and political environment of each country in which we do business.

GE Capital Aviation Services

GECAS, our commercial aircraft financing and leasing business, offers a wide range of aircraft types and financing options, including operating leases and secured debt financing, and also provides productivity solutions including spare engine leasing, airport and airline consulting services, and spare parts financing and management.

We operate in a highly competitive environment. Our competitors include aircraft manufacturers, banks, financial institutions, equity investors, and other finance and leasing companies. Competition is based on lease rate financing terms, aircraft delivery dates, condition and availability, as well as available capital demand for financing.

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GECC Corporate Items and Eliminations

GECC Corporate Items and Eliminations primarily include unallocated Treasury and Tax operations; Trinity, a group of run-off sponsored special purpose entities; the effects of eliminating transactions between GE Capital's five operating businesses; results of our run-off insurance operations remaining in continuing operations attributable to GECC; unallocated corporate costs; and certain non-allocated amounts determined by the Chairman.

Discontinued Operations

Discontinued operations primarily comprises GE Money Japan (our Japanese personal loan business, Lake, and our Japanese mortgage and card businesses, excluding our investment in GE Nissen Credit Co., Ltd.), our U.S. mortgage business (WMC), our U.S. recreational vehicle and marine equipment financing business (Consumer RV Marine), Consumer Mexico, Consumer Singapore, Australian Home Lending, our Consumer mortgage lending business in Ireland (Consumer Ireland), CLL Trailer Services and Consumer Russia.

For further information about discontinued operations, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 2 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Geographic Data

Geographic data is provided in the Geographic Operations section in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 19 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Regulations and Competition

We are a regulated savings and loan holding company under U.S. law and became subject to Federal Reserve Board (FRB) supervision on July 21, 2011, the one-year anniversary of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). In addition, on July 8, 2013, the U.S. Financial Stability Oversight Council (FSOC) designated GECC as a nonbank systemically important financial institution (nonbank SIFI) under the DFA. Many of the rulemakings for supervision of nonbank SIFIs are not final and therefore the exact impact and implementation date remain uncertain. GECC continues to plan for the enhanced prudential standards that will apply to nonbank SIFIs. These DFA rulemakings will require, among other items, enhanced capital and liquidity levels, compliance with the comprehensive capital analysis and review regulations (CCAR), compliance with counterparty credit exposure limits, and the development of a resolution plan for submission to regulators.

We are also subject to the Volcker Rule, which U.S. regulators finalized on December 10, 2013. The rule prohibits companies that are affiliated with U.S. insured depository institutions from engaging in "proprietary trading" or acquiring or retaining any ownership interest in, or sponsoring or engaging in certain transactions with, a "hedge fund" or a "private equity fund." Proprietary trading and fund investing, as prohibited by the rule, are not core activities for us, but we are assessing the full impact of the rule, in anticipation of full conformance with the rule, as required by July 21, 2015.

The FRB recently finalized regulations to revise and replace its current rules on capital adequacy and to extend capital regulations to savings and loan holding companies like GECC. Under the final rules, GECC expects that the standardized approach for calculating capital will apply to GECC, in its capacity as a savings and loan holding company, on January 1, 2015. However, that timing could change once nonbank SIFI rules are finalized. GECC will ultimately also become subject to the Basel III advanced capital rules that will be applicable to institutions with \$250 billion or more in assets. Initial actions required for compliance with the advanced capital rules, including building out

the necessary systems and models, will begin once GECC is subject to regulatory capital rules. However, full implementation will take several years to complete.

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The FRB has also indicated in a proposed rulemaking that they will require nonbank SIFIs to submit annual capital plans for review, including institutions' plans to make capital distributions, such as dividend payments. The applicability and timing of this proposed regulation to GECC is not yet determined. While we are not yet subject to this regulation, our capital allocation planning remains subject to FRB review as a savings and loan holding company.

We undertake an annual review of our capital adequacy prior to establishing a plan for dividends to our parent. This review is based on a forward-looking assessment of our material enterprise risks and involves the consideration of a number of factors. This analysis also includes an assessment of our capital and liquidity levels, as well as incorporating risk management and governance considerations. The most recent capital adequacy review was approved by the GECC board of directors and the GE Board of Directors Risk Committee in the first quarter of 2013. GECC is currently in the process of updating the 2013 capital adequacy review and it will be presented to the GECC board of directors and the GE Board of Directors Risk Committee in the first quarter of 2014. While a savings and loan holding company and nonbank SIFI like GECC is currently not required to obtain FRB approval to pay a dividend, it may not, under FRB regulations, conduct its operations in an unsafe or unsound manner. The FRB has articulated factors that it expects boards of directors of bank holding companies and savings and loan holding companies to consider in determining whether to pay a dividend.

Overall, GECC does not believe that designation as a nonbank SIFI will have a material impact on its business or operations.

In addition to the above, our activities are subject to a variety of U.S. federal and state regulations including, at the federal level, the Consumer Credit Protection Act, the Equal Credit Opportunity Act and certain regulations issued by the Federal Trade Commission. A majority of states have ceilings on rates chargeable to customers on retail loan transactions, installment loans and revolving credit financing. Our insurance activities are regulated by various state insurance commissions and non-U.S. regulatory authorities.

The businesses in which we engage are highly competitive. We are subject to competition from various types of financial institutions, including banks, thrifts, investment banks, broker-dealers, credit unions, leasing companies, consumer loan companies, independent finance companies, finance companies associated with manufacturers and insurance and reinsurance companies.

Business and Economic Conditions

Our businesses are generally affected by general business and economic conditions in countries in which we conduct business. When overall economic conditions deteriorate in those countries, there generally are adverse effects on our operations, although those effects are dynamic and complex. For example, a downturn in employment or economic growth in a particular national or regional economy will generally increase the pressure on customers, which generally will result in deterioration of repayment patterns and a reduction in the value of collateral. However, in such a downturn, demand for loans and other products and services we offer may actually increase. Interest rates, another macro-economic factor, are important to our businesses. In the lending and leasing businesses, higher real interest rates increase our cost to borrow funds, but can also provide higher levels of return on new investments. For our operations, such as the insurance activities, that are linked less directly to interest rates, rate changes generally affect returns on investment portfolios.

Item 1A. Risk Factors

The following discussion of risk factors contains “forward-looking statements,” as discussed in Item 1. “Business”. These risk factors may be important to understanding any statement in this Annual Report on Form 10-K or elsewhere. The following information should be read in conjunction with Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (MD&A), and the consolidated financial statements and related notes in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Our businesses routinely encounter and address risks, some of which will cause our future results to be different – sometimes materially different – than we presently anticipate. Discussion about important operational risks that our businesses encounter can be found in the business descriptions in Item 1. “Business” and the MD&A section of this Form 10-K Report. Below, we describe certain important strategic, operational, financial, and legal and compliance risks. Our reactions to material future developments as well as our competitors’ reactions to those developments will affect our future results.

Our growth is subject to global economic and political risks.

We operate in virtually every part of the world and serve customers in more than 100 countries. In 2013, approximately 42% of our revenue was attributable to activities outside the United States. Our operations are subject to the effects of global competition and geopolitical risks. They are also affected by local economic environments, including inflation, recession, currency volatility and actual or anticipated default on sovereign debt. Political changes, some of which may be disruptive, can interfere with our supply chain, our customers and all of our activities in a particular location. While some of these global economic and political risks can be hedged using derivatives or other financial instruments and some are insurable, such attempts to mitigate these risks are costly and not always successful, and our ability to engage in such mitigation may decrease or become even more costly as a result of more volatile market conditions.

We are subject to a wide variety of laws, regulations and government policies that may change in significant ways.

Our businesses are subject to regulation under a wide variety of U.S. federal and state and non-U.S. laws, regulations and policies. There can be no assurance that laws, regulations and policies will not be changed in ways that will require us to modify our business models and objectives or affect our returns on investments by restricting existing activities and products, subjecting them to escalating costs or prohibiting them outright. In particular, U.S. and non-U.S. governments are undertaking a substantial revision of the regulation and supervision of bank and non-bank financial institutions, consumer lending, the over-the-counter derivatives market and tax laws and regulations, which changes may have an effect on GE’s and GE Capital’s structure, operations, liquidity, capital requirements, effective tax rate and performance. We are also subject to a number of trade control laws and regulations that may affect our ability to sell our products in global markets. In addition, we are subject to regulatory risks from laws that reduce the allowable lending rate or limit consumer borrowing, local capital requirements that may increase the risk of not being able to retrieve assets, and changes to tax law that may affect our return on investments. For example, GE’s effective tax rate is reduced because active business income earned and indefinitely reinvested outside the United States is taxed at less than the U.S. rate. A significant portion of this reduction depends upon a provision of U.S. tax law that defers the imposition of U.S. tax on certain active financial services income until that income is repatriated to the United States as a dividend. This provision is consistent with international tax norms and permits U.S. financial services companies to compete more effectively with non-U.S. financial institutions in global markets. This provision, which had expired at the end of 2011, was reinstated in January 2013 retroactively for two years through the end of 2013. This provision also had been scheduled to expire and had been extended by Congress on six previous occasions, but there can be no assurance that it will continue to be extended. In the event the provision is not extended after 2013, the current U.S. tax imposed on active financial services income earned outside the United States would increase,

making it more difficult for U.S. financial services companies to compete in global markets. If this provision is not extended, we expect our effective tax rate to increase significantly after 2014. In addition, efforts by public and private sectors to control the growth of healthcare costs may lead to lower reimbursements and increased utilization controls related to the use of GE's products by healthcare providers. Continued government scrutiny, including reviews of the U.S. Food and Drug Administration (U.S. FDA) medical device pre-market authorization and post-market surveillance processes, may impact the requirements for marketing

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GE's products and slow its ability to introduce new products, resulting in an adverse impact on GE's business. Furthermore, we have been, and expect to continue, participating in U.S. and international governmental programs, which require us to comply with strict governmental regulations. Inability to comply with these regulations could adversely affect our status in these projects and adversely affect our results of operations, financial position and cash flows.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, we are subject to prudential oversight by the Federal Reserve, including as a result of our designation as a nonbank systemically important financial institution, which subjects us to increased and evolving regulatory requirements.

We are a regulated savings and loan holding company and in 2011 became subject to Federal Reserve Board (FRB) supervision under the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). In 2013, the U.S. Financial Stability Oversight Council (FSOC) designated us as a nonbank systemically important financial institution (nonbank SIFI) under the DFA. As a result of this change in supervision and designation, stricter prudential regulatory standards and supervision apply to us. Many of the rulemakings for supervision of nonbank SIFIs are not final and therefore the exact impact and implementation date remain uncertain. These DFA rulemakings will require, among other items, enhanced capital and liquidity levels, compliance with the comprehensive capital analysis and review regulations (CCAR), compliance with counterparty credit exposure limits, and the development of a resolution plan for submission to regulators. The FRB recently finalized regulations to revise and replace its current rules on capital adequacy and to extend capital regulations to savings and loan holding companies like us. We will ultimately also become subject to the Basel III advanced capital rules that will be applicable to institutions with \$250 billion or more in assets. The FRB has also indicated in a proposed rulemaking that it will require nonbank SIFIs to submit annual capital plans for review, including institutions' plans to make capital distributions, such as dividend payments. While we are not yet subject to this regulation, our capital allocation planning remains subject to FRB review as a savings and loan holding company. For additional information, see Liquidity and Borrowings in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report.

We are subject to legal proceedings and legal compliance risks.

We are subject to a variety of legal proceedings and legal compliance risks in virtually every part of the world. We, our representatives, and the industries in which we operate are subject to continuing scrutiny by regulators and other governmental authorities, which may, in certain circumstances, lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages. Additionally, GE and its subsidiaries are involved in a number of remediation actions to clean up hazardous wastes as required by federal and state laws. These include the dredging of polychlorinated biphenyls from a 40-mile stretch of the upper Hudson River in New York State. We are also subject to certain other legal proceedings described in Item 3. "Legal Proceedings" of this Form 10-K Report. While we believe that we have adopted appropriate risk management and compliance programs, the global and diverse nature of our operations means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time.

The success of our business depends on achieving our strategic objectives, including through acquisitions, joint ventures, dispositions and restructurings.

With respect to acquisitions, joint ventures and restructuring actions, we may not achieve expected returns and other benefits as a result of various factors, including integration and collaboration challenges, such as personnel and technology. In addition, we may not achieve anticipated cost savings from restructuring actions, which could result in lower margin rates. We also participate in a number of joint ventures with other companies or government enterprises in various markets around the world, including joint ventures where we may have a lesser degree of control over the business operations, which may expose us to additional operational, financial, legal or compliance risks. We also continue to evaluate the potential disposition of assets and businesses that may no longer help us meet our objectives. When we decide to sell assets or a business, we may encounter difficulty in finding buyers or executing alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic objectives. For example, delays in obtaining tax rulings and regulatory approvals or clearances, and disruptions or volatility in the capital markets may impact our ability to complete the staged exit from our North American Retail Finance business as planned. Alternatively, we may dispose of a business at a price or on terms that are less than we had anticipated. After reaching an agreement with a buyer or seller for the acquisition or disposition of a business, we are subject to satisfaction of pre-closing conditions as well as to necessary regulatory and governmental approvals on acceptable terms, which may prevent us from completing the transaction. Dispositions may also involve continued financial involvement in the divested business, such as through continuing equity ownership, guarantees, indemnities or other financial obligations. Under these arrangements, performance by the divested businesses or other conditions outside our control could affect our future financial results.

Conditions in the financial and credit markets may affect the availability and cost of funding.

As disclosed in more detail in the Liquidity and Borrowings section in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K Report, a large portion of our borrowings is in the form of commercial paper and long-term debt. We continue to rely on the availability of the unsecured debt markets to access funding for term and commercial paper maturities for 2014 and beyond and to fund our operations without incurring additional U.S. tax. In addition, we rely on the availability of the commercial paper markets to refinance maturing commercial paper debt throughout the year. In order to further diversify our funding sources, GE Capital continues to expand its reliance on alternative sources of funding, including bank deposits, securitizations and other asset-based funding. There can be no assurance that we will succeed in increasing the diversification of our funding sources or that the short and long-term credit markets will be available or, if available, that the cost of funding will not substantially increase and affect our overall profitability. Factors that may affect the availability of funding or cause an increase in our funding costs include: a decreased reliance on short-term funding, such as commercial paper, in favor of longer-term funding arrangements; decreased capacity and increased competition among debt issuers; increased competition for deposits in our affiliate banks’ markets; and potential market disruptions or other impacts arising in the United States or Europe from developments in sovereign debt situations. If GE Capital’s cost of funding were to increase, it may adversely affect its competitive position and result in lower net interest margins, earnings and cash flows as well as lower returns on its shareowner’s equity and invested capital.

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A deterioration of conditions in the global economy, the major industries we serve or the financial markets, or the soundness of financial institutions and governments we deal with may adversely affect our business and results of operations.

The business and operating results of GE's industrial businesses have been, and will continue to be, affected by worldwide economic conditions, including conditions in the air and rail transportation, energy generation, healthcare, home building and other major industries it serves. Existing or potential customers may delay or cancel plans to purchase our products and services, including large infrastructure projects, and may not be able to fulfill their obligations to us in a timely fashion as a result of business deterioration, cash flow shortages, and difficulty obtaining financing due to slower global economic growth and other challenges affecting the global economy. In particular, the airline industry is highly cyclical, and the level of demand for air travel is correlated to the strength of the U.S. and international economies. An extended period of slow growth in the U.S. or internationally that results in the loss of business and leisure traffic could have a material adverse effect on our airline customers and the viability of their business. Service contract cancellations or customer dynamics such as early aircraft retirements or reduced energy demand in GE's Power & Water business could affect our ability to fully recover our contract costs and estimated earnings. Further, our vendors may be experiencing similar conditions, which may impact their ability to fulfill their obligations to us. If slower growth in the global economy continues for a significant period or there is significant deterioration in the global economy, our results of operations, financial position and cash flows could be materially adversely affected.

If conditions in the financial markets deteriorate, there can be no assurance that we will be able to recover fully the value of certain assets, including real estate, goodwill, intangibles and tax assets. Deterioration in the economy and in default and recovery rates could require us to increase allowances for loan losses, impairments or write-offs, which, depending on the amount of the increase, could have a material adverse effect on our business, financial position and results of operations.

In addition, GE Capital has exposure to many different industries and counterparties, including sovereign governments, and routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutional clients. Many of these transactions expose GE Capital to credit risk in the event of default of our counterparty or client. In addition, GE Capital's credit risk may be increased when the value of collateral held cannot be realized through sale or is liquidated at prices insufficient to recover the full amount of the loan or derivative exposure due to us. GE Capital also has exposure to these financial institutions in the form of cash on deposit and unsecured debt instruments held in its investment portfolios. GE Capital has policies relating to credit rating requirements and to exposure limits to counterparties (as described in Note 15 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report), which are designed to limit credit and liquidity risk. There can be no assurance, however, that any losses or impairments to the carrying value of financial assets would not materially and adversely affect GE Capital's business, financial position and results of operations.

