Ally Financial Inc.
Form 10-Q
August 02, 2013
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2013, or

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

For the transition period from to
Commission file number: 1-3754
ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

Delaware	38-0572512
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 Renaissance Center P.O. Box 200, Detroit, Michigan	48265-2000
(Address of principal executive offices)	(Zip Code)

(866) 710-4623
(Registrant's telephone number, including area code)

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, and (2) has been subject to such filing for the past 90 days.
Yes þ No ¨

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).
Yes þ No ¨

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ	Smaller reporting company o
	(Do not check if a smaller reporting company)		

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

At August 1, 2013, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

Table of Contents

INDEX

Ally Financial Inc. Form 10-Q

		Page
Part I — Financial Information		
Item 1.	Financial Statements	3
	Condensed Consolidated Statement of Comprehensive Income (unaudited) for the Three and Six Months Ended June 30, 2013 and 2012	3
	Condensed Consolidated Balance Sheet (unaudited) at June 30, 2013 and December 31, 2012	5
	Condensed Consolidated Statement of Changes in Equity (unaudited) for the Six Months Ended June 30, 2013 and 2012	7
	Condensed Consolidated Statement of Cash Flows (unaudited) for the Six Months Ended June 30, 2013 and 2012	8
	Notes to Condensed Consolidated Financial Statements (unaudited)	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	79
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	123
Item 4.	Controls and Procedures	124
Part II — Other Information		125
Item 1.	Legal Proceedings	125
Item 1A.	Risk Factors	125
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	126
Item 3.	Defaults Upon Senior Securities	126
Item 4.	Mine Safety Disclosures	126
Item 5.	Other Information	126
Item 6.	Exhibits	126
Signatures		127
Index of Exhibits		128

Table of Contents PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

($ in millions)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,139	$1,140	$2,274	$2,233
Interest on loans held-for-sale	3	20	19	51
Interest on trading assets	—	1	—	10
Interest and dividends on available-for-sale investment securities	76	77	144	151
Interest-bearing cash	2	9	5	11
Operating leases	788	561	1,522	1,068
Total financing revenue and other interest income	2,008	1,808	3,964	3,524
Interest expense				
Interest on deposits	162	160	326	323
Interest on short-term borrowings	16	19	32	36
Interest on long-term debt	703	837	1,404	1,717
Total interest expense	881	1,016	1,762	2,076
Depreciation expense on operating lease assets	499	335	934	640
Net financing revenue	628	457	1,268	808
Other revenue				
Servicing fees	19	113	101	235
Servicing asset valuation and hedge activities, net	(12)	46	(213)	(60)
Total servicing income, net	7	159	(112)	175
Insurance premiums and service revenue earned	258	261	517	531
(Loss) gain on mortgage and automotive loans, net	(1)	86	37	106
Other gain on investments, net	64	64	115	153
Other income, net of losses	74	144	231	354
Total other revenue	402	714	788	1,319
Total net revenue	1,030	1,171	2,056	2,127
Provision for loan losses	89	33	220	131
Noninterest expense				
Compensation and benefits expense	252	270	537	573
Insurance losses and loss adjustment expenses	146	149	261	247
Other operating expenses	403	552	961	1,006
Total noninterest expense	801	971	1,759	1,826
Income from continuing operations before income tax expense (benefit)	140	167	77	170
Income tax expense (benefit) from continuing operations	40	(16)	(83)	(15)
Net income from continuing operations	100	183	160	185
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net (loss) income	(927)	(898)	166	(588)
Other comprehensive loss, net of tax	(181)	(206)	(498)	(19)
Comprehensive loss	$(1,108)	$(1,104)	$(332)	$(607)

Statement continues on the next page.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

3

Table of Contents

Condensed Consolidated Statement of Comprehensive Income (unaudited)
Ally Financial Inc. • Form 10-Q

($ in millions except per share data)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Net loss attributable to common shareholders				
Net income from continuing operations	$100	$183	$160	$185
Preferred stock dividends — U.S. Department of Treasury	(133)	(134)	(267)	(267)
Preferred stock dividends	(67)	(67)	(134)	(134)
Net loss from continuing operations attributable to common shareholders	(100)	(18)	(241)	(216)
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net loss attributable to common shareholders	$(1,127)	$(1,099)	$(235)	$(989)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	$(847)	$(825)	$(176)	$(743)
Diluted earnings per common share (a)				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	$(847)	$(825)	$(176)	$(743)

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for the three months and six months ended June 30, 2013 and 2012, respectively, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents

Condensed Consolidated Balance Sheet (unaudited)
Ally Financial Inc. • Form 10-Q

($ in millions)	June 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents		
Noninterest-bearing	$1,292	$1,073
Interest-bearing	6,482	6,440
Total cash and cash equivalents	7,774	7,513
Investment securities	17,015	14,178
Loans held-for-sale, net ($56 and $2,490 fair value-elected)	102	2,576
Finance receivables and loans, net		
Finance receivables and loans, net	96,993	99,055
Allowance for loan losses	(1,183)	(1,170)
Total finance receivables and loans, net	95,810	97,885
Investment in operating leases, net	16,085	13,550
Mortgage servicing rights	—	952
Premiums receivable and other insurance assets	1,611	1,609
Other assets	6,701	11,908
Assets of operations held-for-sale	5,529	32,176
Total assets	$150,627	$182,347
Liabilities		
Deposit liabilities		
Noninterest-bearing	$72	$1,977
Interest-bearing	50,053	45,938
Total deposit liabilities	50,125	47,915
Short-term borrowings	4,197	7,461
Long-term debt	64,534	74,561
Interest payable	999	932
Unearned insurance premiums and service revenue	2,301	2,296
Accrued expenses and other liabilities	5,043	6,585
Liabilities of operations held-for-sale	4,263	22,699
Total liabilities	131,462	162,449
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(7,256)	(7,021)
Accumulated other comprehensive (loss) income	(187)	311
Total equity	19,165	19,898
Total liabilities and equity	$150,627	$182,347

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents
Condensed Consolidated Balance Sheet (unaudited)
Ally Financial Inc. • Form 10-Q

The assets of consolidated variable interest entities, presented based upon the legal transfer of the underlying assets in order to reflect legal ownership, that can be used only to settle obligations of the consolidated variable interest entities and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse to our general credit were as follows.

($ in millions)	June 30, 2013	December 31, 2012
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net	$29,001	$31,510
Allowance for loan losses	(144)	(144)
Total finance receivables and loans, net	28,857	31,366
Investment in operating leases, net	5,956	6,060
Other assets	1,479	2,868
Assets of operations held-for-sale	155	12,139
Total assets	$36,447	$52,433
Liabilities		
Short-term borrowings	$500	$400
Long-term debt	25,398	26,461
Interest payable	1	1
Accrued expenses and other liabilities	24	16
Liabilities of operations held-for-sale	155	9,686
Total liabilities	$26,078	$36,564

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents

Condensed Consolidated Statement of Changes in Equity (unaudited)
Ally Financial Inc. • Form 10-Q

($ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2012	$19,668	$5,685	$1,255	$(7,415)	$87	$19,280
Net loss				(588)		(588)
Preferred stock dividends — U.S. Department of Treasury				(267)		(267)
Preferred stock dividends				(134)		(134)
Other comprehensive loss, net of tax					(19)	(19)
Balance at June 30, 2012	$19,668	$5,685	$1,255	$(8,404)	$68	$18,272
Balance at January 1, 2013	$19,668	$5,685	$1,255	$(7,021)	$311	$19,898
Net income				166		166
Preferred stock dividends — U.S. Department of Treasury				(267)		(267)
Preferred stock dividends				(134)		(134)
Other comprehensive loss, net of tax					(498)	(498)
Balance at June 30, 2013	$19,668	$5,685	$1,255	$(7,256)	$(187)	$19,165

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents

Condensed Consolidated Statement of Cash Flows (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, ($ in millions)	2013	2012
Operating activities		
Net income (loss)	$166	$(588)
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	1,346	1,151
Changes in fair value of mortgage servicing rights	102	401
Provision for loan losses	270	169
Gain on sale of loans, net	(37)	(252)
Net gain on investment securities	(116)	(162)
Originations and purchases of loans held-for-sale	(6,221)	(15,801)
Proceeds from sales and repayments of loans held-for-sale	8,577	17,499
Impairment and settlement related to Residential Capital, LLC	1,350	1,192
Gain on sale of subsidiaries, net	(930)	(28)
Net change in		
Trading assets	—	595
Deferred income taxes	(617)	(85)
Interest payable	61	130
Other assets	1,377	1,028
Other liabilities	(1,240)	(528)
Other, net	(675)	219
Net cash provided by operating activities	3,413	4,940
Investing activities		
Purchases of available-for-sale securities	(9,305)	(6,758)
Proceeds from sales of available-for-sale securities	3,700	5,636
Proceeds from maturities and repayment of available-for-sale securities	3,125	2,792
Net decrease (increase) in finance receivables and loans	1,591	(7,475)
Proceeds from sales of finance receivables and loans	—	1,978
Purchases of operating lease assets	(4,786)	(3,350)
Disposals of operating lease assets	1,318	892
Sale of mortgage servicing rights	911	—
Proceeds from sale of business units, net (a)	6,933	516
Net cash effect from deconsolidation of Residential Capital, LLC	—	(539)
Net change in restricted cash	2,319	69
Other, net	(140)	96
Net cash provided by (used in) investing activities	5,666	(6,143)

Statement continues on the next page.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents

Condensed Consolidated Statement of Cash Flows (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, ($ in millions)	2013	2012
Financing activities		
Net change in short-term borrowings	(2,832)	(1,485)
Net increase in deposits	2,151	2,973
Proceeds from issuance of long-term debt	8,037	19,123
Repayments of long-term debt	(17,765)	(15,916)
Dividends paid	(401)	(401)
Net cash (used in) provided by financing activities	(10,810)	4,294
Effect of exchange-rate changes on cash and cash equivalents	50	(39)
Net (decrease) increase in cash and cash equivalents	(1,681)	3,052
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	1,942	39
Cash and cash equivalents at beginning of year	7,513	13,035
Cash and cash equivalents at June 30,	$7,774	$16,126
Supplemental disclosures		
Cash paid for		
Interest	$1,998	$2,563
Income taxes	47	273
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	24	104

(a) The amounts are net of cash and cash equivalents of $1,418 million at June 30, 2013 and $147 million at June 30, 2012 of business units at the time of disposition.

(b) Cash flows of discontinued operations are reflected within operating, investing, and financing activities in the Condensed Consolidated Statement of Cash Flows. The cash balance of these operations is reported as assets of operations held-for-sale on the Condensed Consolidated Balance Sheet.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

1. Description of Business, Basis of Presentation, and Changes in Significant Accounting Policies

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is a leading, independent, diversified, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

The Condensed Consolidated Financial Statements at June 30, 2013, and for the three months and six months ended June 30, 2013, and 2012, are unaudited but reflect all adjustments that are, in management’s opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission (SEC) as revised by the Current Report on Form 8-K filed with the SEC on July 9, 2013 (referred to herein as 2012 Annual Report).

