

Notes to Consolidated Financial Statements

International Business Machines Corporation and Subsidiary Companies

(\$ in millions)

	Investment in Sales-Type and Direct Financing Leases	Commercial Financing Receivables	Client Loan and Installment Payment Receivables/ (Loans)	Total
At December 31, 2018:				
Financing receivables, gross	\$6,846	\$11,889	\$13,614	\$32,348
Unearned income	(526)	(37)	(632)	(1,195)
Recorded investment	\$6,320	\$11,852	\$12,981	\$31,153
Allowance for credit losses	(99)	(13)	(179)	(292)
Unguaranteed residual value	589	—	—	589
Guaranteed residual value	85	—	—	85
Total financing receivables, net	\$6,895	\$11,838	\$12,802	\$31,536
Current portion	\$2,834	\$11,838	\$ 7,716	\$22,388
Noncurrent portion	\$4,061	\$ —	\$ 5,086	\$ 9,148

The company utilizes certain of its financing receivables as collateral for nonrecourse borrowings. Financing receivables pledged as collateral for borrowings were \$1,062 million and \$710 million at December 31, 2019 and 2018, respectively. These borrowings are included in note P, "Borrowings."

The company did not have any financing receivables held for sale as of December 31, 2019 and 2018.

Financing Receivables by Portfolio Segment

The following tables present the recorded investment by portfolio segment and by class, excluding commercial financing receivables and other miscellaneous financing receivables at December 31, 2019 and 2018. Commercial financing receivables are excluded from the presentation of financing receivables by portfolio segment, as they are short term in nature and the current estimated risk of loss and resulting impact to the company's financing results are not material.

(\$ in millions)

	Americas	EMEA	Asia Pacific	Total
At December 31, 2019:				
Recorded investment:				
Lease receivables	\$ 3,419	\$1,186	\$ 963	\$ 5,567
Loan receivables	6,726	3,901	2,395	13,022
Ending balance	\$10,144	\$5,087	\$3,359	\$18,590
Recorded investment, collectively evaluated for impairment	\$10,032	\$5,040	\$3,326	\$18,399
Recorded investment, individually evaluated for impairment	\$ 112	\$ 47	\$ 32	\$ 191
Allowance for credit losses				
Beginning balance at January 1, 2019				
Lease receivables	\$ 53	\$ 22	\$ 24	\$ 99
Loan receivables	105	43	32	179
Total	\$ 158	\$ 65	\$ 56	\$ 279
Write-offs	(42)	(3)	(18)	(63)
Recoveries	1	0	1	2
Provision	5	(7)	(3)	(5)
Other*	(1)	0	(1)	(2)
Ending balance at December 31, 2019	\$ 120	\$ 54	\$ 36	\$ 210
Lease receivables	\$ 33	\$ 23	\$ 16	\$ 72
Loan receivables	\$ 88	\$ 31	\$ 20	\$ 138
Related allowance, collectively evaluated for impairment	\$ 25	\$ 11	\$ 4	\$ 39
Related allowance, individually evaluated for impairment	\$ 96	\$ 43	\$ 32	\$ 171

* Primarily represents translation adjustments.