Failure to maintain our credit ratings could adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets.

The major debt rating agencies routinely evaluate our debt. This evaluation is based on a number of factors, which include financial strength as well as transparency with rating agencies and timeliness of financial reporting. As of December 31, 2013, GE and GECC's long-term unsecured debt credit rating from Standard and Poor's Ratings Service (S&P) was AA+ (the second highest of 22 rating categories) with a stable outlook. The long-term unsecured debt credit rating from Moody's Investors Service (Moody's) for GE was Aa3 (the fourth highest of 21 rating categories) and for GECC was A1 (the fifth highest of 21 credit ratings), both with stable outlooks. As of December 31, 2013, GE and GECC's short-term credit rating from S&P was A-1+ (the highest rating category of six categories) and from

Moody's was P-1 (the highest rating category of four categories). There can be no assurance that we will be able to maintain our credit ratings and failure to do so could adversely affect our cost of funds and related margins, liquidity, competitive position and access to capital markets. Various debt and derivative instruments, guarantees and covenants would require posting additional capital or collateral in the event of a ratings downgrade, which, depending on the extent of the downgrade, could have a material adverse effect on our liquidity and capital position.

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Increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, solutions, services and data.

Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber-related attacks pose a risk to the security of our and our customers', suppliers' and third-party service providers' products, systems and networks and the confidentiality, availability and integrity of our data. While we attempt to mitigate these risks by employing a number of measures, including employee training, monitoring and testing, and maintenance of protective systems and contingency plans, we remain potentially vulnerable to additional known or unknown threats. We also may have access to sensitive, confidential or personal data or information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. Despite our efforts to protect sensitive, confidential or personal data or information, we may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors and/or malfeasance that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, defective products, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action.

GE may face operational challenges that could have a material adverse effect on our business, reputation, financial position and results of operations, and we are dependent on maintenance of existing product lines, market acceptance of new product and service introductions and product and service innovations for continued revenue and earnings growth.

GE produces highly sophisticated products and provides specialized services for both GE and third-party products that incorporate or use leading-edge technology, including both hardware and software. While GE has built extensive operational processes to ensure that the design, manufacture and servicing of such products meet the most rigorous quality standards, there can be no assurance that GE or its customers or other third-parties will not experience operational process failures or other problems, including through intentional acts, that could result in potential product, safety, regulatory or environmental risks. Despite the existence of crisis management or business continuity plans, operational failures or quality issues, including as a result of organizational changes, could have a material adverse effect on our business, reputation, financial position and results of operations. In addition, the markets in which we operate are subject to technological change and require skilled talent. Our long-term operating results depend substantially upon our ability to continually develop, introduce, and market new and innovative products and services, to modify existing products and services, to customize products and services, to respond to technological change and to execute our product and service development in line with GE's projected cost estimates.

Our intellectual property portfolio may not prevent competitors from independently developing products and services similar to or duplicative to GE's.

Our patents and other intellectual property may not prevent competitors from independently developing or selling products and services similar to or duplicative of GE's, and there can be no assurance that the resources invested by us to protect our intellectual property will be sufficient or that our intellectual property portfolio will adequately deter misappropriation or improper use of our technology. We could also face competition in some countries where we have not invested in an intellectual property portfolio. GE also faces attempts to gain unauthorized access to our IT systems or products for the purpose of improperly acquiring our trade secrets or confidential business information. The theft or unauthorized use or publication of GE's trade secrets and other confidential business information as a result of such an incident could adversely affect GE's competitive position and the value of its investment in research and development. We may be unable to secure or retain ownership or rights to use data in certain software analytics or services offerings. In addition, we may be the target of aggressive and opportunistic enforcement of patents by third parties,

including non-practicing entities. Regardless of the merit of such claims, responding to infringement claims can be expensive and time-consuming. If GE is found to infringe any third-party rights, GE could be required to pay substantial damages or GE could be enjoined from offering some of its products and services. Also, there can be no assurances that we will be able to obtain or renew from third parties the licenses we need in the future, and there is no assurance that such licenses can be obtained on reasonable terms.

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Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

We conduct our business from various facilities, most of which are leased. The locations of our primary facilities are described in Item 1. "Business" of this Form 10-K Report.

Item 3. Legal Proceedings.

There are 14 lawsuits relating to pending mortgage loan repurchase claims in which WMC, our U.S. mortgage business that we sold in 2007, is a party. The adverse parties in these cases are securitization trustees or parties claiming to act on their behalf. While 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) and/or monetary damages. In the fourth quarter of 2013, WMC entered into settlements that reduce its exposure on claims asserted in certain securitizations. Pending claim and Litigation Claim amounts reported herein reflect the impact of these settlements.

Five WMC cases are pending in the United States District Court for the District of Connecticut. Four of these cases were initiated in 2012, and one was initiated in the third quarter of 2013. Deutsche Bank National Trust Company (Deutsche Bank) is the adverse party in four cases, and Law Debenture Trust Company of New York (Law Debenture) is the adverse party in one case. The Deutsche Bank complaints assert claims on approximately \$2,800 million of mortgage loans and seek to recover damages in excess of approximately \$1,800 million. The Law Debenture complaint asserts claims on approximately \$800 million of mortgage loans, and alleges losses on these loans in excess of approximately \$425 million. GECC was initially named a defendant in each of the Connecticut cases and has been dismissed from all of those cases without prejudice.

Four WMC cases are pending in the United States District Court for the District of Minnesota against US Bank National Association (US Bank), one of which was initiated by WMC seeking declaratory judgment. Three of these cases were filed in 2012, and one was filed in 2011. One additional case filed by WMC in the fourth quarter 2012 was dismissed without prejudice in July 2013, due to a proceeding involving the same securitization in New York State Supreme Court, as described below. WMC voluntarily dismissed without prejudice in January 2014 two other cases in the United States District Court for the District of Minnesota in which WMC had been seeking declaratory judgments. The Minnesota cases still pending involve claims on approximately \$800 million of mortgage loans and do not specify the amount of damages sought. In September 2013, the District Court granted in part and denied in part WMC's motions to dismiss or for summary judgment in these remaining cases, dismissing US Bank's claims for indemnification and for damages based on WMC's alleged refusal to repurchase but holding that WMC could be liable for money damages if US Bank can prove that WMC knew of a breach of representation or warranty in the mortgage loan pool of which the trustee had no knowledge and failed to notify the trustee. The court also held that US Bank may seek to recover money damages against WMC for losses incurred by the trustee arising from loans previously liquidated by the trustee if WMC was grossly negligent regarding notifying the trustee of the presence of defects in the loans.

Three cases are pending against WMC in New York State Supreme Court, all of which were initiated by securitization trustees or securities administrators. These cases involve, in the aggregate, claims involving approximately \$3,600 million of mortgage loans. One of these lawsuits was initiated by Deutsche Bank in the second quarter 2013 and names as defendants WMC and Barclays Bank PLC. It involves claims against WMC on approximately \$1,000 million of mortgage loans and does not specify the amount of damages sought. The second case, in which the plaintiff

is The Bank of New York Mellon (BNY), was initiated in the fourth quarter 2012 and names as defendants WMC, J.P. Morgan Mortgage Acquisition Corporation and JPMorgan Chase Bank, N.A. GECC, which was initially named, is no longer a defendant. This case arises from the same securitization as one of the cases initiated by WMC in Minnesota, noted above. BNY asserts claims on approximately \$1,300 million of mortgage loans, and seeks to recover damages in excess of \$650 million. The third case was initiated by BNY in November 2013 and names as defendants WMC, J.P. Morgan Mortgage Acquisition Corporation and JPMorgan Chase Bank, N.A. In this case, BNY asserts claims on

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approximately \$1,300 million of mortgage loans, and seeks to recover damages in excess of \$600 million. An additional case, initiated in the second quarter 2013 by Seagull Point, LLC (Seagull Point), acting individually and purportedly on behalf of Morgan Stanley ABS Capital I Inc. Trust 2007-HE5, named as defendants WMC, Decision One Mortgage Company, LLC (Decision One), Morgan Stanley Mortgage Capital Inc., Morgan Stanley Mortgage Capital Holdings LLC, Morgan Stanley ABS Capital I Inc., and Morgan Stanley ABS Capital I Inc. Trust 2007-HE5 (as nominal defendant), and sought damages against WMC and Decision One in excess of \$475 million. Seagull Point dismissed the case in January 2014.

Two cases are pending against WMC in the United States District Court for the Southern District of New York. One case, in which the plaintiff is BNY, was filed in the third quarter 2012. In the second quarter 2013, BNY filed an amended complaint in which it asserts claims on approximately \$900 million of mortgage loans, and seeks to recover damages in excess of \$378 million. In September 2013, the District Court issued a ruling from the bench denying WMC's motion to dismiss the trustee's claim for damages and holding that the initial submission of claims on certain mortgage loans was sufficient to provide notice to WMC that the entire pool of loans supporting the securitization was potentially subject to claims for relief by the trustee. One case was initiated by the Federal Housing Finance Agency (FHFA) by filing a summons with notice in the fourth quarter 2012. In the second quarter 2013, Deutsche Bank, in its role as securitization trustee of the trust at issue in the case, intervened as a plaintiff and filed a complaint relating to approximately \$1,300 million of loans and alleging losses in excess of approximately \$100 million. In December 2013, the District Court issued an order denying WMC's motion to dismiss the lawsuit on statute of limitations and other grounds.

The amounts of the mortgage loans at issue in these cases (discussed above) reflect the purchase price or unpaid principal balances of the loans at the time of purchase and do not give effect to pay downs, accrued interest or fees, or potential recoveries based upon the underlying collateral. Of the mortgage loans involved in these lawsuits, approximately \$3,900 million were included in WMC's pending claims at December 31, 2013. The claims relating to other mortgage loans not included in WMC's pending claims consist of sampling-based claims in two cases on approximately \$600 million of mortgage loans and, in ten cases, claims for repurchase or damages based on the alleged failure to provide notice of defective loans, breach of a corporate representation and warranty, and/or non-specific claims for rescissionary damages on approximately \$6,200 million of mortgage loans, as of December 31, 2013. The dismissal of a lawsuit subsequent to December 31, 2013 decreased the pending claims amount by \$123 million and the Litigation Claims amount by \$318 million. See Note 2 to the consolidated financial statements in Part II, Item 8 "Financial Statements and Supplementary Data" of this Form 10-K Report for additional information.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

See Note 11 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report. Our common stock is owned entirely by General Electric Company and, therefore, there is no trading market in such stock.

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Item 6. Selected Financial Data.

The following selected financial data should be read in conjunction with our financial statements and the related Notes to Consolidated Financial Statements.

(Dollars in millions)	2013	2012	2011	2010	2009
Revenues	\$44,067	\$45,364	\$48,324	\$49,163	\$51,065
Earnings from continuing operations attributable to GECC	8,258	7,345	6,480	3,083	1,364
Earnings (loss) from discontinued operations, net of taxes attributable to GECC	(2,054)	(1,130)	30	(928)	51
Net earnings attributable to GECC	6,204	6,215	6,510	2,155	1,415
Net earnings attributable to GECC common shareowner	5,906	6,092	6,510	2,155	1,415
Shareowners' equity	82,694	81,890	77,110	68,984	70,833
Short-term borrowings	77,298	95,940	136,333	118,797	130,754
Non-recourse borrowings of consolidated securitization entities	30,124	30,123	29,258	30,018	3,622
Bank deposits	53,361	46,200	42,848	37,141	33,418
Long-term borrowings	210,279	224,776	234,391	284,407	325,429
Return on average shareowners' equity(a)	9.90 %	9.06 %	9.57 %	5.72 %	2.66 %
Ratio of earnings to fixed charges	1.76	1.63	1.50	1.13	0.83
Ratio of debt to equity at GECC (b)	4.49:1	4.85:1	5.74:1	6.82:1	6.96:1
Financing receivables - net	253,029	268,161	288,106	310,941	315,784
Total assets	\$516,829	\$539,351	\$584,643	\$605,365	\$650,465

(a) Represents earnings from continuing operations before accounting changes divided by average total shareowners' equity, excluding effects of discontinued operations (on an annual basis, calculated using a five-point average). Average total shareowners' equity, excluding effects of discontinued operations, as of the end of each of the years in the five-year period ended December 31, 2013, is described in the Supplemental Information section in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-K Report.

(b) Ratios of 3.19:1, 3.66:1, 4.23:1, 5.25:1 and 5.45:1 for 2013, 2012, 2011, 2010 and 2009, respectively, net of cash and equivalents and with classification of hybrid debt as equity. For purposes of these ratios, cash and debt balances have been adjusted to include amounts classified as assets and liabilities of businesses held for sale and discontinued operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Operations

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

We present Management's Discussion of Operations in four parts: Overview of Our Earnings from 2011 through 2013, Global Risk Management, Segment Operations and Geographic Operations. Unless otherwise indicated, we refer to captions such as revenues and earnings from continuing operations attributable to General Electric Capital Corporation (GE Capital or GECC) simply as "revenues" and "earnings" throughout this Management's Discussion and Analysis. Similarly, discussion of other matters in our consolidated financial statements relates to continuing operations unless otherwise indicated.

Overview of Our Earnings from 2011 through 2013

Our earnings increased to \$8.3 billion in 2013 and \$7.3 billion in 2012 as a result of dispositions and higher gains, partially offset by higher impairments and higher provisions for losses on financing receivables. GE Capital reduced its ending net investment (ENI), excluding cash and equivalents, to \$380 billion at December 31, 2013. As a result, we are a diversely funded and smaller, more focused finance company with strong positions in several commercial mid-market and consumer financing segments.

We have communicated our goal of reducing our ENI, most recently targeting ENI of \$300 billion to \$350 billion. ENI is a metric used to measure the total capital invested in the financial services business. To achieve this goal, we are more aggressively focusing our businesses on selective financial services, products where we have deep domain experience, broad distribution, and the ability to earn a consistent return on capital, while managing our overall balance sheet size and risk. We have a strategy of exiting those businesses that are deemed to be non-strategic or that are underperforming. We have completed a number of dispositions in our businesses in the past and will continue to evaluate options going forward.

While we are exiting non-core businesses, we are investing in our core businesses in markets where we believe that GECC has deep domain experience and is competitively advantaged. Accordingly, in the short-term, as we reduce our ENI through exiting non-core businesses, the overall level of our future net earnings may be reduced. However, over the long-term, we believe that this strategy will improve our long-term performance through higher returns as we will have a larger concentration of assets in our core businesses, as opposed to the underperforming or non-strategic assets we will be exiting; reduce liquidity risk as we pay down outstanding debt and diversify our sources of funding (with less reliance on the global commercial paper markets and an increase in alternative sources of funding such as deposits); and reduce capital requirements while strengthening capital ratios.

Commercial Lending and Leasing (CLL) (38% and 29% of total three-year revenues and segment profit, respectively) earnings decreased by \$0.4 billion in 2013, reflecting lower ENI and higher impairments, and decreased by \$0.3 billion in 2012, primarily due to lower ENI. CLL continues to apply its disciplined risk management practices while reducing costs through technology and productivity in order to grow in 2014 and beyond. During 2013, we completed the disposition of our CLL trailer services business in Europe (CLL Trailer Services). During 2011, we completed the

sale of our CLL marine container leasing business, which consists of our controlling interests in the GE SeaCo joint venture along with other owned marine container assets, and our CLL trailer fleet services business in Mexico.

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Consumer (37% and 46% of total three-year revenues and total segment profit, respectively) earnings increased by \$1.1 billion in 2013, primarily due to dispositions primarily related to the sale of 68.5% of our Swiss consumer finance bank, Cembra Money Bank AG (Cembra), through an initial public offering (IPO), partially offset by higher provisions for losses on financing receivables, and decreased by \$0.4 billion in 2012, primarily due to the absence of the 2011 gain on the Garanti Bank transaction and higher provisions for losses on financing receivables. In response to the credit market decline that started in 2008, Consumer continued to reassess strategic alternatives and tighten underwriting, increased focus on collection effectiveness and adjusted reserve levels in response to when it is probable that losses have been incurred in the respective portfolios. Beginning in 2012 and through 2013, we used a more granular portfolio segmentation approach, by loss type, in determining the incurred loss period and projected net write-offs over the next twelve months in our installment and revolving credit portfolios. This resulted in a higher provision for losses on financing receivables, which is reflected in our 2013 and 2012 earnings performance. During 2013, we announced that we intend to pursue an IPO of our North American Retail Finance business (Retail Finance) as a first step in a staged exit from that business. Also, during 2013, we announced the planned sale of our Consumer banking business in Russia (Consumer Russia), we completed the sale of a portion of Cembra and we sold our remaining equity interest in the Bank of Ayudhya (Bay Bank). During 2012, we completed the sale of our Consumer mortgage lending business in Ireland (Consumer Ireland). During 2011, we completed the sale of our U.S. recreational vehicle and marine equipment financing business (Consumer RV Marine), Consumer Mexico, Consumer Singapore, our Consumer home lending operations in Australia and New Zealand (Australian Home Lending) and our Consumer business in Canada. Also, during 2011, we sold a substantial portion of our Garanti Bank equity investment and recorded a pre-tax gain of \$0.7 billion. During 2012, we sold our remaining equity interest in Garanti Bank, which was classified as an available-for-sale security.