Residential Capital, LLC

Our mortgage operations were historically a significant portion of our operations and were conducted primarily through our Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). As a result of the bankruptcy filing, effective May 14, 2012, we deconsolidated ResCap from our financial statements and recorded a charge of $442 million for the impairment of Ally's investment in ResCap. During the first quarter of 2013, we discontinued performing certain mortgage activities, which were required as part of the bankruptcy process until the sale of certain assets occurred. As a result of us discontinuing these activities, the operations of ResCap were classified as discontinued, refer to Note 2.

On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases (the Creditors' Committee), and certain creditors, including AIG Asset Management (U.S.), LLC; Allstate Insurance Company; Financial Guaranty Insurance Company (FGIC), which has executed the agreement pending regulatory approval; counsel to the putative class of persons represented in the consolidated class action entitled In re: Community Bank of Northern Virginia Second Mortgage Lending Practice Litigation, filed in the United States District Court for the Western District of Pennsylvania, MDL No. 1674, Case Nos. 03-0425, 02-01201, 05-0688, 05-1386; Massachusetts Mutual Life Insurance Company; MBIA Insurance Corporation; Paulson & Co. Inc., a holder of ResCap's senior unsecured notes issued by ResCap; Prudential Insurance Company of America; certain investors in residential mortgage-backed securities (RMBS) backed by mortgage loans held by securitization trusts associated with securitizations sponsored by the Debtors between 2004 and 2007 represented by Kathy Patrick of Gibbs & Bruns LLP and Keith H. Wofford of Ropes & Gray LLP; Talcott Franklin of Talcott Franklin, P.C. as counsel for certain RMBS investors; Wilmington Trust, National Association in its capacity as Indenture Trustee for

ResCap's senior unsecured notes; and certain trustees or indenture trustee for certain mortgage-backed securities trusts (collectively, the Consenting Claimants).

On June 26, 2013, the Bankruptcy Court entered an order approving the PSA. The PSA provides for the parties to support a Chapter 11 plan in the Debtors' Chapter 11 cases (the Plan) that will, among other things, settle and provide AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that reside with the Debtors, and all pending and potential claims held by third parties related to the Debtors that could be brought against AFI, except for securities claims by the Federal Housing Finance Agency and the Federal Deposit Insurance Corporation (FDIC), as receiver for certain failed banks. AFI believes it has strong defenses against these claims and will vigorously defend its position, as necessary.

The PSA also provides, among other things, that, on the effective date of the Plan, AFI will contribute to the Debtors' estates $1.95 billion in cash or cash equivalents, and will further contribute $150 million received by AFI for claims it pursues against its insurance carriers related to the claims released in connection with the Plan, with such amount guaranteed by AFI to be paid no later than September 30, 2014 (collectively, the Ally Contribution) in exchange for the releases of AFI to be included in the Plan. These amounts have been reflected within our accrued expenses and other liabilities, refer to Note 15. The Ally Contribution and other assets of the Debtors' estates will be distributed to creditors under the Plan. In addition, the PSA contemplated the payoff of Ally secured debt on or before the effective date of the Plan. On June 13, 2013, the Debtors paid AFI approximately $1.127 billion in full satisfaction of the AFI revolving credit facility and line of credit. The payment to AFI was approved by the Bankruptcy Court with an express reservation of rights, claims and remedies against AFI and a reciprocal reservation of rights, claims and remedies for AFI's benefit in the event the Plan does not become effective.

The PSA also provides that the Debtors will remain responsible for all costs and obligations imposed on the Debtors under (i) the consent judgment among the United States Department of Justice, the Attorneys General of certain states, ResCap, GMAC Mortgage, LLC (GMACM) and Ally Financial Inc. entered by the District Court for the District of Columbia on February 9, 2012, (ii) the consent order among ResCap, GMACM, Ally Financial Inc., Ally Bank, the Federal Reserve Board (FRB) and the FDIC, dated April 13, 2011 (the Consent Order) and (iii) the order of assessment among ResCap, GMACM, Ally Financial Inc. and the Board of Governors of the Federal Reserve System, excluding certain obligations that are being performed by Ocwen Financial Corporation (Ocwen). Notably, on June 26, 2013, the Bankruptcy Court approved a term sheet (the FRB Term Sheet) encompassing the terms of an amendment to the Consent Order (the Consent Order Amendment). The FRB Term Sheet, among other things, required the Debtors to escrow approximately $230 million (the FRB Settlement Amount) in exchange for the FRB suspending the foreclosure review mandated under the Consent Order (the FRB Foreclosure Review) for 30 days. The FRB Term Sheet was fully executed on June 27, 2013 and the FRB Foreclosure Review was suspended on June 28, 2013. On July 26, 2013, the Bankruptcy Court approved the Consent Order Amendment and, as a result, the Debtors are no longer responsible for the FRB Foreclosure Review, and the FRB Settlement Amount will be distributed to individual borrowers in full satisfaction of the Debtors' foreclosure review obligations.

Further, the PSA requires that the Plan include a settlement of insurance disputes between AFI and the Debtors under which the Debtors will relinquish in favor of AFI all of their rights to coverage under certain insurance policies. The PSA also requires that all litigation against AFI by the Debtors, the Creditors' Committee and the Consenting Claimants be stayed so long as the PSA has not been terminated.

The PSA requires, among other things, that the following milestones be satisfied: (i) the FGIC rehabilitation court must approve the PSA and a separate settlement agreement entered into among the Debtors, FGIC, trustees of residential mortgage-backed trusts and certain institutional investors (the FGIC Settlement) on or before August 19, 2013; (ii) the Bankruptcy Court must approve the Disclosure Statement on or before August 30, 2013; and (iii) the effective date of the Plan must occur on or before December 15, 2013. In the event any of the above milestones are not satisfied, the PSA could be terminated.

The PSA also includes a number of additional events that could result in the PSA being terminated, including the following: (i) the Bankruptcy Court enters an order appointing a Chapter 11 trustee; (ii) any of the Debtors' Chapter 11 cases are dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; (iii) any court has entered a final, non-appealable judgment or order declaring any material portion of the PSA unenforceable; (iv) the releases set forth in the PSA are modified, amended, changed, severed or otherwise altered in the Plan or any other definitive document; and (v) the PSA ceases to be binding on AFI or the Creditors' Committee.

Additionally, the PSA requires that several conditions be satisfied or waived before the Plan can be effective, including, the following: (i) the Bankruptcy Court approves the Plan and Disclosure Statement on terms reasonably acceptable to the parties; (ii) the order confirming the Plan (the Confirmation Order) must have been entered by the Bankruptcy Court and provide for, among other things, the releases specified in the PSA; (iii) the Confirmation Order must not have been stayed, modified, or vacated on appeal, and the time to appeal shall have passed; (iv) the FGIC rehabilitation court must have approved the PSA and FGIC Settlement Agreement, including the release of all present and future claims against FGIC relating to FGIC policies; (v) AFI must have funded the Ally Contribution; and (vi) AFI's secured claims against the Debtors must have been fully satisfied.

On July 3, 2013, the Debtors filed the Plan, which incorporates the terms of the PSA described herein, and related disclosure statement (the Disclosure Statement), with the Bankruptcy Court. The Bankruptcy Court has scheduled a hearing to consider approval of the Disclosure Statement on August 21, 2013, and the Plan confirmation hearing is currently targeted for late October 2013.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors

proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). Upon approving the PSA on June 26, 2013, the Bankruptcy Court unsealed the Examiner's investigative report. Under the terms of the PSA, the contents of the report may not be used by any party as a basis for terminating or modifying the PSA.

There can be no assurance that any of the required milestones will be satisfied, that the conditions to effectiveness will be satisfied or waived or that none of the specified termination events will occur. The termination of the PSA or the failure of the PSA to become effective could result in modifications to the Plan, or the pursuit of an alternative form of reorganization or liquidation. This would result in delay and significant expense, and any modifications to the Plan or other alternative may well be less favorable to AFI.

Significant Accounting Policies

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification 740, Income Taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. We exclude and record discretely the tax effect of unusual or infrequently occurring items, including, for example, changes in judgment about valuation allowances and effects of changes in tax law or rates. The provision for income taxes in tax jurisdictions with a projected full year or year-to-date loss for which a tax benefit cannot be realized is estimated using tax rates specific to that jurisdiction.

Table of Contents

Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Balance Sheet - Disclosures about Offsetting Assets and Liabilities (ASU 2011-11 and ASU 2013-01)

As of January 1, 2013, we adopted Accounting Standards Update (ASU) 2011-11, which amends ASC 210, Balance Sheet. This ASU contains new disclosure requirements regarding the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. In addition, we adopted ASU 2013-01, which simply clarified the scope of ASU 2011-11. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 and ASU 2013-01 were required to be applied retrospectively. Since the guidance relates only to disclosure of information, the adoption did not have an impact to our consolidated financial condition or results of operations.

Comprehensive Income - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)

As of January 1, 2013, we adopted ASU 2013-02, which amends ASC 220, Comprehensive Income. The ASU contains new requirements related to the presentation and disclosure of items that are reclassified out of accumulated other comprehensive income. The new requirements provide financial statement users a more comprehensive view of items that are reclassified out of accumulated other comprehensive income. ASU 2013-02 was required to be applied prospectively. Since the guidance relates only to presentation and disclosure of information, the adoption did not have an impact to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

Liabilities - Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (ASU 2013-04)

In February 2013, the Financial Accounting Standards Board issued ASU 2013-04. This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. It further requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. ASU 2013-04 will be effective for us on January 1, 2014, with retrospective application required. The adoption of this guidance is not expected to have a material effect on our consolidated financial condition or results of operations.

Foreign Currency Matters - Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05)

In March 2013, the Financial Accounting Standards Board issued ASU 2013-05. This ASU requires a reporting entity that ceases to have a controlling financial interest, in a subsidiary or group of assets or a business, within a foreign entity to release any related Cumulative Translation Adjustment (CTA) into net income. The CTA should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For an equity method investment that is a foreign entity, a pro rata portion of the CTA should be released into net income upon a partial sale of such an investment. This ASU clarifies that the sale of an investment in a foreign entity includes both events that result in the loss of a controlling financial interest in a foreign entity, irrespective of any retained investment, and events that result in step acquisition under which an acquirer obtains control of an acquiree in which it held an equity interest immediately before the acquisition date. Under these circumstances, the CTA should be released into net income upon their occurrence. ASU 2013-04 will be effective for us prospectively on January 1, 2014. Management is currently assessing the potential impact of the application of this guidance. However, since the guidance is prospective and we are in the process of exiting most of our international businesses, it is not expected to have a material effect on our consolidated financial condition or results of operations.

Derivatives and Hedging - Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (ASU 2013-10)

In July 2013, The Financial Accounting Standards Board issued ASU 2013-10. This ASU establishes the Fed Funds Effective Swap Rate (OIS) as an additional U.S. benchmark interest rate for hedge accounting purposes. Prior to this ASU's addition of the OIS as a benchmark rate, only interest rates on direct Treasury obligations and the LIBOR swap rate were considered to be such benchmarks. Amendments of the update also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively when entering into new or redesignating existing hedging relationships on or after July 17, 2013. Since the new guidance simply allows for an additional hedge index to be utilized for hedge accounting purposes, the implementation of this guidance is not expected to have a material effect on our consolidated financial condition or results of operations.

Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11)

In July 2013, The Financial Accounting Standards Board issued ASU 2013-11. This ASU requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The guidance further includes an exception that if a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available to settle any additional income taxes that would result from the

disallowance of a tax position at the reporting date or the tax law of the applicable jurisdiction does not require the entity to use them and the entity does not intend to use them, the deferred tax asset for such purpose should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application are permitted. The adoption of this guidance is not expected to have a material affect to our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

We classify operations as discontinued when operations and cash flows will be eliminated from our ongoing operations and we do not expect to retain any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, all of the operating results for these discontinued operations have been removed from continuing operations and presented separately as discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income. The Notes to the Condensed Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

Select Mortgage Operations

During the first quarter of 2013, the operations of ResCap were classified as discontinued. During the second quarter of 2012, we sold the Canadian mortgage operations of ResMor Trust.

Select Insurance Operations

During the second quarter of 2013, we sold our Mexican insurance business, ABA Seguros, to the ACE Group. During the first quarter of 2013, we sold our U.K.-based operations to a wholly owned subsidiary of AMTrust Financial Services, Inc.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. During the second quarter of 2013, we completed the sale of our operations in Europe and the majority of Latin America to GM Financial. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium, France and the Netherlands, and Latin American operations in Mexico, Chile, and Colombia. We expect to complete the sale of our remaining Latin American operations in Brazil and the joint venture in China during 2013 or possibly 2014.

During the first quarter of 2013, we sold our Canadian automotive finance operations, Ally Credit Canada Limited and ResMor Trust, to Royal Bank of Canada. During the first quarter of 2012, we completed the sale of our Venezuela operations.

Select Corporate and Other Operations

During the fourth quarter of 2012, we ceased operations at our Commercial Finance Group's European division and classified it as discontinued.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Select Financial Information

Select financial information of discontinued operations is summarized below. The pretax income or loss, including direct costs to transact a sale, includes any impairment recognized to present the operations at the lower-of-cost or fair value. Fair value was based on the estimated sales price, which could differ from the ultimate sales price due to price volatility, changing interest rates, changing foreign-currency rates, and future economic conditions.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Select Mortgage operations				
Total net revenue	$—	$37	$—	$440
Pretax loss including direct costs to transact a sale (a) (b)	(1,584)	(1,298)	(1,604)	(1,165)
Tax (benefit) expense (c)	(549)	8	(533)	24
Select Insurance operations				
Total net revenue	$42	$149	$190	$305
Pretax income (loss) including direct costs to transact a sale (a)	286 (d)	(3)	314 (d)	35
Tax (benefit) expense (c)	(16)	9	(15)	18
Select Automotive Finance operations				
Total net revenue	$83	$385	$369	$772
Pretax (loss) income including direct costs to transact a sale (a)	(348) (e)	230	694 (e) (f)	426
Tax (benefit) expense (c)	(52)	19	(53)	58
Select Corporate and Other operations				
Total net revenue	$—	$7	$—	$9
Pretax income	2	26	1	32
Tax expense	—	—	—	1

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.
(b) Includes the results of ResCap. Refer to Note 1 for more information regarding the Debtors' bankruptcy.
(c) Includes certain income tax activity recognized by Corporate and Other.
(d) Includes recognized pretax gain of $274 million in connection with the sale of our Mexican insurance business, ABA Seguros.
(e) Includes recognized pretax loss of $371 million in connection with the sale of our European and the majority of our Latin American automotive finance operations.
(f) Includes recognized pretax gain of $888 million in connection with the sale of our Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Held-for-sale Operations
The assets and liabilities of operations held-for-sale are summarized below.

June 30, 2013 ($ in millions)	Select Automotive Finance operations (a)
Assets	
Cash and cash equivalents	
Noninterest-bearing	$30
Interest-bearing	174
Total cash and cash equivalents	204
Finance receivables and loans, net	
Finance receivables and loans, net	3,953
Allowance for loan losses	(90)
Total finance receivables and loans, net	3,863
Other assets	1,462
Total assets	$5,529
Liabilities	
Short-term borrowings	$379
Long-term debt	3,299
Interest payable	106
Accrued expenses and other liabilities	479
Total liabilities	$4,263

(a) Includes Brazil and our joint venture in China that are being sold to GM Financial.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

December 31, 2012 ($ in millions)	Select Insurance operations (a)	Select Automotive Finance operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	$8	$100	$108
Interest-bearing	119	1,918	2,037
Total cash and cash equivalents	127	2,018	2,145
Investment securities	576	424	1,000
Finance receivables and loans, net			
Finance receivables and loans, net	—	25,835	25,835
Allowance for loan losses	—	(208)	(208)
Total finance receivables and loans, net	—	25,627	25,627
Investment in operating leases, net	—	144	144
Premiums receivable and other insurance assets	277	—	277
Other assets	94	2,942	3,036
Impairment on assets of held-for-sale operations	(53)	—	(53)
Total assets	$1,021	$31,155	$32,176
Liabilities			
Interest-bearing deposit liabilities	$—	$3,907	$3,907
Short-term borrowings	—	2,800	2,800
Long-term debt	—	13,514	13,514
Interest payable	—	177	177
Unearned insurance premiums and service revenue	506	—	506
Accrued expenses and other liabilities	297	1,498	1,795
Total liabilities	$803	$21,896	$22,699

(a) Includes our U.K.-based operations and ABA Seguros.

(b) Includes our Canadian operations sold to Royal Bank of Canada and international entities being sold to GM Financial.

Recurring Fair Value

There were no assets or liabilities for our held-for-sale operations measured at fair value on a recurring basis as of June 30, 2013. The December 31, 2012 balances can be found on the Consolidated Financial Statements in our 2012 Annual Report. Refer to Note 22 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

3. Other Income, Net of Losses

Details of other income, net of losses, were as follows.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Late charges and other administrative fees	$23	$21	$46	$42
Remarketing fees	19	15	39	32
Fair value adjustment on derivatives (a)	10	(46)	10	(34)
Mortgage processing fees and other mortgage income	2	108	81	230
Other, net	20	46	55	84
Total other income, net of losses	$74	$144	$231	$354

(a) Refer to Note 20 for a description of derivative instruments and hedging activities.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

4. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Insurance commissions	$93	$94	$185	$193
Technology and communications	92	80	163	169
Professional services	54	32	102	70
Lease and loan administration	31	57	112	111
Regulatory and licensing fees	29	31	62	64
Advertising and marketing	28	32	63	67
Premises and equipment depreciation	21	19	41	36
Vehicle remarketing and repossession	13	12	27	28
Occupancy	11	12	22	26
Mortgage representation and warranty obligation, net (a)	(2)	141	81	141
Other	33	42	103	101
Total other operating expenses	$403	$552	$961	$1,006

(a) Refer to Note 26 for further details on representation and warranty obligation.

5. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, notes, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale securities were as follows:

	June 30, 2013				December 31, 2012			
($ in millions)	Amortized cost	Gross unrealized gains	losses	Fair value	Amortized cost	Gross unrealized gains	losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$1,840	$1	$(51)	$1,790	$2,212	$3	$(1)	$2,214
Foreign government	290	4	(2)	292	295	8	—	303
Mortgage-backed residential (a)	10,558	39	(269)	10,328	6,779	130	(3)	6,906
Asset-backed	2,258	22	(4)	2,276	2,309	32	(1)	2,340
Corporate debt	1,297	24	(12)	1,309	1,209	57	(3)	1,263
Total debt securities	16,243	90	(338)	15,995	12,804	230	(8)	13,026
Equity securities	1,051	40	(71)	1,020	1,193	32	(73)	1,152
Total available-for-sale securities (b)	$17,294	$130	$(409)	$17,015	$13,997	$262	$(81)	$14,178

(a) Residential mortgage-backed securities include agency-backed bonds totaling $7,720 million and $4,983 million at June 30, 2013, and December 31, 2012, respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $15 million and $15 million at June 30, 2013, and December 31, 2012, respectively.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
June 30, 2013										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$1,790	1.1 %	$349	0.1 %	$507	1.2 %	$934	1.3 %	$—	— %
Foreign government	292	3.9	10	7.4	111	4.3	171	3.5	—	—
Mortgage-backed residential	10,328	2.6	—	—	—	—	113	2.1	10,215	2.6
Asset-backed	2,276	1.9	—	—	1,700	1.9	484	1.8	92	2.6
Corporate debt	1,309	5.0	25	6.6	593	4.0	608	5.6	83	5.9
Total available-for-sale debt securities	$15,995	2.5	$384	0.7	$2,911	2.2	$2,310	2.7	$10,390	2.6
Amortized cost of available-for-sale debt securities	$16,243		$384		$2,898		$2,342		$10,619	
December 31, 2012										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$2,214	0.9 %	$422	— %	$682	0.7 %	$1,110	1.4 %	$—	— %
Foreign government	303	2.5	1	2.2	136	1.8	166	3.0	—	—
Mortgage-backed residential	6,906	2.7	—	—	—	—	35	4.3	6,871	2.7
Asset-backed	2,340	2.1	—	—	1,543	2.0	510	1.7	287	3.3
Corporate debt	1,263	5.1	9	3.2	560	4.0	596	6.0	98	5.8
Total available-for-sale debt securities	$13,026	2.4	$432	0.1	$2,921	2.0	$2,417	2.6	$7,256	2.6
Amortized cost of available-for-sale debt securities	$12,804		$431		$2,880		$2,369		$7,124	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

The balances of cash equivalents were $3.2 billion and $3.4 billion at June 30, 2013, and December 31, 2012, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

	Three months ended June 30,	Six months ended June 30,

($ in millions)	2013	2012	2013	2012
Gross realized gains	$67	$68	$137	$165
Gross realized losses	(3)	(4)	(14)	(12)
Other-than-temporary impairment	—	—	(8)	—
Net realized gains	$64	$64	$115	$153

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table presents interest and dividends on available-for-sale securities.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Taxable interest	$69	$70	$132	$139
Taxable dividends	7	7	12	12
Interest and dividends on available-for-sale securities	$76	$77	$144	$151

Certain available-for-sale securities were sold at a loss in 2013 as a result of market conditions. The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of June 30, 2013, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of June 30, 2013, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at June 30, 2013. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	June 30, 2013				December 31, 2012			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$1,648	$(51)	$—	$—	$244	$(1)	$—	$—
Foreign government	113	(2)	—	—	11	—	—	—
Mortgage-backed residential	7,326	(269)	13	—	493	(2)	23	(1)
Asset-backed	426	(4)	1	—	143	(1)	1	—
Corporate debt	501	(12)	2	—	120	(2)	15	(1)
Total temporarily impaired debt securities	10,014	(338)	16	—	1,011	(6)	39	(2)
Temporarily impaired equity securities	327	(42)	146	(29)	380	(39)	218	(34)
Total temporarily impaired available-for-sale securities	$10,341	$(380)	$162	$(29)	$1,391	$(45)	$257	$(36)

6. Loans Held-for-Sale, Net

The composition of loans held-for-sale, net, was as follows.