Real Estate (9% and 7% of total three-year revenues and total segment profit, respectively) earnings increased by \$0.9 billion and \$1.7 billion in 2013 and 2012, respectively. In response to the real estate and credit market decline that began in 2008, Real Estate re-aligned its business strategy to a longer-term hold model utilizing its operating skills and global asset management resources to maximize existing portfolio value. During 2013, in conjunction with our initiative to increase our overall real estate lending portfolio and reduce our exposure to real estate equity investments, we acquired certain loan portfolios and sold real estate equity investments when economically advantageous for us to do, including the sale of real estate comprising certain floors located at 30 Rockefeller Center, New York. During 2013, commercial real estate markets continued to show signs of improved stability resulting in increased transaction volume; however, the pace of improvement varied significantly by asset class and market. Although there have been indications of some market improvement, there continues to be risk and uncertainty surrounding commercial real estate values in certain markets. Slow economic recovery could result in elevated delinquency levels, provisions for losses on financing receivables and real estate investment impairments. During 2012, we completed the sale of a portion of our Business Properties portfolio (Business Property), including certain commercial loans, the origination and servicing platforms and the servicing rights on loans previously securitized by GECC.

Energy Financial Services (3% and 5% of total three-year revenues and total segment profit, respectively) earnings decreased by an insignificant amount in both 2013 and 2012. Energy Financial Services has over \$16 billion in energy investments, often financed for 20 to 30 year terms, about 15% of its assets are held outside of the U.S.

GE Capital Aviation Services (GECAS) (13% of total three-year revenues and total segment profit, respectively) is a leader in commercial aircraft leasing and finance. In a competitive and challenging environment, this business' earnings decreased by \$0.3 billion in 2013 and increased by \$0.1 billion in 2012. At December 31, 2013, we owned 1,486 commercial aircraft, of which all were on lease, and we held \$30.2 billion (list price) of multiple-year orders for various Boeing, Airbus and other aircraft, including 75 aircraft (\$4.8 billion list price) scheduled for delivery in 2014, all under agreement to commence operations with commercial airline customers.

We integrate acquisitions as quickly as possible. Only revenues and earnings from the date we complete the acquisition through the end of the following fourth quarter are attributed to such businesses. Overall, the effects of acquisitions increased revenues by \$0.1 billion in 2013 and 2012 and \$0.3 billion in 2011. The effects of acquisitions on net earnings were an insignificant amount in 2013 and 2012 and an increase of \$0.1 billion in 2011. Dispositions also affected our ongoing results through lower revenues of an insignificant amount, \$0.6 billion and \$1.1 billion in 2013, 2012 and 2011, respectively. The effects of dispositions on net earnings were an increase of \$1.3 billion in 2013, a decrease of \$0.1 billion in 2012 and an insignificant amount in 2011.

Significant matters relating to our Statement of Earnings are explained below.

Discontinued Operations. In 2013, we sold CLL Trailer Services and announced the planned sale of Consumer Russia. These actions are consistent with our goal of reducing GECC ENI and focusing our businesses on selective financial services products where we have deep domain experience, broad distribution, and the ability to earn a consistent return on capital, while managing our overall balance sheet size and risk. Discontinued operations also includes 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), Consumer RV Marine, Consumer Mexico, Consumer Singapore, Australian Home Lending and Consumer Ireland.

We reported the operations described above as discontinued operations for all periods presented. For further information about discontinued operations, see the Segment Operations - Discontinued Operations section in this item and Note 2 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Interest on borrowings amounted to \$9.3 billion, \$11.6 billion and \$13.8 billion in 2013, 2012 and 2011, respectively. Average borrowings declined from 2012 to 2013 and from 2011 to 2012, in line with changes in average assets. Interest rates have decreased over the three-year period primarily attributable to declining global benchmark interest rates. Our average borrowings were \$379.5 billion, \$420.0 billion and \$450.5 billion in 2013, 2012 and 2011, respectively. Our average composite effective interest rate was 2.4% in 2013, 2.8% in 2012 and 3.1% in 2011. In 2013, our average assets of \$522.7 billion were 7% lower than in 2012, which in turn were 5% lower than in 2011. See the Liquidity and Borrowings section in this item for a discussion of liquidity, borrowings and interest rate risk management.

Income taxes have a significant effect on our net earnings. As a global commercial enterprise, our tax rates are affected by many factors, including our global mix of earnings, the extent to which those global earnings are indefinitely reinvested outside the United States, legislation, acquisitions, dispositions and tax characteristics of our income. Our tax rates are also affected by tax incentives introduced in the U.S. and other countries to encourage and support certain types of activity. Our tax returns are routinely audited and settlements of issues raised in these audits sometimes affect our tax provisions.

Our effective income tax rate is lower than the U.S. statutory rate primarily because of benefits from lower-taxed global operations, including the use of global funding structures. There is a tax benefit from global operations as non-U.S. income is subject to local country tax rates that are significantly below the 35% U.S. statutory rate. These non-U.S. earnings have been indefinitely reinvested outside the U.S. and are not subject to current U.S. income tax. The rate of tax on our indefinitely reinvested non-U.S. earnings is below the 35% U.S. statutory rate because we have significant business operations subject to tax in countries where the tax on that income is lower than the U.S. statutory rate and because GECC funds the majority of its non-U.S. operations through foreign companies that are subject to low foreign taxes.

We expect our ability to benefit from non-U.S. income taxed at less than the U.S. rate to continue subject to changes in U.S. or foreign law, including the expiration of the U.S. tax law provision deferring tax on active financial services income, as discussed in Note 10 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report. In addition, since this benefit depends on management’s intention to indefinitely reinvest amounts outside the U.S., our tax provision will increase to the extent we no longer indefinitely reinvest foreign earnings.

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Our benefits from lower-taxed global operations were \$3.3 billion, \$1.5 billion and \$1.1 billion in 2013, 2012, and 2011, respectively. The benefit was higher in 2013 as compared to 2012 principally because of the realization of benefits related to the sale of a portion of Cembra, the realization of benefits for prior-year losses, and the resolution of the Internal Revenue Service (IRS) audit of the 2008-2009 for items related to global operations. The benefit was higher in 2012 as compared to 2011, principally because of the realization of benefits for prior-year losses and a decrease in current-year losses for which there was not a full tax benefit. To the extent global interest rates and operating income increase, we would expect tax benefits to increase, subject to management's intention to indefinitely reinvest those earnings.

Our benefit from lower-taxed global operations included the effect of the lower foreign tax rate on our indefinitely reinvested non-U.S. earnings which provided a tax benefit of \$2.1 billion, \$0.9 billion and \$1.3 billion in 2013, 2012 and 2011, respectively. Included in 2013 is the benefit from the indefinite reinvestment of the eligible earnings from the sale of a portion of Cembra. The tax benefit from non-U.S. income taxed at a local country rather than the U.S. statutory tax rate is reported in the effective tax rate reconciliation in the line "Tax on global activities including export" in Note 10 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

GE and GECC file a consolidated U.S. federal income tax return. This enables GE to use GECC tax deductions and credits to reduce the tax that otherwise would have been payable by GE. The GECC effective tax rate for each period reflects the benefit of these tax reductions in the consolidated return. GE makes cash payments to GECC for these tax reductions at the time GE's tax payments are due.

Our effective tax rate was (13.6)% in 2013, compared with 6.6% in 2012. Comparing pre-tax income to a tax benefit resulted in a negative tax rate for 2013. Our tax expense decreased by \$1.5 billion from an expense of \$0.5 billion in 2012 to a benefit of \$1.0 billion in 2013. The lower 2013 tax expense is attributable to increased benefits from low-taxed global operations (\$1.7 billion), including the significant tax benefit related to the sale of a portion of Cembra (\$1.0 billion), and the 2013 tax benefits related to the extension of the U.S. tax provision deferring tax on active financial services income (\$0.3 billion). Also lowering the expense is the benefit from the resolution of the Internal Revenue Service (IRS) audit of the 2008-2009 tax years and items for other years (\$0.1 billion), which is reported partially in the caption "Tax on global activities including exports" and partially in the caption "All other-net" in the effective tax rate reconciliation in Note 10 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report. The items lowering the expense are partially offset by the absence of the 2012 benefit attributable to the high tax basis in the entity sold in the Business Property disposition (\$0.3 billion).

On January 2, 2013, the American Taxpayer Relief Act of 2012 was enacted and the law extended several provisions, including a two-year extension of the U.S. tax provision deferring tax on active financial services income retroactive to January 1, 2012. Under accounting rules, a tax law change is taken into account in calculating the income tax provision in the period enacted. Because the extension was enacted into law 2013, tax expense for 2013 reflected retroactive extension of the previously expired provisions.

Our effective tax rate was 6.6% in 2012, compared with 12.1% in 2011. Our tax expense of \$0.5 billion in 2012 decreased by \$0.4 billion from \$0.9 billion in 2011. The lower 2012 tax expense resulted principally from the benefit attributable to the high-tax basis in the entity sold in the Business Property disposition (\$0.3 billion), increased benefits from low-taxed global operations (\$0.2 billion) and the absence of the 2011 high-taxed disposition of Garanti Bank (\$0.1 billion). Partially offsetting the decrease in tax expense was the absence in 2012 of the 2011 benefit from resolution of the 2006-2007 IRS audit (\$0.2 billion), which is reported in the caption "All other-net" in the effective tax rate reconciliation in Note 10 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report, and from higher pre-tax income of \$0.3 billion that increased the tax

expense (\$0.1 billion).

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Global Risk Management

A disciplined approach to risk is important in a diversified organization like ours in order to ensure that we are executing according to our strategic objectives and that we only accept risk for which we are adequately compensated. We evaluate risk at the individual transaction level, and evaluate aggregated risk at the customer, industry, geographic and collateral-type levels, where appropriate.

Risk assessment and risk management are the responsibility of management and are carried out through risk managers who are operationally integrated into each of our businesses. These risk managers have acquired deep domain expertise through their long careers and proximity to the business' operations and core processes. Both risk managers and the business leadership teams have specific, risk-focused goals and objectives that are aligned with our overall risk framework.

The GE Board of Directors (Board) has oversight for risk management with a focus on the most significant risks facing the company, including strategic, operational, financial and legal and compliance risks. At the end of each year, management and the Board jointly develop a list of major risks that GE plans to prioritize in the next year. Throughout the year, the Board and the committees to which it has delegated responsibility dedicate a portion of their meetings to review and discuss specific risk topics in greater detail. Strategic, operational and reputational risks are presented and discussed in the context of the CEO's report on operations to the Board at regularly scheduled Board meetings and at presentations to the Board and its committees by the vice chairmen, GE and GECC Chief Risk Officers (CROs), general counsel and other employees. The Board has delegated responsibility for the oversight of specific risks to Board committees as follows:

- The GE Risk Committee oversees risks related to GE Capital and jointly meets throughout the year with the GECC Board of Directors (GECC Board), which is in addition to an annual joint meeting of the GE and GECC Boards. The GE Risk Committee also oversees the Company's four to five most critical enterprise risks and how management is mitigating these risks.
- The Audit Committee oversees GE's and GE Capital's policies and processes relating to the financial statements, the financial reporting process, compliance and auditing. The Audit Committee, in coordination with the GE Risk Committee, discusses with management the Company's risk assessment and risk management practices and, when reviewing and approving the annual audit plan for the internal audit functions, prioritizes audit focus areas based on their potential risk to the Company. The GE Audit Committee also monitors ongoing compliance issues and matters, and also semi-annually conducts an assessment of compliance issues and programs. The Audit Committee jointly meets with the GECC Board once a year, which is in addition to an annual joint meeting of the GE Risk Committee and Audit Committee.
- The Management Development and Compensation Committee oversees the risk management associated with management resources, structure, succession planning, management development and selection processes, and includes separate reviews of incentive compensation arrangements at GE and GE Capital to confirm that incentive pay does not encourage unnecessary and excessive risk taking and to review and discuss, at least annually, the relationship between risk management policies and practices, corporate strategy and senior executive compensation. The Management Development and Compensation Committee also incentivizes leaders to improve the Company's competitive position.
- The Governance and Public Affairs Committee oversees risk related to the Company's governance structure and processes and risks arising from related-person transactions, reviews and discusses with management risks related to GE's public policy initiatives and activities, and monitors the Company's environmental, health and safety compliance

and related risks.

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The GE Board's risk oversight process builds upon management's risk assessment and mitigation processes, which include standardized reviews of long-term strategic and operational planning; executive development and evaluation; code of conduct compliance under GE's The Spirit & The Letter; regulatory compliance; health, safety and environmental compliance; financial reporting and controllership; and information technology and security. A vice chairman of GE and GE's CRO are responsible for overseeing and coordinating risk assessment and mitigation on an enterprise-wide basis. They lead the Corporate Risk Function and are responsible for the identification of key business risks, providing for appropriate management of these risks within GE Board guidelines, and enforcement through policies and procedures. In 2013, the Company combined its risk evaluation process with its quarterly operating reviews to simplify the Company's operating rhythm and added a vice chairman position with responsibility for both enterprise risk and operations. The Policy Compliance Review Board is a management-level committee that further assists in assessing and mitigating risk. The Policy Compliance Review Board, which conducted four compliance operating reviews and met seven times in 2013, is chaired by the company's general counsel and includes the Chief Financial Officer and other senior-level functional leaders. It has principal responsibility for monitoring compliance matters across the Company.

GE's Corporate Risk Function leverages the risk infrastructures in each of our businesses, which have adopted an approach that corresponds to the company's overall risk policies, guidelines and review mechanisms. Our risk infrastructure operates at the business and functional levels and is designed to identify, evaluate and mitigate risks within each of the following categories:

- **Strategic.** Strategic risk relates to the company's future business plans and strategies, including the risks associated with the markets and industries in which we operate, demand for our products and services, competitive threats, technology and product innovation, mergers and acquisitions and public policy.
- **Operational.** Operational risk relates to risks (systems, processes, people and external events) that affect the operation of our businesses. It includes product life cycle and execution; product safety and performance; information management and data protection and security, including cyber security; business disruption; human resources; and reputation.
- **Financial.** Financial risk relates to our ability to meet financial obligations and mitigate credit risk, liquidity risk and exposure to broad market risks, including volatility in foreign currency exchange rates and interest rates and commodity prices. Liquidity risk refers to the potential inability to meet contractual or contingent financial obligations (whether on- or off-balance sheet) as they arise, and could potentially impact an institution's financial condition or overall safety and soundness. Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. We face credit risk in our industrial businesses, as well as in our GE Capital investing, lending and leasing activities and derivative financial instruments activities.
- **Legal and Compliance.** Legal and compliance risk relates to risks arising from the government and regulatory environment and action, compliance with integrity policies and procedures, including those relating to financial reporting, environmental health and safety, and intellectual property risks. Government and regulatory risk includes the risk that the government or regulatory actions will impose additional cost on us or cause us to have to change our business models or practices.

Risks identified through our risk management processes are prioritized and, depending on the probability and severity of the risk, escalated to the CRO. These risks are discussed and responsibility for them is assigned to the business or functional leader most suited to manage the risk in connection with the quarterly operating reviews. Assigned owners are required to continually monitor, evaluate and report on risks for which they bear responsibility. Enterprise risk leaders within each business and corporate function are responsible to present to the CRO risk assessments and key risks at least annually. We have general response strategies for managing risks, which categorize risks according to

whether the company will avoid, transfer, reduce or accept the risk. These response strategies are tailored to ensure that risks are within acceptable GE Board general guidelines.

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Depending on the nature of the risk involved and the particular business or function affected, we use a wide variety of risk mitigation strategies, including delegation of authorities, standardized processes and strategic planning reviews, operating reviews, insurance, and hedging. As a matter of policy, we generally hedge the risk of fluctuations in foreign currency exchange rates, interest rates and commodity prices. GE's service businesses employ a comprehensive tollgate process leading up to and through the execution of a contractual service agreement to mitigate legal, financial and operational risks. Furthermore, we centrally manage some risks by purchasing insurance, the amount of which is determined by balancing the level of risk retained or assumed with the cost of transferring risk to others. We manage the risk of fluctuations in economic activity and customer demand by monitoring industry dynamics and responding accordingly, including by adjusting capacity, implementing cost reductions and engaging in mergers, acquisitions and dispositions.