($ in millions)	June 30, 2013	December 31, 2012
Consumer mortgage		
1st Mortgage	$56	$2,490
Total consumer mortgage (a)	56	2,490

Commercial and industrial		
Other	46	86
Total loans held-for-sale (b)	$102	$2,576

(a) Fair value option-elected domestic consumer mortgages were $56 million and $2.5 billion at June 30, 2013, and December 31, 2012, respectively. Refer to Note 22 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized discounts of $58 million at June 30, 2013, and net unamortized premiums of $26 million at December 31, 2012.

Table of Contents

The following table summarizes held-for-sale mortgage loans reported at carrying value by higher-risk loan type.

($ in millions)	June 30, 2013	December 31, 2012
High original loan-to-value (greater than 100%) mortgage loans	$2	$ 378
Interest-only mortgage loans	—	10
Total higher-risk mortgage loans held-for-sale	$2	$ 388

7. Finance Receivables and Loans, Net

The composition of finance receivables and loans, net, reported at carrying value before allowance for loan losses was as follows.

($ in millions)	June 30, 2013	December 31, 2012
Consumer automobile	$56,028	$ 53,715
Consumer mortgage		
1st Mortgage	6,774	7,173
Home equity	2,496	2,648
Total consumer mortgage	9,270	9,821
Commercial		
Commercial and industrial		
Automobile	27,518	30,270
Mortgage	—	—
Other	1,502	2,697
Commercial real estate		
Automobile	2,675	2,552
Mortgage	—	—
Total commercial	31,695	35,519
Total finance receivables and loans (a) (b)	$96,993	$ 99,055

(a) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of $781 million and $895 million at June 30, 2013, and December 31, 2012, respectively.

(b) Includes $1 million and $2 million of international consumer automobile loans, and $15 million and $18 million of international commercial other loans at June 30, 2013, and December 31, 2012, respectively.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

Three months ended June 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at April 1, 2013	$599	$451	$147	$1,197
Charge-offs (a)	(133)	(31)	(2)	(166)
Recoveries	53	5	5	63
Net charge-offs	(80)	(26)	3	(103)
Provision for loan losses	92	6	(9)	89
Other	(1)	—	1	—
Allowance at June 30, 2013	$610	$431	$142	$1,183

(a) Includes international commercial charge-offs of $1 million.

Three months ended June 30, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at April 1, 2012	$832	$501	$213	$1,546
Charge-offs (a)	(130)	(41)	(3)	(174)
Recoveries (b)	60	4	22	86
Net charge-offs	(70)	(37)	19	(88)
Provision for loan losses	18	21	(6)	33
Other (c)	(2)	(13)	(49)	(64)
Allowance at June 30, 2012	$778	$472	$177	$1,427

(a) Includes international consumer automobile and international commercial charge-offs of $45 million and $2 million, respectively.

(b) Includes international consumer automobile and international commercial recoveries of $18 million and $20 million, respectively.

(c) Includes negative provision for loan losses relating to discontinued operations of $4 million.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	$575	$452	$143	$1,170
Charge-offs (a)	(275)	(55)	(3)	(333)
Recoveries	102	8	6	116
Net charge-offs	(173)	(47)	3	(217)
Provision for loan losses	199	26	(5)	220
Other	9	—	1	10
Allowance at June 30, 2013	$610	$431	$142	$1,183
Allowance for loan losses				
Individually evaluated for impairment	$22	$214	$26	$262
Collectively evaluated for impairment	588	217	116	921
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost				
Ending balance	56,028	9,270	31,695	96,993
Individually evaluated for impairment	268	936	305	1,509
Collectively evaluated for impairment	55,744	8,334	31,390	95,468
Loans acquired with deteriorated credit quality	16	—	—	16

(a) Includes international commercial charge-offs of $1 million.

Six months ended June 30, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	$766	$516	$221	$1,503
Charge-offs (a)	(266)	(86)	(5)	(357)
Recoveries (b)	122	6	34	162
Net charge-offs	(144)	(80)	29	(195)
Provision for loan losses	101	48	(18)	131
Other (c)	55	(12)	(55)	(12)
Allowance at June 30, 2012	$778	$472	$177	$1,427
Allowance for loan losses				
Individually evaluated for impairment	$9	$166	$32	$207
Collectively evaluated for impairment	763	306	145	1,214
Loans acquired with deteriorated credit quality	6	—	—	6
Finance receivables and loans at historical cost				
Ending balance	68,136	9,823	41,954	119,913
Individually evaluated for impairment	97	688	1,525	2,310
Collectively evaluated for impairment	67,980	9,135	40,429	117,544
Loans acquired with deteriorated credit quality	59	—	—	59

(a) Includes international consumer automobile and international commercial charge-offs of $81 million and $2 million, respectively.

(b) Includes international consumer automobile and international commercial recoveries of $34 million and $25 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of $37 million.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table presents information about significant sales of finance receivables and loans recorded at historical cost and transfers of finance receivables and loans from held-for-investment to held-for-sale.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Consumer automobile	$—	$1,960	$—	$1,960
Consumer mortgage	—	—	—	40
Commercial	27	—	45	—
Total sales and transfers	$27	$1,960	$45	$2,000

The following table presents an analysis of our past due finance receivables and loans, net, recorded at historical cost reported at carrying value before allowance for loan losses.

($ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
June 30, 2013						
Consumer automobile	$868	$193	$134	$1,195	$54,833	$ 56,028
Consumer mortgage						
1st Mortgage	79	28	131	238	6,536	6,774
Home equity	12	5	12	29	2,467	2,496
Total consumer mortgage	91	33	143	267	9,003	9,270
Commercial						
Commercial and industrial						
Automobile	—	—	20	20	27,498	27,518
Mortgage	—	—	—	—	—	—
Other	—	—	—	—	1,502	1,502
Commercial real estate						
Automobile	—	—	8	8	2,667	2,675
Mortgage	—	—	—	—	—	—
Total commercial	—	—	28	28	31,667	31,695
Total consumer and commercial	$959	$226	$305	$1,490	$95,503	$ 96,993
December 31, 2012						
Consumer automobile	$920	$213	$138	$1,271	$52,444	$ 53,715
Consumer mortgage						
1st Mortgage	66	37	156	259	6,914	7,173
Home equity	15	6	18	39	2,609	2,648
Total consumer mortgage	81	43	174	298	9,523	9,821
Commercial						
Commercial and industrial						
Automobile	—	—	16	16	30,254	30,270
Mortgage	—	—	—	—	—	—
Other	—	—	1	1	2,696	2,697
Commercial real estate						
Automobile	—	—	8	8	2,544	2,552
Mortgage	—	—	—	—	—	—
Total commercial	—	—	25	25	35,494	35,519
Total consumer and commercial	$1,001	$256	$337	$1,594	$97,461	$ 99,055

23

The following table presents the carrying value before allowance for loan losses of our finance receivables and loans recorded at historical cost on nonaccrual status.

($ in millions)	June 30, 2013	December 31, 2012
Consumer automobile	$277	$260
Consumer mortgage		
1st Mortgage	388	342
Home equity	36	40
Total consumer mortgage	424	382
Commercial		
Commercial and industrial		
Automobile	186	146
Mortgage	—	—
Other	88	33
Commercial real estate		
Automobile	31	37
Mortgage	—	—
Total commercial	305	216
Total consumer and commercial finance receivables and loans	$1,006	$858

Management performs a quarterly analysis of the consumer automobile, consumer mortgage, and commercial portfolios using a range of credit quality indicators to assess the adequacy of the allowance based on historical and current trends. The tables below present the population of loans by quality indicators for our consumer automobile, consumer mortgage, and commercial portfolios.

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information.

	June 30, 2013			December 31, 2012		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	$55,751	$277	$56,028	$53,455	$260	$53,715
Consumer mortgage						
1st Mortgage	6,386	388	6,774	6,831	342	7,173
Home equity	2,460	36	2,496	2,608	40	2,648
Total consumer mortgage	$8,846	$424	$9,270	$9,439	$382	$9,821

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	June 30, 2013			December 31, 2012		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	$26,118	$1,400	$27,518	$28,978	$1,292	$30,270
Mortgage	—	—	—	—	—	—
Other	1,212	290	1,502	2,417	280	2,697
Commercial real estate						
Automobile	2,593	82	2,675	2,440	112	2,552
Mortgage	—	—	—	—	—	—
Total commercial	$29,923	$1,772	$31,695	$33,835	$1,684	$35,519

(a) Includes loans classified as special mention, substandard, or doubtful. These classifications are based on regulatory definitions and generally represent loans within our portfolio that have a higher default risk or have already defaulted.

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table presents information about our impaired finance receivables and loans recorded at historical cost.

($ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
June 30, 2013					
Consumer automobile	$268	$268	$—	$268	$22
Consumer mortgage					
1st Mortgage	795	789	126	663	162
Home equity	146	147	2	145	52
Total consumer mortgage	941	936	128	808	214
Commercial					
Commercial and industrial					
Automobile	186	186	69	117	9
Mortgage	—	—	—	—	—
Other	88	88	17	71	7
Commercial real estate					
Automobile	31	31	8	23	10
Mortgage	—	—	—	—	—
Total commercial	305	305	94	211	26
Total consumer and commercial finance receivables and loans	$1,514	$1,509	$222	$1,287	$262
December 31, 2012					
Consumer automobile	$260	$260	$90	$170	$16
Consumer mortgage					
1st Mortgage	811	725	123	602	137
Home equity	147	148	1	147	49
Total consumer mortgage	958	873	124	749	186
Commercial					
Commercial and industrial					
Automobile	146	146	54	92	7
Mortgage	—	—	—	—	—
Other	33	33	9	24	7
Commercial real estate					
Automobile	37	37	9	28	12
Mortgage	—	—	—	—	—
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	$1,434	$1,349	$286	$1,063	$228

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following tables present average balance and interest income for our impaired finance receivables and loans.