GE Capital Risk Management and Oversight

GE Capital acknowledges risk-taking as a fundamental characteristic of providing financial services. It is inherent to its business and arises in lending, leasing and investment transactions undertaken by GE Capital. GE Capital operates within the parameters of its established risk appetite in pursuit of its strategic goals and objectives.

GE Capital continues to enhance its risk infrastructure and processes to manage risks related to its businesses, and the GE Corporate Risk Function relies upon them in fulfilling its mission.

The GE Risk Committee oversees GE Capital's risk appetite, risk assessment and management processes. The GE Risk Committee and the GECC Board oversee the GE Capital risk management framework, with the GECC Board approving all significant acquisitions and dispositions as well as significant borrowings and investments. The GE Risk Committee and the GECC Board exercise oversight of investment activities in the business units through delegations of authority. All participants in the GE Capital risk management process must comply with approval limits established by the GE Risk Committee and the GECC Board.

The Enterprise Risk Management Committee (ERMC), which comprises the most senior leaders in GE Capital as well as the GE CRO, oversees the implementation of GE Capital's risk appetite, and senior management's establishment of appropriate systems (including policies, procedures, and management committees) to ensure enterprise risks are effectively identified, measured, monitored and controlled. The ERMC has delegated management of specific risks to various sub-committees, including the Operational Risk Management Committee, Asset-Liability Committee, Capital Planning Committee and Asset Quality Committee. Day-to-day risk oversight for GE Capital is provided by an independent global risk management organization that includes the GE Capital corporate function in addition to independent risk officers embedded in the individual business units.

GE Capital's risk management approach rests upon three major tenets: a broad spread of risk based on managed exposure limits; senior secured commercial financings; and a hold-to-maturity model with transactions underwritten to "on-book" standards. Dedicated risk professionals across the businesses include underwriters, portfolio managers, collectors, environmental and engineering specialists, and specialized asset managers. The senior risk officers have, on average, over 30 years of experience.

GE Capital manages all risks relevant to its business environment, which, if materialized, could prevent GE Capital from achieving its risk objectives and/or result in losses. These risks are defined as GE Capital's Enterprise Risk Universe, which includes the following risks: strategic, liquidity, credit and investment, market and operational (including financial, compliance, information technology, human resources and legal). Reputational risk is considered and managed across each of the categories. GE Capital continues to make significant investments in resources to enhance its evolving risk management infrastructure.

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GE Capital's Corporate Risk function, in consultation with the ERM, updates the Enterprise Risk Appetite Statement annually. This document articulates the enterprise risk objectives, its key universe of risks and the supporting limit structure. GE Capital's risk appetite is determined relative to its desired risk objectives, including, but not limited to, credit ratings, capital levels, liquidity management, regulatory assessments, earnings, dividends and compliance. GE Capital determines its risk appetite through consideration of portfolio analytics, including stress testing and economic capital measurement, experience and judgment of senior risk officers, current portfolio levels, strategic planning, and regulatory and rating agency expectations.

The Enterprise Risk Appetite Statement is presented to the GECC Board and the GE Risk Committee for review and approval at least annually. On a quarterly basis, the status of GE Capital's performance against these limits is reviewed by the GE Risk Committee.

GE Capital monitors its capital adequacy including through economic capital, regulatory capital and enterprise stress testing methodologies. GE Capital's economic capital methodology uses internal models to estimate potential unexpected losses across different portfolios with a confidence level equivalent to an AA agency rating. Although GE Capital is not currently subject to risk-based capital standards, GE Capital estimates capital adequacy based on the Basel 1 U.S. and Basel 3 International and U.S. frameworks. GE Capital uses stress testing for risk, liquidity and capital adequacy assessment and management purposes, and as an integral part of GE Capital's overall planning processes. Stress testing results inform key strategic portfolio decisions such as the amount of capital required to maintain minimum expected regulatory capital levels in severe but plausible stresses, capital allocation, assist in developing the risk appetite and limits, and help in assessing product specific risk to guide the development and modification of product structures. The GE Risk Committee and the GECC Board review stress test results and their expected impact on capital levels and metrics. The GE Risk Committee and the GECC Board are responsible for overseeing the overall capital adequacy process, as well as approving GE Capital's annual capital plan and capital actions.

Key risk management policies are approved by the GECC Board and the GE Risk Committee at least annually. GE Capital senior management, in coordination with the GE CRO, meets with the GE Risk Committee throughout the year. At these meetings, GE Capital senior management focuses on the risk issues, strategy and governance of the business.

Operational risks are inherent in GE Capital's business activities and are typical of any large enterprise. GE Capital's operational risk management program seeks to effectively manage operational risk to reduce the potential for significant unexpected losses, and to minimize the impact of losses experienced in the normal course of business. Additional information about our liquidity and how we manage this risk can be found in the Financial Resources and Liquidity section. Additional information about our credit risk and our portfolio can be found in the Financial Resources and Liquidity and Critical Accounting Estimates sections. Additional information about our market risk and how we manage this risk can be found in the Financial Resources and Liquidity section.

Segment Operations

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

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

Segment profit is determined based on internal performance measures used by the Chairman to assess the performance of each business in a given period. In connection with that assessment, the Chairman may exclude matters such as charges for restructuring; rationalization and other similar expenses; acquisition costs and other related charges; technology and product development costs; certain gains and losses from acquisitions or dispositions; and litigation settlements or other charges, responsibility for which preceded the current management team.

Segment profit excludes results reported as discontinued operations, earnings attributable to noncontrolling interests of consolidated subsidiaries GECC preferred stock dividends declared and accounting changes. Segment profit, which we sometimes refer to as “net earnings”, includes interest and income taxes. GE allocates certain corporate costs to its segments based on an estimate of expected benefit to the respective segment relative to total GE. Factors considered in the determination of relative benefit include a segment’s direct costs and number of employees compared to the total direct costs and number of employees for all segments.

We have reclassified certain prior-period amounts to conform to the current-period presentation. For additional information about our segments, see Part I, Item 1. “Business” and Note 19 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

Summary of Operating Segments

(In millions)	2013	2012	2011
Revenues			
CLL	\$ 14,316	\$ 16,458	\$ 17,714
Consumer	15,741	15,303	16,487
Real Estate	3,915	3,654	3,712
Energy Financial Services	1,526	1,508	1,223
GECAS	5,346	5,294	5,262
Total segment revenues	40,844	42,217	44,398
GECC corporate items and eliminations	3,223	3,147	3,926
Total revenues	\$ 44,067	\$ 45,364	\$ 48,324
Segment profit (loss)			
CLL	\$ 1,965	\$ 2,401	\$ 2,703
Consumer	4,319	3,207	3,616
Real Estate	1,717	803	(928)
Energy Financial Services	410	432	440
GECAS	896	1,220	1,150
Total segment profit	9,307	8,063	6,981
GECC corporate items and eliminations(a)(b)	(1,049)	(718)	(501)
Earnings from continuing operations attributable to GECC	8,258	7,345	6,480
Earnings (loss) from discontinued operations, net of taxes, attributable to GECC	(2,054)	(1,130)	30
Net earnings attributable to GECC	\$ 6,204	\$ 6,215	\$ 6,510

(a) Included restructuring, rationalization and other charges for 2013, 2012 and 2011 of \$0.2 billion, \$0.1 billion and \$0.1 billion, respectively, primarily related to CLL business exits.

(b) Included \$0.1 billion of net losses for 2013, and \$0.2 billion of net losses for both 2012 and 2011, related to our treasury operations.

See accompanying notes to consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

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CLL

(In millions)	2013	2012	2011
Revenues	\$ 14,316	\$ 16,458	\$ 17,714
Segment profit	\$ 1,965	\$ 2,401	\$ 2,703

December 31 (In millions)	2013	2012
Total assets	\$ 174,357	\$ 181,375

(In millions)	2013	2012	2011
Revenues			
Americas	\$ 9,340	\$ 10,666	\$ 10,621
Europe	3,127	3,301	3,856
Asia	1,799	2,095	2,281
Other	50	396	956
Segment profit (loss)			
Americas	\$ 1,577	\$ 2,069	\$ 2,118
Europe	327	223	393
Asia	217	170	234
Other	(156)	(61)	(42)

December 31 (In millions)	2013	2012
Total assets		
Americas	\$ 103,697	\$ 108,895
Europe	50,391	48,137
Asia	14,166	16,831
Other	6,103	7,512

CLL 2013 revenues decreased 13% and net earnings decreased 18% compared with 2012. Revenues for 2013 were reduced by \$0.1 billion as a result of dispositions. Revenues in 2013 also decreased as a result of organic revenue declines (\$1.2 billion), primarily due to lower ENI (\$0.8 billion), and higher impairments (\$0.7 billion). Net earnings decreased reflecting higher impairments (\$0.6 billion), partially offset by dispositions (\$0.1 billion).

CLL 2012 revenues decreased 7% and net earnings decreased 11% compared with 2011. Revenues for 2012 were reduced by \$0.4 billion as a result of dispositions. Revenues in 2012 also decreased as a result of organic revenue declines (\$0.6 billion), primarily due to lower ENI (\$0.5 billion), and the stronger U.S. dollar (\$0.2 billion). Net earnings decreased reflecting core decreases (\$0.2 billion) and dispositions (\$0.1 billion).

Consumer

(In millions)	2013		2012		2011
Revenues	\$	15,741	\$	15,303	\$ 16,487
Segment profit	\$	4,319	\$	3,207	\$ 3,616
December 31 (In millions)	2013		2012		
Total assets	\$	132,236	\$	138,002	

Consumer 2013 revenues increased 3% and net earnings increased 35% compared with 2012. Revenues for 2013 included \$0.1 billion from acquisitions and \$0.3 billion as a result of dispositions. Revenues in 2013 also increased as a result of higher gains (\$0.5 billion), partially offset by organic revenue declines (\$0.4 billion). The increase in net earnings resulted primarily from the sale of a portion of Cembra (\$1.2 billion), higher gains (\$0.3 billion) related to the sale of Bay Bank and core increases (\$0.1 billion). These increases were partially offset by higher provisions for losses on financing receivables (\$0.5 billion) reflecting the use of a more granular portfolio segmentation approach, by loss type, in determining the incurred loss period and projected net write-offs over the next 12 months in our installment and revolving credit portfolios.

Consumer 2012 revenues decreased 7% and net earnings decreased 11% compared with 2011. Revenues for 2012 included \$0.1 billion from acquisitions and were reduced by \$0.1 billion as a result of dispositions. Revenues in 2012 also decreased as a result of the absence of the 2011 gain on the Garanti Bank transaction (\$0.7 billion), the stronger U.S. dollar (\$0.4 billion) and organic revenue declines (\$0.2 billion). The decrease in net earnings resulted primarily from the absence of the 2011 gain on the Garanti Bank transaction and operations (\$0.4 billion), higher provisions for losses on financing receivables (\$0.1 billion) and dispositions (\$0.1 billion), partially offset by core increases (\$0.2 billion). The higher provisions for losses on financing receivables reflected the use of a more granular portfolio segmentation approach, by loss type, in determining the incurred loss period in our U.S. Installment and Revolving Credit portfolio.

Real Estate

(In millions)	2013		2012		2011
Revenues	\$	3,915	\$	3,654	\$ 3,712
Segment profit (loss)	\$	1,717	\$	803	\$ (928)
December 31 (In millions)	2013		2012		
Total assets	\$	38,744	\$	46,247	

Real Estate 2013 revenues increased 7% and net earnings were favorable compared with 2012. Revenues in 2013 increased primarily as a result of increases in net gains on property sales (\$1.1 billion) mainly due to the sale of real estate comprising certain floors located at 30 Rockefeller Center, New York, partially offset by organic revenue declines (\$0.7 billion), primarily due to lower ENI (\$0.6 billion). Real Estate net earnings increased as a result of core increases (\$0.9 billion) including increases in net gains on property sales (\$0.7 billion) and higher tax benefits (\$0.3 billion). Depreciation expense on real estate equity investments totaled \$0.6 billion and \$0.8 billion in 2013 and 2012, respectively.

Real Estate 2012 revenues decreased 2% and net earnings were favorable compared with 2011. Revenues in 2012 decreased as a result of organic revenue declines (\$0.2 billion), primarily due to lower ENI, and the stronger U.S. dollar (\$0.1 billion), partially offset by increases in net gains on property sales (\$0.2 billion). Real Estate net earnings increased as a result of lower impairments (\$0.7 billion), core increases (\$0.7 billion) including higher tax benefits of \$0.5 billion, lower provisions for losses on financing receivables (\$0.2 billion) and increases in net gains on property sales (\$0.1 billion). Depreciation expense on real estate equity investments totaled \$0.8 billion and \$0.9 billion in 2012 and 2011, respectively.

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Energy Financial Services

(In millions)	2013		2012		2011
Revenues	\$	1,526	\$	1,508	\$ 1,223
Segment profit	\$	410	\$	432	\$ 440
December 31 (In millions)	2013		2012		
Total assets	\$	16,203	\$	19,185	

Energy Financial Services 2013 revenues increased 1% and net earnings decreased 5% compared with 2012. Revenues in 2013 increased as a result of dispositions (\$0.1 billion) and organic revenue growth (\$0.1 billion), partially offset by lower gains (\$0.1 billion) and higher impairments. The decrease in net earnings resulted primarily from lower gains (\$0.1 billion), partially offset by core increases and dispositions.

Energy Financial Services 2012 revenues increased 23% and net earnings decreased 2% compared with 2011. Revenues in 2012 increased primarily as a result of organic revenue growth (\$0.3 billion), including the consolidation of an entity involved in power generating activities and asset sales by investees, and higher gains.

GECAS

(In millions)	2013		2012		2011
Revenues	\$	5,346	\$	5,294	\$ 5,262
Segment profit	\$	896	\$	1,220	\$ 1,150
December 31 (In millions)	2013		2012		
Total assets	\$	45,876	\$	49,420	

GECAS 2013 revenues increased 1% and net earnings decreased 27% compared with 2012. Revenues in 2013 increased as a result of lower finance lease impairments and higher gains. The decrease in net earnings resulted primarily from higher equipment leased to others (ELTO) impairments (\$0.3 billion) related to our operating lease portfolio of commercial aircraft, and core decreases, partially offset by higher gains.

GECAS 2012 revenues increased 1% and net earnings increased 6% compared with 2011. Revenues in 2012 increased as a result of organic revenue growth (\$0.2 billion) and higher gains, partially offset by higher impairments (\$0.2 billion). The increase in net earnings resulted primarily from core increases (\$0.1 billion) and higher gains, partially offset by higher impairments (\$0.1 billion).

Corporate Items and Eliminations

Corporate items and eliminations included \$0.1 billion and \$0.2 billion of Treasury operation expenses for 2013 and 2012, respectively. These Treasury results were primarily related to derivative activities that reduce or eliminate interest rate, currency or market risk between financial assets and liabilities.

Corporate items and eliminations included \$0.1 billion of net unallocated tax expenses for 2013. Corporate items and eliminations included \$0.2 billion of net unallocated tax benefits for 2012, primarily attributable to the high tax basis in the entity being sold in the 2012 Business Property disposition.

Certain amounts included in corporate items and eliminations are not allocated to the five operating businesses because they are excluded from the measurement of their operating performance for internal purposes. Unallocated costs included \$0.2 billion and \$0.1 billion for 2013 and 2012, respectively, primarily related to restructuring, rationalization and other charges.

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Discontinued Operations

(In millions)	2013	2012	2011
Earnings (loss) from discontinued operations, net of taxes	\$(2,054)	\$(1,130)	\$30

Discontinued operations primarily comprised GE Money Japan, WMC, Consumer RV Marine, Consumer Mexico, Consumer Singapore, Australian Home Lending, Consumer Ireland, CLL Trailer Services and Consumer Russia. Associated results of operations, financial position and cash flows are separately reported as discontinued operations for all periods presented.

In 2013, loss from discontinued operations, net of taxes, reflected a \$1.6 billion after-tax effect of incremental reserves, primarily related to an agreement to extinguish our loss-sharing arrangement for excess interest claims associated with the 2008 sale of GE Money Japan, a \$0.2 billion after-tax effect of incremental reserves related to retained representation and warranty obligations to repurchase previously sold loans on the 2007 sale of WMC and a \$0.2 billion after-tax loss on the planned disposal of Consumer Russia.

In 2012, loss from discontinued operations, net of taxes, primarily reflected a \$0.6 billion after-tax effect of incremental reserves for excess interest claims related to our loss-sharing arrangement on the 2008 sale of GE Money Japan, a \$0.3 billion after-tax effect of incremental reserves related to retained representation and warranty obligations to repurchase previously sold loans on the 2007 sale of WMC and a \$0.2 billion loss (including a \$0.1 billion loss on disposal) related to Consumer Ireland.

In 2011, earnings from discontinued operations, net of taxes, included a \$0.3 billion gain on disposal related to the sale of Consumer Singapore and \$0.1 billion earnings from operations at Consumer Russia, partially offset by a \$0.2 billion after-tax effect of incremental reserves for excess interest claims related to our loss-sharing arrangement on the 2008 sale of GE Money Japan and a \$0.2 billion loss from operations at Consumer Ireland.