Three months ended June 30, ($ in millions)	2013 Average balance	2013 Interest income	2012 Average balance	2012 Interest income
Consumer automobile	$275	$5	$94	$3
Consumer mortgage				
1st Mortgage	781	5	574	7
Home equity	147	2	96	1
Total consumer mortgage	928	7	670	8
Commercial				
Commercial and industrial				
Automobile	177	1	185	3
Mortgage	—	—	15	—
Other	68	1	25	5
Commercial real estate				
Automobile	35	1	54	1
Mortgage	—	—	7	—
Total commercial	280	3	286	9
Total consumer and commercial finance receivables and loans	$1,483	$15	$1,050	$20

Six months ended June 30, ($ in millions)	2013 Average balance	2013 Interest income	2012 Average balance	2012 Interest income
Consumer automobile	$273	$9	$88	$5
Consumer mortgage				
1st Mortgage	760	12	546	11
Home equity	139	3	97	2
Total consumer mortgage	899	15	643	13
Commercial				
Commercial and industrial				
Automobile	167	3	197	5
Mortgage	—	—	9	—
Other	63	1	29	5
Commercial real estate				
Automobile	35	1	58	1
Mortgage	—	—	10	—
Total commercial	265	5	303	11
Total consumer and commercial finance receivables and loans	$1,437	$29	$1,034	$29

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we offer several types of assistance to aid our customers including extension of the maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were $1.3 billion and $1.2 billion at June 30, 2013, and December 31, 2012, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information.

27

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table presents information related to finance receivables and loans recorded at historical cost modified in connection with a TDR during the period.

	2013 (a)			2012		
Three months ended June 30, ($ in millions)	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	4,414	$ 68	$ 57	1,980	$ 25	$ 25
Consumer mortgage						
1st Mortgage	144	42	35	845	231	161
Home equity	43	2	2	54	3	3
Total consumer mortgage	187	44	37	899	234	164
Commercial						
Commercial and industrial						
Automobile	2	7	7	3	5	5
Mortgage	—	—	—	—	—	—
Other	2	20	20	—	—	—
Commercial real estate						
Automobile	1	2	2	3	7	6
Mortgage	—	—	—	—	—	—
Total commercial	5	29	29	6	12	11
Total consumer and commercial finance receivables and loans	4,606	$ 141	$ 123	2,885	$ 271	$ 200

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

	2013 (a)			2012		
Six months ended June 30, ($ in millions)	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	9,699	$ 147	$ 125	4,772	$ 58	$ 58
Consumer mortgage						
1st Mortgage	618	207	165	922	259	188
Home equity	114	6	6	227	13	12
Total consumer mortgage	732	213	171	1,149	272	200
Commercial						
Commercial and industrial						
Automobile	6	32	32	6	8	8
Mortgage	—	—	—	—	—	—
Other	3	53	51	—	—	—
Commercial real estate						
Automobile	4	13	13	4	9	8
Mortgage	—	—	—	—	—	—
Total commercial	13	98	96	10	17	16
Total consumer and commercial finance receivables and loans	10,444	$ 458	$ 392	5,931	$ 347	$ 274

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table presents information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information) except for commercial finance receivables and loans where redefault is defined as 90 days past due.

	2013 (a)			2012		
Three months ended June 30, ($ in millions)	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	1,414	$ 18	$ 9	161	$ 1	$ 1
Consumer mortgage						
1st Mortgage	2	—	—	7	2	1
Home equity	—	—	—	9	—	—
Total consumer mortgage	2	—	—	16	2	1
Commercial						
Commercial and industrial						
Automobile	—	—	—	2	1	—
Commercial real estate						
Automobile	—	—	—	1	2	—
Total commercial	—	—	—	3	3	—
Total consumer and commercial finance receivables and loans	1,416	$ 18	$ 9	180	$ 6	$ 2

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

	2013 (a)			2012		
Six months ended June 30, ($ in millions)	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	2,747	$ 34	$ 17	369	$ 3	$ 2
Consumer mortgage						
1st Mortgage	10	2	—	12	3	1
Home equity	2	—	—	13	1	1
Total consumer mortgage	12	2	—	25	4	2
Commercial						
Commercial and industrial						
Automobile	—	—	—	4	3	—
Commercial real estate						
Automobile	—	—	—	1	2	—
Total commercial	—	—	—	5	5	—
Total consumer and commercial finance receivables and loans	2,759	$ 36	$ 17	399	$ 12	$ 4

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

At June 30, 2013, and December 31, 2012, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a TDR were $18 million and $25 million, respectively.

29

Table of Contents

Higher-Risk Mortgage Concentration Risk

The following table summarizes held-for-investment mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses by higher-risk loan type.

($ in millions)	June 30, 2013	December 31, 2012
Interest-only mortgage loans (a)	$1,746	$2,063
Below-market rate (teaser) mortgages	177	192
Total higher-risk mortgage finance receivables and loans	$1,923	$2,255

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	June 30, 2013	December 31, 2012
Vehicles and other equipment	$19,072	$16,009
Accumulated depreciation	(2,987)	(2,459)
Investment in operating leases, net	$16,085	$13,550

Depreciation expense on operating lease assets includes remarketing gains and losses recognized on the sale of operating lease assets. The following summarizes the components of depreciation expense on operating lease assets.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Depreciation expense on operating lease assets (excluding remarketing gains)	$590	$359	$1,089	$687
Remarketing gains, net	(91)	(24)	(155)	(47)
Depreciation expense on operating lease assets	$499	$335	$934	$640

9. Securitizations and Variable Interest Entities

Overview

We are involved in several types of securitization and financing transactions that utilize special-purpose entities (SPEs). A SPE is an entity that is designed to fulfill a specified limited need of the sponsor. Our principal use of SPEs is to obtain liquidity and favorable capital treatment by securitizing certain of our financial assets.

The SPEs involved in securitization and other financing transactions are generally considered variable interest entities (VIEs). VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. Due to the deconsolidation of ResCap, our mortgage securitization activity and involvement with certain mortgage-related VIEs has substantially changed. Refer to Note 1 for additional information related to ResCap.

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, other commercial loans, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We previously securitized consumer mortgage loans through private-label mortgage securitizations and through transactions involving the Government National Mortgage Association (Ginnie Mae). We refer to Fannie Mae, Freddie Mac, and Ginnie Mae collectively as the Government-Sponsored Enterprises or GSEs. During the six months ended June 30, 2013 and 2012, our consumer

mortgage loans were primarily securitized through the GSEs.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates, which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred loans and entitle the investors to specified cash flows generated from the securitized loans. In

addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, making certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and previously master servicing (i.e., servicing the beneficial interests that result from the securitization transactions). Certain securitization entities also require the servicer to advance scheduled principal and interest payments due on the beneficial interests issued by the entity regardless of whether cash payments are received on the underlying transferred financial assets. Accordingly, we are required to provide these servicing advances when applicable. Refer to Note 10 for additional information regarding our servicing rights.

The GSEs provide a guarantee of the payment of principal and interest on the beneficial interests issued in securitizations through the GSEs. In private-label securitizations, cash flows from the assets initially transferred into the securitization entity represent the sole source for payment of distributions on the beneficial interests issued by the securitization entity and for payments to the parties that perform services for the securitization entity, such as the servicer or the trustee. In certain private-label securitization transactions, a liquidity facility may exist to provide temporary liquidity to the entity. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. In previous certain private-label securitizations, monoline insurance may have existed to cover certain shortfalls to certain investors in the beneficial interests issued by the securitization entity. As noted above, in certain private-label securitizations, the servicer is required to advance scheduled principal and interest payments due on the beneficial interests regardless of whether cash payments are received on the underlying transferred financial assets. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain private-label securitization transactions may have previously allowed for the acquisition of additional loans subsequent to the initial loan transfer. Principal collections on other loans and/or the issuance of new beneficial interests, such as variable funding notes, generally funded those loans; we were often contractually required to invest in these new interests.

We may have retained beneficial interests in our private-label securitizations, which may have represented a form of significant continuing economic interest. These retained interests included, but were not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provided credit enhancement to the trust as they may have absorbed credit losses or other cash shortfalls. Additionally, the securitization agreements may have required cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not have been performance-driven.

We generally hold certain conditional repurchase options specific to private label securitizations that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control occur. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have complete discretion regarding when or if we will exercise these options, but we

would do so only when it is in our best interest.

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 26 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the six months ended June 30, 2013 or 2012.

Other Variable Interest Entities

We have involvement with various other on-balance sheet, immaterial VIEs. Most of these VIEs are used for additional liquidity whereby we sell certain financial assets into the VIE and issue beneficial interests to third parties for cash.

We also provide long-term guarantee contracts to investors in certain nonconsolidated affordable housing entities and have extended a line of credit to provide liquidity and minimize our exposure under these contracts. Since we do not have control over the entities or the power to make decisions, we do not consolidate the entities and our involvement is limited to the guarantee and the line of credit.

Involvement with Variable Interest Entities

The determination of whether financial assets transferred by us to these VIEs (and related liabilities) are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the VIE. We are deemed the primary beneficiary and therefore

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

consolidate VIEs for which we have both (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

Our involvement with consolidated and nonconsolidated VIEs in which we hold variable interests is presented below.

($ in millions)	Consolidated involvement with VIEs (a)	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs	
June 30, 2013				
On-balance sheet variable interest entities				
Consumer automobile	$20,488			
Commercial automobile	15,148			
Commercial other	811			
Off-balance sheet variable interest entities				
Consumer automobile	—	$1,183	$1,183	(b)
Commercial other	(26) (c)	— (d)	65	
Total	$36,421	$1,183	$1,248	
December 31, 2012				
On-balance sheet variable interest entities				
Consumer automobile	$28,566			
Commercial automobile	23,139			
Commercial other	728			
Off-balance sheet variable interest entities				
Consumer automobile	—	$1,495	$1,495	(b)
Consumer mortgage — other	—	— (d)	12	(e)
Commercial other	(28) (c)	— (d)	85	
Total	$52,405	$1,495	$1,592	

(a) Asset values represent the current unpaid principal balance of outstanding consumer and commercial finance receivables and loans within the VIEs.

(b) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.

(c) Amounts classified as accrued expenses and other liabilities.

(d) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE.

(e) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant

continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

We consolidated certain of these entities because we had a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant variable interest in the VIE. We are generally the primary beneficiary of automobile securitization entities for which we perform servicing activities and have retained a significant variable interest in the form of a beneficial interest. We were previously the primary beneficiary of certain mortgage private-label securitization entities.

The consolidated VIEs included in the Condensed Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative

transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 22 for discussion of the assets and liabilities for which the fair value option has been elected.

Off-balance Sheet Variable Interest Entities

The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. The cash flows from the assets of nonconsolidated securitization entities generally are the sole source of payment on the securitization entities' liabilities. The creditors of these securitization entities have no recourse to us with the exception of market customary representation and warranty provisions as described in Note 26.

Nonconsolidated VIEs include entities for which we either do not hold potentially significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet appropriate sale accounting conditions. Previously, our residential mortgage loan securitizations consisted of Ginnie Mae and private-label securitizations. We are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Previously, we did not consolidate certain private-label mortgage securitizations because we did not have a variable interest that could potentially have been significant or we did not have power to direct the activities that most significantly impacted the performance of the VIE.

For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. As an accounting policy election, we elected fair value treatment for our mortgage servicing rights (MSRs) portfolio. Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The pretax gains recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities for consumer mortgage — GSEs were $19 million and $112 million for the three months and six months ended June 30, 2013, respectively compared to $24 million and $52 million for the same periods in 2012, respectively. The pretax gains recognized for consumer automobile were $6 million and $6 million for the three months and six months ended June 30, 2012, respectively.

The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the six months ended June 30, 2013 and 2012. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Six months ended June 30, ($ in millions)	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
2013			
Cash proceeds from transfers completed during the period	$—	$8,674	$—

Servicing fees	7	66	—
Representations and warranties obligations	—	(62)	—
Other cash flows	—	71	—
2012			
Cash proceeds from transfers completed during the period	$1,978	$16,645	$—
Cash flows received on retained interests in securitization entities	—	—	71
Servicing fees	—	434	63
Purchases of previously transferred financial assets	—	(876)	(12)
Representations and warranties obligations	—	(30)	(7)
Other cash flows	—	(84)	255

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following tables represent on-balance sheet loans held-for-sale and finance receivables and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The table presents quantitative information about delinquencies and net credit losses. Refer to Note 10 for further detail on total serviced assets.

($ in millions)	Total Amount		Amount 60 days or more past due	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
On-balance sheet loans				
Consumer automobile	$56,028	$53,715	$327	$351
Consumer mortgage	9,326	12,311	201	241
Commercial automobile	30,193	32,822	28	24
Commercial mortgage	—	—	—	—
Commercial other	1,548	2,783	—	1
Total on-balance sheet loans	97,095	101,631	556	617
Off-balance sheet securitization entities				
Consumer automobile	1,183	1,495	3	4
Consumer mortgage - GSEs (a)	131	119,384	n/m	1,892
Total off-balance sheet securitization entities	1,314	120,879	3	1,896
Whole-loan transactions (b)	4,509	6,756	94	129
Total	$102,918	$229,266	$653	$2,642

n/m = not meaningful

(a) Decrease due to the sales of agency MSRs. Refer to Note 10 for additional information.

(b) Whole-loan transactions are not part of a securitization transaction, but represent consumer automobile and consumer mortgage pools of loans sold to third-party investors.

	Net credit losses			
	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
On-balance sheet loans				
Consumer automobile	$80	$70	$173	$144
Consumer mortgage	26	(8)	47	10
Commercial automobile	(1)	(1)	—	(1)
Commercial mortgage	—	—	—	(1)
Commercial other	(2)	(18)	(3)	(27)
Total on-balance sheet loans	103	43	217	125
Off-balance sheet securitization entities				
Consumer automobile	1	—	2	—
Consumer mortgage - GSEs (a)	n/m	n/m	n/m	n/m
Total off-balance sheet securitization entities	1	—	2	—
Whole-loan transactions	5	2	5	10
Total	$109	$45	$224	$135

n/m = not meaningful

(a) Anticipated credit losses are not meaningful due to the GSE guarantees.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

10. Servicing Activities

Mortgage Servicing Rights

The following table summarizes activity related to MSRs, which are carried at fair value. Management estimates fair value using our transaction data and other market data or, in periods when there are limited MSRs market transactions that are directly observable, internally developed discounted cash flow models (an income approach) are used to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset.

Three months ended June 30, ($ in millions)	2013	2012 (a)
Estimated fair value at April 1,	$917	$2,595
Additions	6	42
Sales (b)	(911)	—
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(4)	(301)
Other changes in fair value	(8)	(101)
Deconsolidation of ResCap	—	(1,130)
Estimated fair value at June 30,	$—	$1,105

(a) Includes activities of our discontinued operations.

(b) Includes the sales of agency MSRs to Ocwen and Quicken Loans, Inc. (Quicken) on April 1, 2013 and April 16, 2013.

Six months ended June 30, ($ in millions)	2013	2012 (a)
Estimated fair value at January 1,	$952	$2,519
Additions	60	117
Sales (b)	(911)	—
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(32)	(138)
Other changes in fair value	(69)	(263)
Deconsolidation of ResCap	—	(1,130)
Estimated fair value at June 30,	$—	$1,105

(a) Includes activities of our discontinued operations.

(b) Includes the sales of agency MSRs to Ocwen and Quicken on April 1, 2013 and April 16, 2013.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information regarding our significant assumptions and valuation techniques used in the valuation of mortgage servicing rights.

Risk Mitigation Activities

The primary risk of servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSRs. We previously economically hedged the impact of these risks with both derivative and nonderivative financial instruments. Refer to Note 20 for additional information regarding the derivative financial instruments used to economically hedge MSRs.

The components of servicing valuation and hedge activities, net, were as follows.

($ in millions)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Change in estimated fair value of mortgage servicing rights	$(12)	$(275)	$(101)	$(285)
Change in fair value of derivative financial instruments	—	321	(112)	225
Servicing asset valuation and hedge activities, net	$(12)	$46	$(213)	$(60)

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

($ in millions)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Contractual servicing fees, net of guarantee fees and including subservicing	$3	$78	$61	$164
Late fees	—	3	1	5
Ancillary fees	—	2	4	6
Total mortgage servicing fees	$3	$83	$66	$175

Mortgage Servicing Advances

In connection with our primary mortgage servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances, including contractual interest, are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled $10 million and $82 million at June 30, 2013 and December 31, 2012, respectively. We maintained an allowance for uncollected primary servicing advances of $0 million and $1 million at June 30, 2013 and December 31, 2012, respectively. Our potential obligation is influenced by the loan's performance and credit quality.

Mortgage Serviced Assets

Total serviced mortgage assets consist of primary servicing activities. These include loans owned by Ally Bank, where Ally Bank is the primary servicer, and loans sold to third-party investors, where Ally Bank has retained primary servicing. Loans owned by Ally Bank are categorized as loans held-for-sale or finance receivables and loans, which are discussed in further detail in Note 6 and Note 7, respectively. The loans sold to third-party investors were sold through off-balance sheet GSE securitization transactions.

The unpaid principal balance of our serviced mortgage assets were as follows.

($ in millions)	June 30, 2013	December 31, 2012
On-balance sheet mortgage loans		
Held-for-sale and investment	$8,243	$ 10,938
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
GSEs	131	119,384
Whole-loan	—	2
Total primary serviced mortgage loans	$8,374	$ 130,324

Ally Bank is subject to certain net worth requirements associated with its servicing agreements with Fannie Mae and Freddie Mac. The majority of Ally Bank's serviced mortgage assets are subserviced by Ocwen, pursuant to a servicing agreement. At June 30, 2013, Ally Bank was in compliance with the requirements of the servicing agreements.

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of $16 million and $35 million during the three months and six months ended June 30, 2013, respectively, compared to $30 million and $60 million for the three months and six months ended June 30,

2012, respectively.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Automobile Finance Serviced Assets
The total serviced automobile finance loans outstanding were as follows.

($ in millions)	June 30, 2013	December 31, 2012
On-balance sheet automobile finance loans and leases		
Consumer automobile	$56,028	$53,715
Commercial automobile	30,193	32,822
Operating leases	16,085	13,550
Operations held-for-sale	3,953	25,979
Other	50	41
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	1,167	1,474
Whole-loan	4,359	6,541
Other (a)	6,062	—
Total serviced automobile finance loans and leases	$117,897	$134,122

(a) Consists of serviced assets sold in conjunction with the divestiture of our Canadian automotive finance operations.

11. Other Assets
The components of other assets were as follows.

($ in millions)	June 30, 2013	December 31, 2012
Property and equipment at cost	$675	$693
Accumulated depreciation	(441)	(411)
Net property and equipment	234	282
Deferred tax assets	1,967	1,190
Restricted cash collections for securitization trusts (a)	1,213	2,983
Cash reserve deposits held-for-securitization trusts (b)	432	442
Unamortized debt issuance costs	392	425
Other accounts receivable	345	525
Fair value of derivative contracts in receivable position	310	2,298
Restricted cash and cash equivalents	237	889
Collateral placed with counterparties	224	1,290
Nonmarketable equity securities	204	303
Other assets	1,143	1,281
Total other assets	$6,701	$11,908

(a) Represents cash collections from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.

(b) Represents credit enhancement in the form of cash reserves for various securitization transactions.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

12. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	June 30, 2013	December 31, 2012
Deposits		
Noninterest-bearing deposits	$72	$1,977
Interest-bearing deposits		
Savings and money market checking accounts	18,297	13,871
Certificates of deposit	31,114	31,084
Dealer deposits	642	983
Total deposit liabilities	$50,125	$47,915

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. See Note 10 for further detail of MSRs sales. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At June 30, 2013, and December 31, 2012, certificates of deposit included $12.5 billion and $12.0 billion, respectively, of certificates of deposit in denominations of $100 thousand or more.

13. Short-term Borrowings

The following table presents the composition of our short-term borrowings portfolio.

	June 30, 2013			December 31, 2012		
($ in millions)	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$3,197	$—	$3,197	$3,094	$—	$3,094
Bank loans and overdrafts	—	—	—	167	—	167
Federal Home Loan Bank	—	500	500	—	3,800	3,800
Other (b)	—	500	500	—	400	400
Total short-term borrowings	$3,197	$1,000	$4,197	$3,261	$4,200	$7,461

(a) Refer to Note 14 for further details on assets restricted as collateral for payment of the related debt.
(b) Other relates to secured borrowings at our Commercial Finance Group at June 30, 2013 and December 31, 2012.

14. Long-term Debt

The following tables present the composition of our long-term debt portfolio.

	June 30, 2013			December 31, 2012		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	$4,494	$10,879	$15,373	$1,070	$11,503	$12,573
Due after one year (a)	27,749	20,720	48,469	31,486	29,408	60,894
Fair value adjustment	692	—	692	1,094	—	1,094
Total long-term debt	$32,935	$31,599	$64,534	$33,650	$40,911	$74,561

(a) Includes $2.6 billion and $2.6 billion of trust preferred securities at both June 30, 2013 and December 31, 2012, respectively.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table presents the scheduled remaining maturity of long-term debt, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, ($ in millions)	2013	2014	2015	2016	2017	2018 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$896	$5,588	$5,123	$1,970	$3,687	$16,695	$692	$34,651
Original issue discount	(137)	(188)	(56)	(63)	(75)	(1,197)	—	(1,716)
Total unsecured	759	5,400	5,067	1,907	3,612	15,498	692	32,935
Secured								
Long-term debt	4,204	11,935	8,308	3,959	2,490	703	—	31,599
Total long-term debt	$4,963	$17,335	$13,375	$5,866	$6,102	$16,201	$692	$64,534

The following summarizes assets restricted as collateral for the payment of the related debt obligation primarily arising from securitization transactions accounted for as secured borrowings and repurchase agreements.