For additional information related to discontinued operations, see Note 2 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Geographic Operations

Our global activities span all geographic regions and primarily encompass leasing of aircraft and provision of financial services within these regional economies. Thus, when countries or regions experience currency and/or economic stress, we often have increased exposure to certain risks, but also often have new opportunities that include, among other things, more opportunities for expansion of our activities through purchases of companies or assets at reduced prices and lower U.S. debt financing costs.

Revenues are classified according to the region to which products and services are sold. For purposes of this analysis, the U.S. is presented separately from the remainder of the Americas. We classify certain assets that cannot meaningfully be associated with specific geographic areas as "Other Global" for this purpose.

Geographic Revenues

(In billions)	2013	2012	2011
U.S.	\$25.7	\$26.4	\$26.0
Europe	8.8	9.1	10.7
Pacific Basin	6.1	6.3	6.5
Americas	2.7	2.8	3.6
Middle East and Africa	0.8	0.8	1.5
Total	\$44.1	\$45.4	\$48.3

Non U.S. revenues decreased 3% to \$18.4 billion in 2013, compared with \$19.0 billion and \$22.3 billion in 2012 and 2011, respectively, primarily as a result of decreases in Europe. Non-U.S. revenues as a percentage of total revenues were 42% in 2013 and 2012, compared with 46% in 2011. Non-U.S. revenues decreased by 15% in 2012 from \$22.3 billion in 2011, primarily as a result of decreases in Europe. The effects of currency fluctuations on reported results decreased revenues by \$0.2 billion in 2013, primarily driven by the Japanese yen (\$0.2 billion). The effects of currency fluctuations on reported results decreased revenues by \$0.7 billion in 2012, primarily driven by the euro (\$0.3 billion), Polish zloty (\$0.1 billion), Hungarian forint (\$0.1 billion) and Czech koruna (\$0.1 billion). The effects of currency fluctuations on reported results increased revenues by \$1.0 billion in 2011, primarily driven by the Australian dollar (\$0.3 billion), euro (\$0.2 billion), Japanese yen (\$0.1 billion), Canadian dollar (\$0.1 billion) and British pound (\$0.1 billion).

The effects of foreign currency fluctuations on earnings were minimal, with no single currency having a significant impact.

Total Assets (continuing operations)

December 31 (In billions)	2013	2012
U.S.	\$260.3	\$270.9
Europe	142.5	140.7
Pacific Basin	42.2	48.4
Americas	24.0	27.0
Other Global	45.5	49.0
Total	\$514.5	\$536.0

Total assets of non-U.S. operations on a continuing basis of \$254.2 billion in 2013 decreased \$10.9 billion from 2012. This decrease reflected declines in Pacific Basin, Americas and Other Global, primarily due to the strengthening of the U.S. dollar against the Japanese yen and dispositions at various businesses.

Financial results of our non-U.S. activities reported in U.S. dollars are affected by currency exchange. We use a number of techniques to manage the effects of currency exchange, including selective borrowings in local currencies and selective hedging of significant cross-currency transactions. Such principal currencies are the pound sterling, the euro, the Japanese yen, the Swiss franc and the Australian dollar.

Financial Resources and Liquidity

This discussion of financial resources and liquidity addresses the Statement of Financial Position; Liquidity and Borrowings; Debt and Derivative Instruments, Guarantees and Covenants; Statements of Changes in Shareowners' Equity and Comprehensive Income; Statement of Cash Flows – Overview from 2011 through 2013; Contractual Obligations; and Variable Interest Entities (VIEs).

Overview of Financial Position

Major changes to our shareowners' equity are discussed in the Shareowners' Equity and Comprehensive Income section. In addition, other significant changes to balances in our Statement of Financial Position follow.

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Statement of Financial Position

Investment securities comprise mainly investment-grade debt securities supporting obligations to annuitants and 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. The fair value of investment securities decreased to \$43.7 billion at December 31, 2013 from \$48.4 billion at December 31, 2012, primarily due to the sale of U.S. government and federal agency securities at our treasury operations and the impact of higher interest rates. At December 31, 2013, we held debt securities with an estimated fair value of \$43.3 billion, which included corporate debt securities, asset-backed securities (ABS), commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS) with estimated fair values of \$23.5 billion, \$7.4 billion, \$3.0 billion and \$1.9 billion, respectively. Net unrealized gains on debt securities were \$2.5 billion and \$4.8 billion at December 31, 2013 and 2012, respectively. This amount included unrealized losses on corporate debt securities, state and municipal securities and CMBS of \$0.3 billion, \$0.2 billion and \$0.1 billion, respectively, at December 31, 2013, as compared with \$0.4 billion, \$0.1 billion and \$0.1 billion, respectively, at December 31, 2012.

We regularly review investment securities for impairment using both qualitative and quantitative criteria. For debt securities, our qualitative review considers our intent to sell the security and the financial health of and specific 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. 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 recovery of our amortized cost. For equity securities, we consider the length of time and magnitude of the amount that each security is in an unrealized loss position. We believe that the unrealized loss associated with our equity securities will be recovered within the foreseeable future. Uncertainty in the capital markets may cause increased levels of other-than-temporary impairments. For additional information relating to how credit losses are calculated, see Note 3 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Our RMBS portfolio is collateralized primarily by pools of individual, direct mortgage loans (a majority of which were originated in 2006 and 2005), not other structured products such as collateralized debt obligations. The vast majority of our RMBS are in a senior position in the capital structure of the deals and more than 70% are agency bonds or insured by Monoline insurers (Monolines) (on which we continue to place reliance). Of our total RMBS portfolio at December 31, 2013 and 2012, approximately \$0.4 billion and \$0.5 billion, respectively, relates to residential subprime credit, primarily supporting our guaranteed investment contracts. A majority of this exposure is related to investment securities backed by mortgage loans originated in 2006 and 2005. Substantially all of the subprime RMBS were investment grade at the time of purchase and approximately 70% have been subsequently downgraded to below investment grade.

Our 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), the majority of which were originated in 2007 and 2006. The vast majority of the securities in our CMBS portfolio have investment-grade credit ratings and the vast majority of the securities are in a senior position in the capital structure of the deals.

Our 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. In addition, substantially all of the securities that are below investment grade are in an unrealized gain position.

If there has been an adverse change in cash flows for RMBS, management considers credit enhancements such as Monoline insurance (which are features of a specific security). In evaluating the overall creditworthiness of the Monoline, we use an analysis that is similar to the approach we use for corporate bonds, including an evaluation of the sufficiency of the Monoline's cash reserves and capital, ratings activity, whether the Monoline is in default or default appears imminent, and the potential for intervention by an insurance or other regulator.

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Monolines provide credit enhancement for certain of our investment securities, primarily RMBS and municipal securities. The credit enhancement is a feature of each specific security that guarantees the payment of all contractual cash flows, and is not purchased separately by GE. The Monoline industry continues to experience financial stress from increasing delinquencies and defaults on the individual loans underlying insured securities. We continue to rely on Monolines with adequate capital and claims paying resources. We have reduced our reliance on Monolines that do not have adequate capital or have experienced regulator intervention. At December 31, 2013, our investment securities insured by Monolines on which we continue to place reliance were \$1.0 billion, including \$0.3 billion of our \$0.4 billion investment in subprime RMBS. At December 31, 2013, the unrealized loss associated with securities subject to Monoline credit enhancement, for which there is an expected credit loss, was \$0.1 billion.

Total pre-tax, other-than-temporary impairment losses during 2013 were \$0.8 billion, of which \$0.7 billion was recognized in earnings and primarily relates to credit losses on corporate debt securities and other-than-temporary losses on equity securities and an insignificant amount primarily relates to non-credit-related losses on RMBS and is included within accumulated other comprehensive income (AOCI).

Total pre-tax, other-than-temporary impairment losses during 2012 were \$0.2 billion, of which \$0.1 billion was recognized in earnings and primarily relates to credit losses on non-U.S. corporate, U.S. corporate and RMBS securities and other-than-temporary losses on equity securities and \$0.1 billion primarily relates to non-credit-related losses on RMBS and is included within AOCI.

At December 31, 2013 and 2012, unrealized losses on investment securities totaled \$0.7 billion and \$0.8 billion, respectively, including \$0.4 billion and \$0.8 billion, respectively, aged 12 months or longer. Of the amount aged 12 months or longer at December 31, 2013, more than 70% are debt securities that were considered to be investment grade by the major rating agencies. In addition, of the amount aged 12 months or longer, \$0.1 billion and \$0.2 billion related to structured securities (mortgage-backed and asset-backed) and corporate debt securities, respectively. With respect to our investment securities that are in an unrealized loss position, aged 12 months or longer at December 31, 2013, the majority relate to debt securities held to support obligations to holders of GICs. We presently do not intend to sell the vast majority of our debt securities that are in an unrealized loss position and believe that it is not more likely than not that we will be required to sell these securities before recovery of our amortized cost. For additional information, see Note 3 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Fair value measurements. For financial assets and liabilities measured at fair value on a recurring basis, fair value is the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. Additional information about our application of this guidance is provided in Notes 1 and 14 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report. At December 31, 2013, the aggregate amount of investments that are measured at fair value through earnings totaled \$3.0 billion and consisted primarily of various assets held for sale in the ordinary course of business, as well as equity investments.

Financing receivables is our largest category of assets and represents one of our primary sources of revenues. Our portfolio of financing receivables is diverse and not directly comparable to major U.S. banks. A discussion of the quality of certain elements of the financing receivables portfolio follows.

Our consumer portfolio is composed primarily of non-U.S. mortgage, sales finance, auto and personal loans in various European and Asian countries and U.S. consumer credit card and sales finance receivables. In 2007, we exited the U.S. mortgage business and we have no U.S. auto or student loans.

Our commercial portfolio primarily comprises senior secured positions with comparatively low loss history. The secured receivables in this portfolio are collateralized by a variety of asset classes, which for our CLL business primarily include: industrial-related facilities and equipment, vehicles, corporate aircraft, and equipment used in many industries, including the construction, manufacturing, transportation, media, communications, entertainment, and healthcare industries. The portfolios in our Real Estate, GECAS and Energy Financial Services businesses are collateralized by commercial real estate, commercial aircraft and operating assets in the global energy and water industries, respectively. We are in a secured position for substantially all of our commercial portfolio.

Losses on financing receivables are recognized when they are incurred, which requires us to make our best estimate of probable losses inherent in the portfolio. The method for calculating the best estimate of losses depends on the size, type and risk characteristics of the related financing receivable. Such an estimate requires consideration of historical loss experience, adjusted for current conditions, and judgments about the probable effects of relevant observable data, including present economic conditions such as delinquency rates, financial health of specific customers and market sectors, collateral values (including housing price indices as applicable), and the present and expected future levels of interest rates. The underlying assumptions, estimates and assessments we use to provide for losses are updated periodically to reflect our view of current conditions and are subject to the regulatory examinations process, which can result in changes to our assumptions. Changes in such estimates can significantly affect the allowance and provision for losses. It is possible to experience credit losses that are different from our current estimates.

Our risk management process includes standards and policies for reviewing major risk exposures and concentrations, and evaluates relevant data either for individual loans or financing leases, or on a portfolio basis, as appropriate.

Loans acquired in a business acquisition are recorded at fair value, which incorporates our estimate at the acquisition date of the credit losses over the remaining life of the portfolio. As a result, the allowance for losses is not carried over at acquisition. This may have the effect of causing lower reserve coverage ratios for those portfolios.

For purposes of the discussion that follows, “delinquent” receivables are those that are 30 days or more past due based on their contractual terms, and “nonearning” receivables are those that are 90 days or more past due (or for which collection is otherwise doubtful). Nonearning receivables exclude loans purchased at a discount (unless they have deteriorated post acquisition). These loans are initially recorded at fair value and accrete interest income over the estimated life of the loan based on reasonably estimable cash flows even if the underlying loans are contractually delinquent at acquisition. In addition, nonearning receivables exclude loans that are paying on a cash accounting basis but are classified as nonaccrual and impaired. “Nonaccrual” financing receivables include all nonearning receivables and are those on which we have stopped accruing interest. We stop accruing interest at the earlier of the time at which collection of an account becomes doubtful or the account becomes 90 days past due, with the exception of consumer credit card accounts, on which we accrue interest until the account becomes 180 days past due, as discussed below. Recently restructured financing receivables are not considered delinquent when payments are brought current according to the restructured terms, but may remain classified as nonaccrual until there has been a period of satisfactory payment performance by the borrower and future payments are reasonably assured of collection.

Beginning in the fourth quarter of 2013, we revised our methods for classifying financing receivables as nonaccrual and nonearning to more closely align with regulatory guidance. Under the revised methods, we continue to accrue interest on consumer credit cards until the accounts are written off in the period the account becomes 180 days past due. Previously, we stopped accruing interest on consumer credit cards when the account became 90 days past due. In addition, the revised methods limit the use of the cash basis of accounting for nonaccrual financing receivables.

As a result of these revisions, consumer credit card receivables of \$1.1 billion that were previously classified as both nonaccrual and nonearning were returned to accrual status in the fourth quarter of 2013. In addition, \$1.5 billion of Real Estate and CLL financing receivables previously classified as nonaccrual, paying in accordance with contractual terms and accounted for on the cash basis, were returned to accrual status, while \$2.2 billion of financing receivables previously classified as nonaccrual and accounted for on the cash basis (primarily in Real Estate and CLL) were placed into the nonearning category based on our assessment of the short-term outlook for resolution through payoff or refinance. These changes had an insignificant effect on earnings.

Given that the revised methods result in nonaccrual and nonearning amounts that are substantially the same, we plan to discontinue the reporting of nonearning financing receivables, one of our internal performance metrics, and report selected ratios related to nonaccrual financing receivables in the first quarter of 2014.

Further information on the determination of the allowance for losses on financing receivables and the credit quality and categorization of our financing receivables is provided in the Critical Accounting Estimates section in this Item and Notes 1 and 4 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

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(In millions)	Financing receivables at		Nonearning receivables at		Allowance for losses at	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Commercial						
CLL						
Americas	\$ 68,585	\$ 72,517	\$ 1,243	\$ 1,333	\$ 473	\$ 490
Europe(a)	37,962	37,037	1,046	1,299	415	445
Asia	9,469	11,401	413	193	90	80
Other(a)	451	603	-	52	-	6
Total CLL	116,467	121,558	2,702	2,877	978	1,021
Energy						
Financial						
Services	3,107	4,851	4	-	8	9
GECAS	9,377	10,915	-	-	17	8
Other	318	486	6	13	2	3
Total						
Commercial	129,269	137,810	2,712	2,890	1,005	1,041
Real Estate	19,899	20,946	2,301	444	192	320
Consumer						
Non-U.S.						
residential						
mortgages(b)	30,501	33,350	1,766	2,567	358	480
Non-U.S.						
installment						
and revolving						
credit	13,677	17,816	88	213	594	582
U.S. installment						
and revolving						
credit	55,854	50,853	2	1,026	2,823	2,282
Non-U.S. auto	2,054	4,260	18	24	56	67
Other	6,953	8,070	345	351	150	172
Total Consumer	109,039	114,349	2,219	4,181	3,981	3,583
Total	\$ 258,207	\$ 273,105	\$ 7,232	\$ 7,515	\$ 5,178	\$ 4,944

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

(b) Included financing receivables of \$12,025 million and \$12,221 million, nonearning receivables of \$751 million and \$1,036 million and allowance for losses of \$139 million and \$142 million at December 31, 2013 and 2012,

respectively, primarily related to loans, net of credit insurance, whose terms permitted interest-only payments and high loan-to-value ratios at inception (greater than 90%). At origination, we underwrite loans with an adjustable rate to the reset value. Of these loans, about 85% are in our U.K. and France portfolios, which comprise mainly loans with interest-only payments, high loan-to-value ratios at inception and introductory below market rates, have a delinquency rate of 14%, have a loan-to-value ratio at origination of 82% and have re-indexed loan-to-value ratios of 84% and 64%, respectively. Re-indexed loan-to-value ratios may not reflect actual realizable values of future repossessions. At December 31, 2013, 11% (based on dollar values) of these loans in our U.K. and France portfolios have been restructured.

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The portfolio of financing receivables, before allowance for losses, was \$258.2 billion at December 31, 2013, and \$273.1 billion at December 31, 2012. Financing receivables, before allowance for losses, decreased \$14.9 billion from December 31, 2012, primarily as a result of dispositions (\$6.5 billion), write-offs (\$5.9 billion), collections (which includes sales) exceeding originations (\$3.6 billion) and the stronger U.S. dollar (\$1.7 billion).

Related nonearning receivables totaled \$7.2 billion (2.8% of outstanding receivables) at December 31, 2013, compared with \$7.5 billion (2.8% of outstanding receivables) at December 31, 2012. Nonearning receivables decreased from December 31, 2012, primarily due to collections and write-offs at CLL and the placing of consumer credit card accounts on accrual status, partially offset by nonearning receivables previously classified as cash basis resulting from a revision to our nonaccrual and nonearning methods to more closely align with regulatory guidance in the fourth quarter of 2013.

The allowance for losses at December 31, 2013 totaled \$5.2 billion compared with \$4.9 billion at December 31, 2012, representing our best estimate of probable losses inherent in the portfolio. Allowance for losses increased \$0.2 billion from December 31, 2012, primarily because provisions were higher than write-offs, net of recoveries by \$0.4 billion, which is attributable to an increase in provision in our Consumer installment and revolving portfolios. The allowance for losses as a percent of total financing receivables increased from 1.8% at December 31, 2012 to 2.0% at December 31, 2013 primarily due to an increase in the allowance for losses and a decline in the overall financing receivables balance as discussed above. Further information surrounding the allowance for losses related to each of our portfolios is detailed below.

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The following table provides information surrounding selected ratios related to nonearning financing receivables and the allowance for losses.

December 31	Nonearning financing receivables as a percent of		Allowance for losses as a percent of		Allowance for losses as a percent of	
	financing receivables at		nonearning financing receivables at		total financing receivables at	
	2013	2012	2013	2012	2013	2012
Commercial						
CLL						
Americas	1.8 %	1.8 %	38.1 %	36.8 %	0.7 %	0.7 %
Europe	2.8	3.5	39.7	34.3	1.1	1.2
Asia	4.4	1.7	21.8	41.5	1.0	0.7
Other	—	8.6	—	11.5	—	1.0
Total CLL	2.3	2.4	36.2	35.5	0.8	0.8
Energy						
Financial						
Services	0.1	—	200.0	—	0.3	0.2
GECAS	—	—	—	—	0.2	0.1
Other	1.9	2.7	33.3	23.1	0.6	0.6
Total Commercial	2.1	2.1	37.1	36.0	0.8	0.8
Real Estate	11.6	2.1	8.3	72.1	1.0	1.5
Consumer						
Non-U.S.						
residential	5.8	7.7	20.3	18.7	1.2	1.4
mortgages(a)						
Non-U.S.						
installment and						
revolving credit	0.6	1.2	675.0	273.2	4.3	3.3
U.S. installment						
and revolving	—	2.0	(b)	222.4	5.1	4.5
credit						
Non-U.S. auto	0.9	0.6	311.1	279.2	2.7	1.6
Other	5.0	4.3	43.5	49.0	2.2	2.1
Total Consumer	2.0	3.7	179.4	85.7	3.7	3.1
Total	2.8	2.8	71.6	65.8	2.0	1.8

(a)

Included nonearning financing receivables as a percent of financing receivables of 6.2% and 8.5%, allowance for losses as a percent of nonearning receivables of 18.5% and 13.7% and allowance for losses as a percent of total financing receivables of 1.2% and 1.2% at December 31, 2013 and December 31, 2012, respectively, primarily related to loans, net of credit insurance, whose terms permitted interest-only payments and high loan-to-value ratios at inception (greater than 90%). Compared to the overall Non-U.S. residential mortgage loan portfolio, the ratio of allowance for losses as a percent of nonearning financing receivables for these loans is lower, driven primarily by the higher mix of such products in the U.K. and France portfolios and as a result of the better performance and collateral realization experience in these markets.

(b) Not meaningful.

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Included below is a discussion of financing receivables, allowance for losses, nonearning receivables and related metrics for each of our significant portfolios.

CLL – Americas. Nonearning receivables of \$1.2 billion represented 17.2% of total nonearning receivables at December 31, 2013. The ratio of allowance for losses as a percent of nonearning receivables increased from 36.8% at December 31, 2012, to 38.1% at December 31, 2013, reflecting a decrease in nonearning receivables. The ratio of nonearning receivables as a percent of financing receivables remained constant at 1.8% at December 31, 2013 primarily due to decreased nonearning exposures in our industrial and consumer-facing portfolios, partially offset by our materials, media and Latin America portfolios. Collateral supporting these nonearning financing receivables primarily includes assets in the restaurant and hospitality, trucking and industrial equipment industries and corporate aircraft, and for our leveraged finance business, equity of the underlying businesses.

CLL – Europe. Nonearning receivables of \$1.0 billion represented 14.5% of total nonearning receivables at December 31, 2013. The ratio of allowance for losses as a percent of nonearning receivables increased from 34.3% at December 31, 2012 to 39.7% at December 31, 2013, reflecting a decrease in nonearning receivables and allowance for losses in our Interbanca S.p.A. and asset-backed lending portfolios primarily as a result of write-offs. The majority of our CLL – Europe nonearning receivables are attributable to the Interbanca S.p.A. portfolio, which was acquired in 2009. The loans acquired with Interbanca S.p.A. were recorded at fair value, which incorporates an estimate at the acquisition date of credit losses over their remaining life. Accordingly, these loans generally have a lower ratio of allowance for losses as a percent of nonearning receivables compared to the remaining portfolio. Excluding the nonearning loans attributable to the 2009 acquisition of Interbanca S.p.A., the ratio of allowance for losses as a percent of nonearning receivables increased from 58.4% at December 31, 2012, to 70.8% at December 31, 2013, primarily due to a decrease in nonearning receivables as a result of write-offs and sales in our acquisition finance and asset-backed lending portfolios. The ratio of nonearning receivables as a percent of financing receivables decreased from 3.5% at December 31, 2012, to 2.8% at December 31, 2013, for the reasons described above. Collateral supporting these secured nonearning financing receivables are primarily equity of the underlying businesses for our Interbanca S.p.A. business and acquisition finance businesses, the purchased receivables for our asset-backed lending portfolio, and equipment for our equipment finance portfolio.

CLL – Asia. Nonearning receivables of \$0.4 billion represented 5.7% of total nonearning receivables at December 31, 2013. The ratio of allowance for losses as a percent of nonearning receivables decreased from 41.5% at December 31, 2012, to 21.8% at December 31, 2013, primarily due to an increase in nonearning receivables in Australia, South Korea and Thailand, partially offset by restructuring activities and write-offs resulting in a reduction of nonearning receivables in our asset-based financing businesses in Japan. The ratio of nonearning receivables as a percent of financing receivables increased from 1.7% at December 31, 2012, to 4.4% at December 31, 2013, primarily due to increased nonearning receivables mentioned above and a decline in financing receivables primarily in our asset-based financing businesses in Japan and Australia. Collateral supporting these nonearning financing receivables is primarily commercial real estate, manufacturing equipment and corporate aircraft.

Real Estate – Debt. Nonearning receivables of \$2.3 billion represented 31.8% of total nonearning receivables at December 31, 2013. The increase in nonearning receivables from December 31, 2012, was primarily due to \$2.1 billion of financing receivables previously classified as cash basis resulting from a revision to our nonaccrual and nonearning methods to more closely align with regulatory guidance in the fourth quarter of 2013, partially offset by the resolution of North American multi-family and hotel nonearning loans, as well as European retail and mixed-use loans through payoffs, foreclosures and write-offs. The ratio of allowance for losses as a percent of nonearning receivables decreased from 72.1% to 8.3% reflecting the increase in nonearning loans as mentioned above. The ratio of allowance for losses as a percent of total financing receivables decreased from 1.5% at December 31, 2012 to 1.0% at December 31, 2013, driven primarily by the reduction in overall reserves due to improving market conditions and new loan originations in 2013.

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The Real Estate financing receivables portfolio is collateralized by income-producing or owner-occupied commercial properties across a variety of asset classes and markets. At December 31, 2013, total Real Estate financing receivables of \$19.9 billion were primarily collateralized by office buildings (\$5.9 billion), apartment buildings (\$3.2 billion), retail facilities (\$2.8 billion), warehouse properties (\$2.6 billion) and hotel properties (\$2.2 billion). In 2013, commercial real estate markets continue to show signs of improved stability and liquidity in certain markets; however, the pace of improvement varies significantly by asset class and market and the long-term outlook remains uncertain. We have and continue to maintain an intense focus on operations and risk management. Loan loss reserves related to our Real Estate–Debt financing receivables are particularly sensitive to declines in underlying property values. Estimating the impact of global property values on loss performance across our portfolio depends on a number of factors, including macroeconomic conditions, property level operating performance, local market dynamics and individual borrower behavior. As a result, any attempts to forecast potential losses carry a high degree of imprecision and are subject to change. At December 31, 2013, we had 116 foreclosed commercial real estate properties totaling \$1.0 billion.

Consumer – Non-U.S. residential mortgages. Nonearning receivables of \$1.8 billion represented 24.4% of total nonearning receivables at December 31, 2013. The ratio of allowance for losses as a percent of nonearning receivables increased from 18.7% at December 31, 2012, to 20.3% at December 31, 2013, as a result of lower nonearning receivables due to improved collections and higher property values primarily in our U.K. portfolio. Our non-U.S. mortgage portfolio has a loan-to-value ratio of approximately 75% at origination and the vast majority are first lien positions. Our U.K. and France portfolios, which comprise a majority of our total mortgage portfolio, have reindexed loan-to-value ratios of 77% and 56%, respectively, and about 9% of these loans are without mortgage insurance and have a reindexed loan-to-value ratio equal to or greater than 100%. Re-indexed loan-to-value ratios may not reflect actual realizable values of future repossessions. Loan-to-value information is updated on a quarterly basis for a majority of our loans and considers economic factors such as the housing price index. At December 31, 2013, we had in repossession stock 447 houses in the U.K., which had a value of approximately \$0.1 billion. The ratio of nonearning receivables as a percent of financing receivables decreased from 7.7% at December 31, 2012 to 5.8% at December 31, 2013 for the reasons described above.

Consumer – Non-U.S. installment and revolving credit. Nonearning receivables of \$0.1 billion represented 1.2% of total nonearning receivables at December 31, 2013. The ratio of allowance for losses as a percent of nonearning receivables increased from 273.2% at December 31, 2012 to 675.0% at December 31, 2013, reflecting an increase in the allowance for losses primarily due to the approach described below and a decrease in nonearning receivables reflect the placing of consumer credit card accounts on accrual status.

Consumer – U.S. installment and revolving credit. Nonearning receivables at December 31, 2013, reflect the placing of consumer credit card accounts on accrual status. The ratio of allowance for losses as a percent of financing receivables increased from 4.5% at December 31, 2012 to 5.1% at December 31, 2013, reflecting an increase in the allowance for losses primarily due to the approach described below.

In 2013, we completed our implementation of a more granular portfolio segmentation approach, by loss type, in determining the incurred loss period in our consumer revolving credit portfolios, which resulted in an increase to the incurred loss period and included a qualitative assessment of the adequacy of the consumer revolving credit portfolios' allowance for losses, which compares this allowance for losses to projected net write-offs over the next 12 months, in a manner consistent with regulatory guidance. This resulted in an increase of \$0.6 billion to the allowance for losses on financing receivables (\$0.3 billion, after tax), the vast majority of which was attributable to our U.S. consumer revolving credit portfolios.

Nonaccrual Financing Receivables

The following table provides details related to our nonaccrual and nonearning financing receivables. Nonaccrual financing receivables include all nonearning receivables and are those on which we have stopped accruing interest. We stop accruing interest at the earlier of the time at which collection becomes doubtful or the account becomes 90 days past due, with the exception of consumer credit card accounts, as discussed below.

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Beginning in the fourth quarter of 2013, we revised our methods for classifying financing receivables as nonaccrual and nonearning to more closely align with regulatory guidance. Under the revised methods, we continue to accrue interest on consumer credit cards until the accounts are written off in the period the account becomes 180 days past due. Previously, we stopped accruing interest on consumer credit cards when the account became 90 days past due. In addition, the revised methods limit the use of the cash basis of accounting for nonaccrual financing receivables.

As a result of these revisions, consumer credit card receivables of \$1.1 billion that were previously classified as both nonaccrual and nonearning were returned to accrual status in the fourth quarter of 2013. In addition, \$1.5 billion of Real Estate and CLL financing receivables previously classified as nonaccrual, paying in accordance with contractual terms and accounted for on the cash basis, were returned to accrual status, while \$2.2 billion of financing receivables previously classified as nonaccrual and accounted for on the cash basis (primarily in Real Estate and CLL) were placed into the nonearning category based on our assessment of the short-term outlook for resolution through payoff or refinance. These changes had an insignificant effect on earnings.

Given that the revised methods result in nonaccrual and nonearning amounts that are substantially the same, we plan to discontinue the reporting of nonearning financing receivables, one of our internal performance metrics, and report selected ratios related to nonaccrual financing receivables in the first quarter of 2014.

Substantially all of the differences between nonearning and nonaccrual financing receivables relate to loans that are classified as nonaccrual financing receivables but are paying on a cash accounting basis, and therefore excluded from nonearning receivables. Of our \$7.9 billion nonaccrual loans at December 31, 2013, \$4.2 billion are currently paying in accordance with their contractual terms. Further information on our nonaccrual and nonearning financing receivables is provided in Notes 1 and 4 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

December 31 (In millions)	Nonaccrual financing receivables		Nonearning financing receivables	
	2013	2012	2013	2012
Commercial				
CLL	\$2,734	\$4,138	\$2,702	\$2,877
Energy Financial Services	4	-	4	-
GECAS	-	3	-	-
Other	6	25	6	13
Total Commercial	2,744	4,166	2,712	2,890
Real Estate(a)	2,551	4,885	2,301	444
Consumer(b)	2,620	4,288	2,219	4,181
Total	\$7,915	\$13,339	\$7,232	\$7,515

(a) During the fourth quarter of 2013, we reclassified financing receivables of \$1.0 billion from nonaccrual to accrual status and \$2.1 billion from nonaccrual to nonearning, as discussed above.

(b) During the fourth quarter of 2013, we reclassified consumer credit card receivables of \$1.1 billion from both nonaccrual and nonearning to accrual status, as discussed above.

Impaired Loans

“Impaired” loans in the table below are defined as larger-balance or restructured loans for which it is probable that the lender will be unable to collect all amounts due according to original contractual terms of the loan agreement. The vast majority of our Consumer and a portion of our CLL nonaccrual receivables are excluded from this definition, as they represent smaller-balance homogeneous loans that we evaluate collectively by portfolio for impairment.

Impaired loans include nonearning receivables on larger-balance or restructured loans, loans that are currently paying interest under the cash basis (but are excluded from the nonearning category), and loans paying currently that had been previously restructured.

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Specific reserves are recorded for individually impaired loans to the extent we have determined that it is probable that we will be unable to collect all amounts due according to original contractual terms of the loan agreement. Certain loans classified as impaired may not require a reserve because we believe that we will ultimately collect the unpaid balance (through collection or collateral repossession).

Further information pertaining to loans classified as impaired and specific reserves is included in the table below.

December 31 (In millions)	2013	2012
Loans requiring allowance for losses		
Commercial(a)	\$ 1,116	\$ 1,372
Real Estate	1,245	2,202
Consumer	2,879	3,103
Total loans requiring allowance for losses	5,240	6,677
Loans expected to be fully recoverable		
Commercial(a)	2,776	3,697
Real Estate	2,615	3,491
Consumer	109	105
Total loans expected to be fully recoverable	5,500	7,293
Total impaired loans	\$ 10,740	\$ 13,970
Allowance for losses (specific reserves)		
Commercial(a)	\$ 328	\$ 487
Real Estate	74	188
Consumer	567	673
Total allowance for losses (specific reserves)	\$ 969	\$ 1,348
Average investment during the period	\$ 12,347	\$ 16,262
Interest income earned while impaired(b)	626	750

(a) Includes CLL, Energy Financial Services, GECAS and Other.

(b) Recognized principally on an accrual basis.

We regularly review our Real Estate loans for impairment using both quantitative and qualitative factors, such as debt service coverage and loan-to-value ratios. We evaluate a Real Estate loan for impairment when the most recent valuation reflects a projected loan-to-value ratio at maturity in excess of 100%, even if the loan is currently paying in accordance with its contractual terms.

Of our \$3.9 billion of impaired loans at Real Estate at December 31, 2013, \$3.6 billion are currently paying in accordance with the contractual terms of the loan and are typically loans where the borrower has adequate debt service coverage to meet contractual interest obligations. Impaired loans at CLL primarily represent senior secured lending positions.

Our impaired loan balance at December 31, 2013 and 2012, classified by the method used to measure impairment was as follows.

December 31 (In millions)	2013	2012
Discounted cash flow	\$5,558	\$ 6,693
Collateral value	5,182	7,277
Total	\$10,740	\$P13,970

See Note 1 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

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Our loss mitigation strategy is intended to minimize economic loss and, at times, can result in rate reductions, principal forgiveness, extensions, forbearance or other actions, which may cause the related loan to be classified as a troubled debt restructuring (TDR), and also as impaired. Changes to Real Estate's loans primarily include maturity extensions, principal payment acceleration, changes to collateral terms and cash sweeps, which are in addition to, or sometimes in lieu of, fees and rate increases. The determination of whether these changes to the terms and conditions of our commercial loans meet the TDR criteria includes our consideration of all relevant facts and circumstances. At December 31, 2013, TDRs included in impaired loans were \$9.5 billion, primarily relating to Real Estate (\$3.6 billion), CLL (\$3.0 billion) and Consumer (\$2.9 billion).