	June 30, 2013		December 31, 2012	
($ in millions)	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities	$—	$—	$1,911	$1,911
Mortgage finance receivables and loans	9,353	9,353	9,866	9,866
Consumer automobile finance receivables	21,190	12,628	29,557	14,833
Commercial automobile finance receivables	17,371	17,371	19,606	19,606
Investment in operating leases, net	7,661	4,178	6,058	1,691
Other assets	982	175	999	272
Total assets restricted as collateral (b)	$56,557	$43,705	$67,997	$48,179
Secured debt (c)	$32,599	$22,304	$45,111	$29,162

(a) Ally Bank is a component of the total column.

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling $12.1 billion and $12.6 billion at June 30, 2013, and December 31, 2012, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling $3.4 billion and $1.9 billion at June 30, 2013, and December 31, 2012, respectively. These assets were composed of consumer automobile finance receivables and loans, net and investment securities. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes $1.0 billion and $4.2 billion of short-term borrowings at June 30, 2013, and December 31, 2012, respectively.

Trust Preferred Securities

On December 30, 2009, we entered into a Securities Purchase and Exchange Agreement with U.S. Department of Treasury (Treasury) and GMAC Capital Trust I, a Delaware statutory trust (the Trust), which is a finance subsidiary that is wholly owned by Ally. As part of the agreement, the Trust sold to Treasury 2,540,000 trust preferred securities (TRUPS) issued by the Trust with an aggregate liquidation preference of $2.5 billion. Additionally, we issued and sold to Treasury a ten-year warrant to purchase up to 127,000 additional TRUPS with an aggregate liquidation preference of $127 million, at an initial exercise price of $0.01 per security, which Treasury immediately exercised in full.

On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series (Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering

registered with the SEC. Ally did not receive any proceeds from the sale.

Each Series 2 TRUPS security has a liquidation amount of $25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate of 8.125% payable quarterly in arrears, beginning August 15, 2011, to but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally’s capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal,

interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Covenants and Other Requirements

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, commercial payment rates. During the six months ended June 30, 2013, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

When we issue debt securities in private offerings, we may be subject to registration rights agreements. Under these agreements, we generally agree to use reasonable efforts to cause the consummation of a registered exchange offer or to file a shelf registration statement within a prescribed period. In the event that we fail to meet these obligations, we may be required to pay additional penalty interest with respect to the covered debt during the period in which we fail to meet our contractual obligations.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Condensed Consolidated Balance Sheet.

As of June 30, 2013, Ally Bank had exclusive access to $3.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a $4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At June 30, 2013, $23.7 billion of our $28.3 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of June 30, 2013, we had $13.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. The decline in committed funding facilities is attributed to the sale of international businesses and the growth in Ally Bank deposits.

Committed Funding Facilities

($ in billions)	Outstanding		Unused Capacity (a)		Total Capacity	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Bank funding						
Secured	$1.7	$3.8	$1.8	$4.7	$3.5	$8.5
Parent funding						
Unsecured (b)	—	0.1	—	—	—	0.1
Secured (c) (d) (e)	9.0	22.5	11.7	7.8	20.7	30.3
Total Parent funding	9.0	22.6	11.7	7.8	20.7	30.4
Shared capacity (f) (g)	—	1.1	4.1	3.0	4.1	4.1
Total committed facilities	$10.7	$27.5	$17.6	$15.5	$28.3	$43.0

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

(b) Total unsecured parent funding capacity represents committed funding for our discontinued international automobile financing business.

(c)

Total secured parent funding capacity includes committed funding for our discontinued international automobile financing business of $2.5 billion and $12.0 billion as of June 30, 2013 and December 31, 2012, respectively, with outstanding debt of $2.0 billion and $9.6 billion, respectively.

(d) Total unused capacity includes $1.5 billion and $2.2 billion as of June 30, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(e) Includes the secured facilities of our Commercial Finance Group.

(f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

(g) Total shared facilities includes committed funding for our discontinued international automobile financing business of $0.1 billion as of December 31, 2012, with outstanding debt of $0.1 billion.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Uncommitted Funding Facilities

($ in billions)	Outstanding		Unused Capacity		Total Capacity	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Bank funding						
Secured						
Federal Reserve funding programs	$—	$—	$1.8	$1.8	$1.8	$1.8
FHLB advances	1.5	4.8	4.0	0.4	5.5	5.2
Total bank funding	1.5	4.8	5.8	2.2	7.3	7.0
Parent funding						
Unsecured	1.3	2.1	—	0.4	1.3	2.5
Secured	—	0.1	—	0.1	—	0.2
Total parent funding (a)	1.3	2.2	—	0.5	1.3	2.7
Total uncommitted facilities	$2.8	$7.0	$5.8	$2.7	$8.6	$9.7

(a) Total parent funding capacity represents uncommitted funding for our discontinued international automobile financing business.

15. Accrued Expenses and Other Liabilities

The components of accrued expenses and other liabilities were as follows.

($ in millions)	June 30, 2013	December 31, 2012
Accrual related to ResCap Settlement (a)	$1,950	$750
Accounts payable	906	565
Employee compensation and benefits	455	494
Reserves for insurance losses and loss adjustment expenses	314	341
Fair value of derivative contracts in payable position	220	2,468
Collateral received from counterparties	177	941
Other liabilities (b)	1,021	1,026
Total accrued expenses and other liabilities	$5,043	$6,585

(a) Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this accrual.

(b) Includes $150 million accrual for insurance proceeds to be contributed to the ResCap estate at June 30, 2013. Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this accrual.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

16. Equity

The following table summarizes information about our Series F-2, Series A, and Series G preferred stock.

	June 30, 2013	December 31, 2012
Mandatorily convertible preferred stock held by U.S. Department of Treasury		
Series F-2 preferred stock (a)		
Carrying value ($ in millions)	$5,685	$5,685
Par value (per share)	0.01	0.01
Liquidation preference (per share)	50	50
Number of shares authorized	228,750,000	228,750,000
Number of shares issued and outstanding	118,750,000	118,750,000
Dividend/coupon	9 %	9 %
Redemption/call feature	Perpetual (b)	Perpetual (b)
Preferred stock		
Series A preferred stock		
Carrying value ($ in millions)	$1,021	$1,021
Par value (per share)	0.01	0.01
Liquidation preference (per share)	25	25
Number of shares authorized	160,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5 %	8.5 %
On and after May 15, 2016	three month LIBOR + 6.243%	three month LIBOR + 6.243%
Redemption/call feature	Perpetual (c)	Perpetual (c)
Series G preferred stock (d)		
Carrying value ($ in millions)	$234	$234
Par value (per share)	0.01	0.01
Liquidation preference (per share)	1,000	1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	7 %	7 %
Redemption/call feature	Perpetual (e)	Perpetual (e)

(a) Mandatorily convertible to common equity on December 30, 2016 at a conversion rate of 0.00432 common shares for each preferred share, which equates to a common share value of $11,574.

(b) Convertible prior to mandatory conversion date either with consent of Treasury or in the event the Federal Reserve compels a conversion.

(c) Nonredeemable prior to May 15, 2016.

(d) Pursuant to a registration rights agreement, we are required to maintain an effective shelf registration statement. In the event we fail to meet this obligation, we may be required to pay additional interest to the holders of the Series G Preferred Stock.

(e) Redeemable beginning at December 31, 2011.

17. Accumulated Other Comprehensive Income (Loss)

The following table presents changes, net of tax, in each component of accumulated other comprehensive income (loss).

($ in millions)

	Unrealized gains (losses) on investment securities	Translation adjustments and net investment hedges	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at December 31, 2012	$76	$368	$2	$(135)	$ 311
2013 net change	(335)	(211)	6	42	(498)
Balance at June 30, 2013	$(259)	$157	$8	$(93)	$ (187)

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following tables present the before- and after-tax changes in each component of accumulated other comprehensive income (loss).

Three months ended June 30, 2013 ($ in millions)	Before Tax	Tax Effect	After Tax
Unrealized losses on investment securities			
Net unrealized losses arising during the period	$(404)	$122	$(282)
Less: Net realized gains reclassified to income from continuing operations	64 (a)	— (b)	64
Less: Net realized gains reclassified to income from discontinued operations, net of tax	2	(1)	1
Net change	(470)	123	(347)
Translation adjustments			
Net unrealized losses arising during the period	(54)	21	(33)
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(87)	(1)	(88)
Net change	33	22	55
Net investment hedges			
Net unrealized gains arising during the period	46	(17)	29
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(112)	57	(55)
Net change	158	(74)	84
Cash flow hedges			
Net unrealized gains arising during the period	3	(1)	2
Defined benefit pension plans			
Net unrealized gains, prior service costs, and transition obligation arising during the period	2	—	2
Less: Net losses, prior service costs, and transition obligations reclassified to income from discontinued operations, net of tax	(32)	9	(23)
Net change	34	(9)	25
Other comprehensive loss	$(242)	$61	$(181)

(a) Includes gains reclassified to other gain on investments, net in our Condensed Consolidated Statement of Comprehensive Income.

(b) Includes amounts reclassified to income tax (benefit) expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2013 ($ in millions)	Before Tax		Tax Effect		After Tax	
Unrealized losses on investment securities						
Net unrealized losses arising during the period	$(335)		$121		$(214)	
Less: Net realized gains reclassified to income from continuing operations	115	(a)	(2)	(b)	113	
Less: Net realized gains reclassified to income from discontinued operations, net of tax	10		(2)		8	
Net change	(460)		125		(335)	
Translation adjustments						
Net unrealized losses arising during the period	(103)		23		(80)	
Less: Net realized gains reclassified to income from discontinued operations, net of tax	345		2		347	
Net change	(448)		21		(427)	
Net investment hedges						
Net unrealized gains arising during the period	66		(25)		41	
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(261)		86		(175)	
Net change	327		(111)		216	
Cash flow hedges						
Net unrealized gains arising during the period	3		(1)		2	
Less: Net realized losses reclassified to income from continuing operations	(7)	(c)	3	(b)	(4)	
Net change	10		(4)		6	
Defined benefit pension plans						
Net unrealized gains, prior service costs, and transition obligation arising during the period	2		—		2	
Less: Net losses, prior service costs, and transition obligations reclassified to income from continuing operations	(2)	(d)	—	(b)	(2)	
Less: Net losses, prior service costs, and transition obligations reclassified to income from discontinued operations, net of tax	(49)		11		(38)	
Net change	53		(11)		42	
Other comprehensive loss	$(518)		$20		$(498)	

(a) Includes gains reclassified to other gain on investments, net in our Condensed Consolidated Statement of Comprehensive Income.