Real Estate TDRs decreased from \$5.1 billion at December 31, 2012 to \$3.6 billion at December 31, 2013, primarily driven by resolution of TDRs through paydowns, partially offset by extensions of loans scheduled to mature during 2013, some of which were classified as TDRs upon modification. For borrowers with demonstrated operating capabilities, we work to restructure loans when the cash flow and projected value of the underlying collateral support repayment over the modified term. We deem loan modifications to be TDRs when we have granted a concession to a borrower experiencing financial difficulty and we do not receive adequate compensation in the form of an effective interest rate that is at current market rates of interest given the risk characteristics of the loan or other consideration that compensates us for the value of the concession. For the year ended December 31, 2013, we modified \$1.6 billion of loans classified as TDRs, substantially all in our Debt portfolio. Changes to these loans primarily included maturity extensions, principal payment acceleration, changes to collateral or covenant terms and cash sweeps that are in addition to, or sometimes in lieu of, fees and rate increases. The limited liquidity and higher return requirements in the real estate market for loans with higher loan-to-value (LTV) ratios have typically resulted in the conclusion that the modified terms are not at current market rates of interest, even if the modified loans are expected to be fully recoverable. We received the same or additional compensation in the form of rate increases and fees for the majority of these TDRs. Of our \$1.6 billion and \$4.4 billion of modifications classified as TDRs in the last 12 months ended December 31, 2013 and 2012, respectively, \$0.2 billion have subsequently experienced a payment default in both 2013 and 2012.

The substantial majority of the Real Estate TDRs have reserves determined based upon collateral value. Our specific reserves on Real Estate TDRs were \$0.1 billion at December 31, 2013 and \$0.2 billion at December 31, 2012, and were 1.9% and 3.1%, respectively, of Real Estate TDRs. In many situations these loans did not require a specific reserve as collateral value adequately covered our recorded investment in the loan. While these modified loans had adequate collateral coverage, we were still required to complete our TDR classification evaluation on each of the modifications without regard to collateral adequacy.

We utilize certain short-term (three months or less) loan modification programs for borrowers experiencing temporary financial difficulties in our Consumer loan portfolio. These loan modification programs are primarily concentrated in our non-U.S. residential mortgage and non-U.S. installment and revolving portfolios. We sold our U.S. residential mortgage business in 2007 and, as such, do not participate in the U.S. government-sponsored mortgage modification programs. For the year ended December 31, 2013, we provided short-term modifications of approximately \$0.1 billion of consumer loans for borrowers experiencing financial difficulties, substantially all in our non-U.S. residential mortgage, credit card and personal loan portfolios, which are not classified as TDRs. For these modified loans, we provided insignificant interest rate reductions and payment deferrals, which were not part of the terms of the original contract. We expect borrowers whose loans have been modified under these short-term programs to continue to be able to meet their contractual obligations upon the conclusion of the short-term modification. In addition, we have modified \$1.4 billion of Consumer loans for the year ended December 31, 2013, which are classified as TDRs. Further information on Consumer impaired loans is provided in Note 4 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Delinquencies

For additional information on delinquency rates at each of our major portfolios, see Note 4 to the consolidated financial statements in Part II, Item 8. “Financial Statements and Supplementary Data” of this Form 10-K Report.

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GECC Selected European Exposures

At December 31, 2013, we had \$81.8 billion in financing receivables to consumer and commercial customers in Europe. The GECC financing receivables portfolio in Europe is well diversified across European geographies and customers. Approximately 88% of the portfolio is secured by collateral and represents approximately 500,000 commercial customers. Several European countries, including Spain, Portugal, Ireland, Italy, Greece and Hungary (focus countries), have been subject to credit deterioration due to weaknesses in their economic and fiscal situations. The carrying value of GECC funded exposures in these focus countries and in the rest of Europe comprised the following at December 31, 2013.

December 31, 2013 (In millions)	Spain	Portugal	Ireland	Italy	Greece	Hungary	Rest of Europe	Total Europe
Financing receivables, before allowance for losses on financing receivables	\$1,605	\$262	\$290	\$7,149	\$5	\$3,014	\$70,734	\$83,059
Allowance for losses on financing receivables	(106)	(18)	(4)	(254)	-	(68)	(787)	(1,237)
Financing receivables, net of allowance for losses on financing receivables(a)(b)	1,499	244	286	6,895	5	2,946	69,947	81,822
Investments(c)(d)	3	-	-	461	-	246	2,211	2,921
Cost and equity method investments(e)	307	-	383	61	35	-	1,940	2,726
Derivatives, net of collateral(c)(f)	2	-	-	63	-	-	102	167
ELTO(g)	401	108	419	754	242	328	9,286	11,538
Real estate held for investment(g)	793	-	-	422	-	-	4,455	5,670
Total funded exposures(h)	\$3,005	\$352	\$1,088	\$8,656	\$282	\$3,520	\$87,941	\$104,844

Unfunded commitments(i)	\$20	\$7	\$38	\$218	\$3	\$827	\$5,784	\$6,897
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- (a) Financing receivable amounts are classified based on the location or nature of the related obligor.
- (b) Substantially all relates to non-sovereign obligors. Includes residential mortgage loans of approximately \$30.2 billion before consideration of purchased credit protection. We have third-party mortgage insurance for less than 10% of these residential mortgage loans, which were primarily originated in France and the U.K.
- (c) Investments and derivatives are classified based on the location of the parent of the obligor or issuer.
- (d) Includes \$0.8 billion related to financial institutions, \$0.2 billion related to non-financial institutions and \$1.9 billion related to sovereign issuers. Sovereign issuances totaled \$0.1 billion and \$0.2 billion related to Italy and Hungary, respectively. We held no investments issued by sovereign entities in the other focus countries.
- (e) Substantially all is non-sovereign.
- (f) Net of cash collateral; entire amount is non-sovereign.
- (g) These assets are held under long-term investment and operating strategies, and our ELTO strategies contemplate an ability to redeploy assets under lease should default by the lessee occur. The values of these assets could be subject to decline or impairment in the current environment.
- (h) Excludes \$34.4 billion of cash and equivalents, which is composed of \$19.6 billion of cash on short-term placement with highly rated global financial institutions based in Europe, sovereign central banks and agencies or supranational entities, of which \$1.7 billion is in focus countries, and \$14.8 billion of cash and equivalents placed with highly rated European financial institutions on a short-term basis, secured by U.S. Treasury securities (\$8.4 billion) and sovereign bonds of non-focus countries (\$6.4 billion), where the value of our collateral exceeds the amount of our cash exposure.
- (i) Includes ordinary course of business lending commitments, commercial and consumer unused revolving credit lines, inventory financing arrangements and investment commitments.

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We manage counterparty exposure, including credit risk, on an individual counterparty basis. We place defined risk limits around each obligor and review our risk exposure on the basis of both the primary and parent obligor, as well as the issuer of securities held as collateral. These limits are adjusted on an ongoing basis based on our continuing assessment of the credit risk of the obligor or issuer. In setting our counterparty risk limits, we focus on high-quality credits and diversification through spread of risk in an effort to actively manage our overall exposure. We actively monitor each exposure against these limits and take appropriate action when we believe that risk limits have been exceeded or there are excess risk concentrations. Our collateral position and ability to work out problem accounts have historically mitigated our actual loss experience. Delinquency experience has been relatively stable in our European commercial and consumer platforms in the aggregate, and we actively monitor and take action to reduce exposures where appropriate. Uncertainties surrounding European markets could have an impact on the judgments and estimates used in determining the carrying value of these assets.

Other receivables totaled \$16.5 billion at December 31, 2013, an increase of \$2.6 billion from 2012, driven by higher amounts due from GE related to material procurement and factoring programs. At December 31, 2013, the balance was primarily composed of amounts due from GE (related to material procurement programs and factoring programs of \$6.7 billion), insurance receivables, accrued interest and investment income, nonfinancing customer receivables and amounts due under operating leases.

Property, plant and equipment totaled \$51.6 billion at December 31, 2013, a decrease of \$1.4 billion from 2012, primarily reflecting a decrease in equipment leased to others principally at our GECAS aircraft leasing business. This decrease included impairment losses on our operating lease portfolio of commercial aircraft of \$0.7 billion and \$0.2 billion in 2013 and 2012, respectively. Impairment losses in 2013 incorporated management's downward revisions to cash flow estimates based upon shorter useful lives and lower aircraft residual values from those indicated by our third-party appraisers, reflecting the introduction of newer technology, fleet retirements and high fuel prices and operating costs. These revised estimates primarily related to cargo aircraft (\$0.3 billion), older technology narrow-body aircraft (\$0.2 billion) and regional jets (\$0.1 billion). The average age of aircrafts we impaired in 2013 was 15 years compared with 7 years for our total fleet.

Property, plant and equipment consisted primarily of equipment provided to third parties on operating leases. Details by category of investment are presented in Note 5 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report. Additions to property, plant and equipment were \$10.0 billion and \$11.9 billion during 2013 and 2012, respectively, primarily reflecting additions of commercial aircraft at GECAS.

Goodwill and other intangible assets totaled \$26.2 billion and \$1.1 billion, respectively, at December 31, 2013. Goodwill decreased \$0.8 billion from 2012, primarily as a result of dispositions (\$0.7 billion) and the stronger U.S. dollar (\$0.3 billion). Other intangible assets decreased \$0.2 billion from 2012, primarily from amortization expense. See Note 6 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Other assets comprises mainly equity and cost method investments, real estate equity properties and investments, assets held for sale and derivative instruments, and totaled \$47.4 billion at December 31, 2013, a decrease of \$14.8 billion from 2012, primarily related to the sale of certain held-for-sale real estate and aircraft (\$7.9 billion), the sale of certain real estate investments (\$3.4 billion), a decrease in the fair value of derivative instruments (\$2.4 billion) and a decrease in our Penske Truck Leasing Co., L.P. (PTL) investment (\$1.2 billion). During 2013, we recognized \$0.4 billion of other-than-temporary impairments of cost and equity method investments, excluding those related to real estate.

Included in other assets are Real Estate equity investments of \$13.7 billion and \$20.7 billion at December 31, 2013 and 2012, respectively. Our portfolio is diversified, both geographically and by asset type. We review the estimated values of our commercial real estate investments annually, or more frequently as conditions warrant. Based on the most recent valuation estimates available, the carrying value of our Real Estate investments exceeded their estimated value by about \$2.1 billion. This amount is subject to variation and dependent on economic and market conditions, changes in cash flow estimates and composition of our portfolio, including sales. Commercial real estate valuations have shown signs of improved stability and liquidity in certain markets, primarily in the U.S.; however, the pace of improvement varies significantly by asset class and market. Accordingly, there continues to be risk and uncertainty surrounding commercial real estate values. Declines in estimated value of real estate below carrying amount result in impairment losses when the aggregate undiscounted cash flow estimates used in the estimated value measurement are below the carrying amount. As such, estimated losses in the portfolio will not necessarily result in recognized impairment losses. During 2013, Real Estate recognized pre-tax impairments of \$0.3 billion in its real estate held for investment, which were primarily driven by declining cash flow projections for properties in Japan and Europe, as well as strategic decisions to sell portfolios in the U.S., Asia and Europe. During 2012, Real Estate recognized pre-tax impairments of \$0.1 billion. Real Estate investments with undiscounted cash flows in excess of carrying value of 0% to 5% at December 31, 2013 had a carrying value of \$0.4 billion and an associated estimated unrealized loss of an insignificant amount. Deterioration in economic conditions or prolonged market illiquidity may result in further impairments being recognized. On March 19, 2013, in connection with GE's sale of its remaining 49% interest in NBCUniversal LLC to Comcast Corporation, we sold real estate comprising certain floors located at 30 Rockefeller Center, New York and the CNBC property located in Englewood Cliffs, New Jersey to affiliates of NBCUniversal for \$1.4 billion in cash.

Liquidity and Borrowings

We maintain a strong focus on liquidity. We manage our liquidity to help provide access to sufficient funding to meet our business needs and financial obligations throughout business cycles.

Our liquidity and borrowing plans are established within the context of our annual financial and strategic planning processes. Our liquidity and funding plans take into account the liquidity necessary to fund our operating commitments. We also take into account our capital allocation and growth objectives, including paying dividends. During 2013, we paid quarterly dividends of \$1.9 billion and special dividends of \$4.1 billion to GE.

Our liquidity position is targeted to meet our obligations under both normal and stressed conditions. We establish a funding plan annually that is based on the projected asset size and cash needs of the business, which, over the past few years, has included our strategy to reduce our ending net investment. We rely on a diversified source of funding, including the unsecured term debt markets, the global commercial paper markets, deposits, secured funding, retail funding products, bank borrowings and securitizations to fund our balance sheet, in addition to cash generated through collection of principal, interest and other payments on our existing portfolio of loans and leases to fund our operating and interest expense costs.

Our 2014 funding plan anticipates repayment of principal on outstanding short-term borrowings, including the current portion of long-term debt (\$39.2 billion at December 31, 2013), through issuance of long-term debt and reissuance of commercial paper, cash on hand, collections of financing receivables exceeding originations, dispositions, asset sales, and deposits and other alternative sources of funding. Long-term maturities and early redemptions were \$48.3 billion in 2013. Interest on borrowings is primarily repaid through interest earned on existing financing receivables. During 2013, we earned interest income on financing receivables of \$19.6 billion, which more than offset interest expense of \$9.3 billion.

We maintain a detailed liquidity policy that includes a requirement to maintain a contingency funding plan. The liquidity policy defines our liquidity risk tolerance under different stress scenarios based on our liquidity sources and also establishes procedures to escalate potential issues. We actively monitor our access to funding markets and our liquidity profile through tracking external indicators and testing various stress scenarios. The contingency funding plan provides a framework for handling market disruptions and establishes escalation procedures in the event that such events or circumstances arise.

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We are a regulated savings and loan holding company under U.S. law and became subject to Federal Reserve Board (FRB) supervision on July 21, 2011, the one-year anniversary of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA). In addition, on July 8, 2013, the U.S. Financial Stability Oversight Council (FSOC) designated GECC as a nonbank systemically important financial institution (nonbank SIFI) under the DFA. Many of the rulemakings for supervision of nonbank SIFIs are not final and therefore the exact impact and implementation date remain uncertain. GECC continues to plan for the enhanced prudential standards that will apply to nonbank SIFIs. These DFA rulemakings will require, among other items, enhanced capital and liquidity levels, compliance with the comprehensive capital analysis and review regulations (CCAR), compliance with counterparty credit exposure limits, and the development of a resolution plan for submission to regulators.

We are also subject to the Volcker Rule, which U.S. regulators finalized on December 10, 2013. The rule prohibits companies that are affiliated with U.S. insured depository institutions from engaging in “proprietary trading” or acquiring or retaining any ownership interest in, or sponsoring or engaging in certain transactions with, a “hedge fund” or a “private equity fund.” Proprietary trading and fund investing, as prohibited by the rule, are not core activities for us, but we are assessing the full impact of the rule, in anticipation of full conformance with the rule, as required by July 21, 2015.

The FRB recently finalized regulations to revise and replace its current rules on capital adequacy and to extend capital regulations to savings and loan holding companies like GECC. Under the final rules, GECC expects that the standardized approach for calculating capital will apply to GECC, in its capacity as a savings and loan holding company, on January 1, 2015. However, that timing could change once nonbank SIFI rules are finalized. GECC will ultimately also become subject to the Basel III advanced capital rules that will be applicable to institutions with \$250 billion or more in assets. Initial actions required for compliance with the advanced capital rules, including building out the necessary systems and models, will begin once GECC is subject to regulatory capital rules. However, full implementation will take several years to complete.

The FRB has also indicated in a proposed rulemaking that they will require nonbank SIFIs to submit annual capital plans for review, including institutions’ plans to make capital distributions, such as dividend payments. The applicability and timing of this proposed regulation to GECC is not yet determined. While we are not yet subject to this regulation, our capital allocation planning remains subject to FRB review as a savings and loan holding company.

We undertake an annual review of our capital adequacy prior to establishing a plan for dividends to our parent. This review is based on a forward-looking assessment of our material enterprise risks and involves the consideration of a number of factors. This analysis also includes an assessment of our capital and liquidity levels, as well as incorporating risk management and governance considerations. The most recent capital adequacy review was approved by the GECC board of directors and the GE Board of Directors Risk Committee in the first quarter of 2013. GECC is currently in the process of updating the 2013 capital adequacy review and it will be presented to the GECC board of directors and the GE Board of Directors Risk Committee in the first quarter of 2014. While a savings and loan holding company and nonbank SIFI like GECC is currently not required to obtain FRB approval to pay a dividend, it may not, under FRB regulations, conduct its operations in an unsafe or unsound manner. The FRB has articulated factors that it expects boards of directors of bank holding companies and savings and loan holding companies to consider in determining whether to pay a dividend.

Overall, GECC does not believe that designation as a nonbank SIFI will have a material impact on its business or operations.

Liquidity Sources

We maintain liquidity sources that consist of cash and equivalents, committed unused credit lines, and high-quality, liquid investments.

We had cash and equivalents of \$74.9 billion at December 31, 2013 that were available to meet our needs.

We had committed, unused credit lines totaling \$47.8 billion that were extended to us by 50 financial institutions at December 31, 2013. GECC can borrow up to \$47.8 billion under all of these credit lines. GE can borrow up to \$13.9 billion under certain of these credit lines. These lines include \$26.5 billion of revolving credit agreements under which we can borrow funds for periods exceeding one year. Additionally, \$21.3 billion are 364-day lines that contain a term-out feature that allows us to extend borrowings for two years from the date on which such borrowings would otherwise be due.

Cash and equivalents of \$43.4 billion at December 31, 2013 were held by non-U.S. subsidiaries. Of this amount at December 31, 2013, none was considered indefinitely reinvested. Indefinitely reinvested cash held outside of the U.S. is available to fund operations and other growth of non-U.S. subsidiaries; it is also available to fund our needs in the U.S. on a short-term basis through short-term loans, without being subject to U.S. tax. Under the Internal Revenue Code, these loans are permitted to be outstanding for 30 days or less and the total of all such loans is required to be outstanding for less than 60 days during the year.

At December 31, 2013, cash and equivalents of about \$12 billion were in regulated banks and insurance entities and were subject to regulatory restrictions.

If we were to repatriate indefinitely reinvested cash held outside the U.S., we would be subject to additional U.S. income taxes and foreign withholding taxes.

Funding Plan

GE reduced its GE Capital ending net investment, excluding cash and equivalents, to \$380 billion at December 31, 2013.

During 2013, we completed issuances of \$33.7 billion of senior unsecured debt (excluding securitizations described below) with maturities up to 40 years (and subsequent to December 31, 2013, an additional \$3.9 billion). Average commercial paper borrowings during the fourth quarter were \$31.6 billion and the maximum amount of commercial paper borrowings outstanding during the fourth quarter was \$33.1 billion. Our commercial paper maturities are funded principally through new commercial paper issuances.

We securitize financial assets as an alternative source of funding. During 2013, we completed \$8.9 billion of non-recourse issuances and had maturities of \$8.9 billion. At December 31, 2013, consolidated non-recourse borrowings were \$30.1 billion.

We have 10 deposit-taking banks outside of the U.S. and two deposit-taking banks in the U.S. – GE Capital Retail Bank, a Federal Savings Bank (FSB), and GE Capital Bank (formerly GE Capital Financial Inc.), an industrial bank (IB). The FSB and IB currently issue certificates of deposit (CDs) in maturity terms up to 10 years. On January 11, 2013, the FSB acquired the deposit business of MetLife Bank, N.A. This acquisition added approximately \$6.4 billion in deposits and an online banking platform.

Total alternative funding at December 31, 2013 was \$108 billion, composed mainly of \$53 billion of bank deposits, \$30 billion of non-recourse securitization borrowings, \$9 billion of funding secured by real estate, aircraft and other collateral and \$9 billion of GE Interest Plus notes. The comparable amount at December 31, 2012 was \$101 billion.

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As a matter of general practice, we routinely evaluate the economic impact of calling debt instruments where we have the right to exercise a call. In determining whether to call debt, we consider the economic benefit to GECC of calling debt, the effect of calling debt on our liquidity profile and other factors. In 2013, we settled \$8.4 billion of callable debt, of which \$4.1 billion was called in 2012.

Exchange rate and interest rate risks are managed with a variety of techniques, including match funding and selective use of derivatives. We use derivatives to mitigate or eliminate certain financial and market risks because we conduct business in diverse markets around the world and local funding is not always efficient. In addition, we use derivatives to adjust the debt we are issuing to match the fixed or floating nature of the assets we are originating. We apply strict policies to manage each of these risks, including prohibitions on speculative activities. Following is an analysis of the potential effects of changes in interest rates and currency exchange rates using so-called “shock” tests that seek to model the effects of shifts in rates. Such tests are inherently limited based on the assumptions used (described further below) and should not be viewed as a forecast; actual effects would depend on many variables, including market factors and the composition of our assets and liabilities at that time.

- It is our policy to minimize exposure to interest rate changes. We fund our financial investments using debt or a combination of debt and hedging instruments so that the interest rates of our borrowings match the expected interest rate profile on our assets. To test the effectiveness of our fixed rate positions, we assumed that, on January 1, 2014, interest rates decreased by 100 basis points across the yield curve (a “parallel shift” in that curve) and further assumed that the decrease remained in place for 2014. We estimated, based on the year-end 2013 portfolio and holding all other assumptions constant, that our 2014 consolidated net earnings would decline by less than \$0.1 billion as a result of this parallel shift in the yield curve.
- It is our policy to minimize currency exposures and to conduct operations either within functional currencies or using the protection of hedge strategies. We analyzed year-end 2013 consolidated currency exposures, including derivatives designated and effective as hedges, to identify assets and liabilities denominated in other than their relevant functional currencies. For such assets and liabilities, we then evaluated the effects of a 10% shift in exchange rates between those currencies and the U.S. dollar, holding all other assumptions constant. This analysis indicated that our 2014 consolidated net earnings would decline by less than \$0.1 billion as a result of such a shift in exchange rates.

Debt and Derivative Instruments, Guarantees and Covenants

Credit Ratings

On April 3, 2012, Moody’s Investors Service (Moody’s) announced that it had downgraded the senior unsecured debt rating of GE by one notch from Aa2 to Aa3 and the senior unsecured debt rating of GECC by two notches from Aa2 to A1. The ratings downgrade did not affect GE’s and GECC’s short-term funding ratings of P-1, which were affirmed by Moody’s. Moody’s ratings outlook for GE and GECC is stable. We did not experience any material operational, funding or liquidity impacts from this ratings downgrade. As of December 31, 2013, GE’s and GECC’s long-term unsecured debt ratings from Standard and Poor’s Ratings Service (S&P) were AA+ with a stable outlook and their short-term funding ratings from S&P were A-1+. We are disclosing these ratings to enhance understanding of our sources of liquidity and the effects of our ratings on our costs of funds. Although we currently do not expect a downgrade in the credit ratings, our ratings may be subject to a revision or withdrawal at any time by the assigning rating organization, and each rating should be evaluated independently of any other rating.

Substantially all GICs were affected by the downgrade and are more fully discussed in the Principal Debt and Derivative Conditions section in this item.

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Principal Debt and Derivative Conditions

Certain of our derivative instruments can be terminated if specified credit ratings are not maintained and certain debt and derivatives agreements of other consolidated entities have provisions that are affected by these credit ratings.

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

Swap, forward and option contracts are executed under standard master agreements that typically contain mutual downgrade provisions that provide the ability of the counterparty to require termination if the long-term credit ratings of the applicable GE entity were to fall below A-/A3. In certain of these master agreements, the counterparty also has the ability to require termination if the short-term ratings of the applicable GE entity were to fall below A-1/P-1. The net derivative liability after consideration of netting arrangements, outstanding interest payments and collateral posted by us under these master agreements was estimated to be \$1.0 billion at December 31, 2013. See Note 15 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Other debt and derivative agreements of consolidated entities include Trinity, which comprises two entities that hold investment securities, the majority of which are investment grade, and were funded by the issuance of GICs. These GICs included 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, and are reported in investment contracts, insurance liabilities and insurance annuity benefits. The Trinity assets and liabilities are disclosed in note (a) on our Statement of Financial Position in the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report. Another consolidated entity also had issued GICs where proceeds are loaned to GECC. These GICs included conditions under which certain holders could require immediate repayment of their investment should the long-term credit ratings of GECC fall below AA-/Aa3. These obligations are included in long-term borrowings on our Statement of Financial Position in the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report. These three consolidated entities ceased issuing GICs in 2010.

Following the April 3, 2012 Moody's downgrade of GECC's long-term credit rating to A1, substantially all of these GICs became redeemable by their holders. In 2012, holders of \$2.4 billion in principal amount of GICs redeemed their holdings and GECC made related cash payments. 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.

Ratio of Earnings to Fixed Charges, Income Maintenance Agreement and Subordinated Debentures

On March 28, 1991, GE entered into an agreement with GECC to make payments to GECC, constituting additions to pre-tax income under the agreement (which increases equity), to the extent necessary to cause the ratio of earnings to fixed charges of GECC and consolidated affiliates (determined on a consolidated basis) to be not less than 1.10:1 for the period, as a single aggregation, of each GECC fiscal year commencing with fiscal year 1991. GECC's ratio of earnings to fixed charges was 1.76:1 for 2013. No payment is required in 2013 pursuant to this agreement.

In addition, in connection with certain subordinated debentures of GECC that may be classified as equity (hybrid debt), during events of default or interest deferral periods under such subordinated debentures, GECC has agreed not to declare or pay any dividends or distributions or make certain other payments with respect to its capital stock, and GE has agreed to promptly return any payments made to GE in violation of this agreement. There were \$7.7 billion of such debentures outstanding at December 31, 2013. See Note 8 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Statements of Changes in Shareowners' Equity and Comprehensive Income

An analysis of changes in the elements of shareowners' equity, as presented in the Statements of Changes in Shareowners' Equity and Comprehensive Income, follows.

GECC Shareowners' equity increased \$0.8 billion in 2013, compared with an increase of \$4.8 billion and \$8.1 billion in 2012 and 2011, respectively.

Net earnings increased GECC shareowners' equity by \$6.2 billion in 2013 and 2012, and \$6.5 billion in 2011. In 2013 and 2012, we paid quarterly dividends of \$1.9 billion and special dividends of \$4.1 billion and \$4.5 billion, respectively, to GE. We also paid \$0.3 billion and \$0.1 billion to our preferred stock shareowners in 2013 and 2012, respectively. There were no dividends declared in 2011.

Elements of AOCI decreased shareowners' equity by \$0.1 billion in 2013, compared with an increase of \$1.2 billion in 2012 and \$1.6 billion in 2011. The components of these changes are as follows:

- Changes in AOCI related to currency translation adjustments decreased shareowners' equity by \$0.6 billion in 2013 and increased shareowners' equity by \$0.3 billion and \$1.0 billion in 2012 and 2011, respectively. Changes in currency translation adjustments reflect the effects of changes in currency exchange rates on our net investment in non-U.S. subsidiaries that have functional currencies other than the U.S. dollar. At year-end 2013, the U.S. dollar weakened against the euro and the pound sterling, and strengthened against the Japanese yen and the Australian dollar resulting in increases in currency translation adjustments that were more than offset by releases from AOCI related to dispositions. At year-end 2012, the U.S. dollar weakened against most major currencies, including the pound sterling and the euro, and strengthened against the Japanese yen resulting in increases in currency translation adjustments that were partially offset by releases from AOCI related to dispositions. At year-end 2011, the dollar strengthened against most major currencies, including the pound sterling and the euro, and weakened against the Australian dollar and the Japanese yen.
- Changes in AOCI related to investment securities decreased shareowners' equity by \$0.4 billion in 2013, reflecting the effects of higher interest rates, partially offset by adjustments to reflect the effect of lower unrealized gains on insurance-related assets and equity. Investment securities increased shareowners' equity by \$0.7 billion and \$0.6 billion in 2012 and 2011, respectively, reflecting the effects of lower interest rates and improved market conditions on U.S. corporate debt securities, partially offset by adjustments to reflect the effect of the unrealized gains on insurance-related assets and equity. Further information about investment securities is provided in Note 3 to the

consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

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Changes in AOCI related to the fair value of derivatives designated as cash flow hedges increased shareowners' equity by \$0.5 billion in 2013, primarily reflecting higher fair values of cross currency hedges, partially offset by releases from AOCI contemporaneous with the earnings effects of the related hedged items. Cash flow hedges increased shareowners' equity by \$0.4 billion and \$0.2 billion in 2012 and 2011, respectively. Further information about the fair value of derivatives is provided in Note 15 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

Changes in AOCI related to benefit plans increased shareowners' equity by \$0.4 billion in 2013, primarily reflecting higher discount rates used to measure postretirement benefit obligations, higher investment returns and amortization of actuarial losses out of AOCI. Benefit plans decreased shareowners' equity by \$0.2 billion in both 2012 and 2011. Further information about benefit plans is provided in Note 13 to the consolidated financial statements in Part II, Item 8. "Financial Statements and Supplementary Data" of this Form 10-K Report.

During the second quarter of 2013, we issued 10,000 shares of non-cumulative perpetual preferred stock with a \$0.01 par value for proceeds of \$990 million. The preferred shares bear an initial fixed interest rate of 5.25% through June 15, 2023, bear a floating rate equal to three-month LIBOR plus 2.967% thereafter and are callable on June 15, 2023. Dividends on the preferred stock are payable semi-annually, in June and December, with the first payment on this issuance made in December 2013.

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

Statement of Cash Flows – Overview from 2011 through 2013

Cash and equivalents were \$74.9 billion at December 31, 2013, compared with \$61.9 billion at December 31, 2012.

Cash from operating activities totaled \$19.9 billion, \$21.7 billion and \$20.6 billion in 2013, 2012 and 2011, respectively. Cash from operating activities decreased \$1.9 billion during 2013 compared with 2012, primarily due to decreases in net cash collateral held from counterparties on derivative contracts of \$5.2 billion, partially offset by increases in other liabilities of \$1.8 billion and accounts payable of \$1.0 billion.

Cash from operating activities increased \$1.1 billion during 2012 compared with 2011, primarily due to increases in net cash collateral held from counterparties on derivative contracts of \$1.7 billion, partially offset by decreases in accounts payable of \$0.9 billion.

Consistent with our plan to reduce our asset levels, cash from investing activities was \$23.4 billion, \$14.7 billion and \$29.8 billion in 2013, 2012 and 2011, respectively. Cash from investing activities increased \$8.7 billion during 2013 compared with 2012, primarily due to higher proceeds from sales of real estate properties of \$7.3 billion; the acquisition of MetLife Bank, N.A. in 2013, resulting in net cash provided from the acquisition of \$6.4 billion; lower net purchases of ELTO of \$1.6 billion; partially offset by lower net loan repayments from our equity method investments of \$4.9 billion and lower collections (which includes sales) exceeding originations of financing receivables of \$1.9 billion.

Cash from investing activities decreased \$15.1 billion during 2012 compared with 2011, primarily due to lower collections (which includes sales) exceeding originations of financing receivables of \$9.0 billion, lower proceeds from sales of discontinued operations of \$8.7 billion and higher net purchases of ELTO of \$1.7 billion. These decreases were partially offset by higher net dispositions and maturities of investment securities of \$2.6 billion and a decrease in other assets-investments of \$1.7 billion driven by net activity of our equity method investments.

Cash used for financing activities was \$29.4 billion, \$52.5 billion and \$33.2 billion in 2013, 2012, and 2011, respectively. Cash used for financing activities decreased \$23.0 billion during 2013 compared with 2012, primarily due to lower net repayments of borrowings of \$24.0 billion, consisting primarily of net reductions in long-term borrowings and commercial paper, and lower redemptions of guaranteed investment contracts of \$2.3 billion, partially offset by lower proceeds from the issuance of preferred stock of \$3.0 billion.

Cash used for financing activities increased \$19.3 billion during 2012 compared with 2011, primarily due to a reduction in total borrowings of \$11.7 billion, consisting primarily of net reductions in long-term borrowings and commercial paper; \$6.5 billion of dividends paid to shareowners in 2012 (including \$0.1 billion paid to preferred shareowners); a reduction in bank deposits of \$4.2 billion and \$1.0 billion of redemptions of guaranteed investment contracts at Trinity, partially offset by \$4.0 billion of proceeds from the issuance of preferred stock.

We pay dividends to GE through a distribution of our retained earnings, including special dividends from proceeds of certain business sales. Beginning in the second quarter of 2012, we restarted our dividend to GE. During 2013 and 2012, we paid quarterly dividends of \$1.9 billion in both years and special dividends of \$4.1 billion and \$4.5 billion, respectively, to GE. No dividends were paid to GE in 2011.

Contractual Obligations

As defined by reporting regulations, our contractual obligations for future payments as of December 31, 2013, follow.

(In billions)	Total	Payments due by period			2019 and thereafter
		2014	2015-2016	2017-2018	
Borrowings and bank deposits (Note 8)	\$371.1	\$116.1	\$101.2	\$55.4	\$98.4
Interest on borrowings and bank deposits	87.2	9.2	13.1	10.1	54.8
Purchase obligations(a)(b)	39.8				