(b) Includes amounts reclassified to income tax (benefit) expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.

(c) Includes losses reclassified to interest on long-term debt in our Condensed Consolidated Statement of Comprehensive Income.

(d) Includes losses reclassified to compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

18. Earnings per Common Share

The following table presents the calculation of basic and diluted earnings per common share.

	Three months ended June 30,		Six months ended June 30,	
($ in millions except per share data)	2013	2012	2013	2012
Net income from continuing operations	$100	$183	$160	$185
Preferred stock dividends — U.S. Department of Treasury	(133)	(134)	(267)	(267)
Preferred stock dividends	(67)	(67)	(134)	(134)
Net loss from continuing operations attributable to common shareholders	(100)	(18)	(241)	(216)
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net loss attributable to common shareholders	$(1,127)	$(1,099)	$(235)	$(989)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	$(847)	$(825)	$(176)	$(743)
Diluted earnings per common share (a)				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	$(847)	$(825)	$(176)	$(743)

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for the three months and six months ended June 30, 2013 and 2012, respectively, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three months and six months ended June 30, 2013 and 2012, respectively, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the three months and six months ended June 30, 2013 and 2012, respectively.

19. Regulatory Capital and Other Regulatory Matters

As a bank holding company, we and our wholly owned state-chartered banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines issued by federal and state banking regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements or the results of operations and financial condition of Ally and Ally Bank. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate

cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (Total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio (Tier 1 capital to risk-weighted assets) of 4%.

The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted quarterly average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels. The banking regulators have also developed a measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally's capital with the capital of other financial services companies. Also, bank holding companies with assets of $50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

On October 29, 2010, Ally, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The effective date of the CLMA was August 24, 2010. The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank's leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance.

The following table summarizes our capital ratios.

	June 30, 2013		December 31, 2012		Required	Well-capitalized
($ in millions)	Amount	Ratio	Amount	Ratio	minimum	minimum
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	$19,659	15.45 %	$20,232	13.13 %	4.00 %	6.00%
Ally Bank	14,682	17.59	14,136	16.26	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	$20,968	16.48 %	$21,669	14.07 %	8.00 %	10.00%
Ally Bank	15,368	18.42	14,827	17.06	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (a)						
Ally Financial Inc.	$19,659	13.16 %	$20,232	11.16 %	3.00–4.00%	(b)
Ally Bank	14,682	15.93	14,136	15.30	15.00 (c)	5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	$10,175	8.00 %	$10,749	6.98 %	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

(a) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.

(b) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

(c) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

At June 30, 2013, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

Basel Capital Accord

In July 2013, the U.S. federal banking agencies finalized rules implementing the Basel III regulatory capital framework and related Dodd-Frank Act changes. The final rules represent substantial revisions to the regulatory capital rules for banking organizations.

Highlights of the final rules include a revised definition of capital in order to implement the Basel III reforms as well as higher minimum capital ratios that will apply to most banking organizations. The final rules remove the use of

credit ratings from both the standardized and advanced approaches, as required by the Dodd-Frank Act. In addition, the standards in the existing Basel I risk-based capital rules, which are referred to as the "general risk-based capital requirements," have been revised to include a more risk sensitive risk-weighting approach. The phase-in period applicable to Ally as an advanced approaches banking organization begins in January 2014, while the phase-in period for other banking organizations begins in January 2015.

The final rules also amend the calculation of market risk capital, which only applies to banking organizations with significant trading assets and liabilities. We do not currently meet the minimum requirements for application of the Market Risk Rule; accordingly, this is not currently applicable to us.

Compliance with evolving capital requirements is a strategic priority for Ally. We expect to be in compliance with all applicable requirements within the established timeframes.

Table of Contents

20. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign-currency swaps, futures, forwards, options, and swaptions in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including debt. In addition, we use foreign exchange contracts to mitigate foreign-currency risk associated with foreign-currency-denominated debt, foreign exchange transactions, and our net investment in foreign subsidiaries. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign-currency risks related to the assets and liabilities.

Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable-rate and certain variable-rate instruments to a fixed rate. We monitor our mix of fixed- and variable-rate debt in relation to the rate profile of our assets. When it is cost-effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Derivatives qualifying for hedge accounting consist of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations. Other derivatives qualifying for hedge accounting consist of an existing variable-rate liability in which pay-fixed swaps are designated as hedges of the expected future cash flows in the form of interest payments on certain outstanding borrowings associated with Ally Bank's secured debt.

We enter into economic hedges to mitigate exposure for the following categories.

- MSRs — We completed the sale of our agency MSRs during the second quarter of 2013 and no longer hedge this activity. In the past, our MSRs were generally subject to loss in value when mortgage rates declined. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs. To mitigate the impact of this risk, we maintained a portfolio of financial instruments, primarily derivative instruments that increased in value when interest rates declined. The primary objective was to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes. A multitude of derivative instruments were used to manage the interest rate risk related to MSRs. They included, but were not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of mortgage-backed securities (MBS), futures, interest rate swaps, interest rate floors, and interest rate caps.
- Mortgage loan commitments and mortgage loans held-for-sale — We have no mortgage loan commitments as of June 30, 2013 and, therefore, no longer hedge interest rate lock commitments (IRLC). In the past, we were exposed to interest rate risk from the time an IRLC was made until the time the mortgage loan was sold. We have an immaterial amount of mortgage loans held-for-sale that are exposed to interest rate risk. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to these items is to eliminate or greatly reduce any interest rate risk.

  Forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities, have been the primary derivative instruments used to accomplish the risk management objective for mortgage loans and IRLCs. The value of the forward sales contracts moves in the opposite direction of the value of the IRLCs and mortgage loans held-for-sale.
- Debt — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowings associated with Ally Bank's secured credit facilities, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.
- Net fixed versus variable interest rate exposure and equity investments — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. The primary derivative instruments used to hedge the interest rate exposure of our fixed-rate automotive loans are short-dated, exchange-traded Eurodollar futures. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Exchange Risk

We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to foreign-currency financial instruments. Currency forwards and cross currency swaps are used to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed. Similar to our interest rate derivatives, the derivatives are generally entered into or traded concurrent with the debt issuance with the terms of the derivative matching the terms of the underlying debt.

We have reduced our foreign exchange exposure to net investments in foreign operations through the sales of discontinued international businesses, refer to Note 2 for further details on these sales. We enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments. Our remaining foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign

subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss). The hedges are recorded at fair value with the changes recorded to accumulated other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in accumulated other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

We have also used a centralized-lending program to manage liquidity for our subsidiary businesses, but as of June 30, 2013, this activity is immaterial. Historically, foreign-currency-denominated loan agreements were executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our remaining foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

Except for our remaining net investment hedges, we generally have not elected to treat any foreign-currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign-currency swaps are substantially offset by the foreign-currency revaluation gains and losses of the underlying assets and liabilities.

Counterparty Credit Risk

Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument.

To mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. If a credit risk-related event had been triggered the amount of additional collateral required to be posted by us would have been insignificant.

We placed cash and securities collateral totaling $224 million and $1.3 billion at June 30, 2013 and December 31, 2012, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling $177 million and $941 million at June 30, 2013 and December 31, 2012, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At June 30, 2013 and December 31, 2012, $310 million and $2.3 billion, respectively, of the derivative contracts in a receivable position were classified as other assets on the Condensed Consolidated Balance Sheet. At June 30, 2013 and December 31, 2012, $220 million and $2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

	June 30, 2013			December 31, 2012		
($ in millions)	Derivative contracts in a receivable position (a)	Derivative contracts in a payable position (b)	Notional amount	Derivative contracts in a receivable position (a)	Derivative contracts in a payable position (b)	Notional amount
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges	$124	$83	$7,018	$411	$—	$7,248
Cash flow accounting hedges	—	—	698	—	10	2,580
Total interest rate risk	124	83	7,716	411	10	9,828
Foreign exchange risk						
Net investment accounting hedges	48	10	3,037	35	53	8,693
Total derivatives qualifying for hedge accounting	172	93	10,753	446	63	18,521
Economic hedges						
Interest rate risk						
MSRs	—	—	—	1,616	2,299	146,405
Mortgage loan commitments and mortgage loans held-for-sale	—	—	4	49	23	9,617
Debt	48	27	10,112	28	29	17,716
Net fixed versus variable interest rate exposure and equity investments (c)	89	89	51,500	154	27	41,514
Total interest rate risk	137	116	61,616	1,847	2,378	215,252
Foreign exchange risk	1	11	1,545	5	27	2,464
Total economic hedges	138	127	63,161	1,852	2,405	217,716
Total derivatives	$310	$220	$73,914	$2,298	$2,468	$236,237

(a) Includes accrued interest of $65 million and $175 million at June 30, 2013 and December 31, 2012, respectively.
(b) Includes accrued interest of $8 million and $144 million at June 30, 2013 and December 31, 2012, respectively.
(c) Primarily consists of exchange-traded Eurodollar futures with $13 million and $32 million in a receivable position, $13 million and $5 million in a payable position, and of a $34.7 billion and $24.2 billion notional amount at June 30, 2013 and December 31, 2012, respectively. Also includes equity options with $0 million and $1 million in a receivable position, $9 million and $8 million in a payable position, and of a $212 million and $554 million notional amount at June 30, 2013 and December 31, 2012, respectively.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Statement of Comprehensive Income Presentation
The following table summarizes the location and amounts of gains and losses on derivative instruments reported in our Condensed Consolidated Statement of Comprehensive Income.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Derivatives qualifying for hedge accounting				
(Loss) gain recognized in earnings on derivatives (a)				
Interest rate contracts				
Interest on long-term debt	$(215)	$268	$(313)	$199
Gain (loss) recognized in earnings on hedged items (b)				
Interest rate contracts				
Interest on long-term debt	225	(259)	326	(208)
Total derivatives qualifying for hedge accounting	10	9	13	(9)
Economic derivatives				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Servicing asset valuation and hedge activities, net	—	321	(112)	225
(Loss) gain on mortgage and automotive loans, net	(5)	(59)	(37)	24
Other income, net of losses	7	(45)	6	(27)
Total interest rate contracts	2	217	(143)	222
Foreign exchange contracts (c)				
Interest on long-term debt	(20)	8	19	(1)
Other income, net of losses	1	50	29	25
Total foreign exchange contracts	(19)	58	48	24
(Loss) gain recognized in earnings on derivatives	$(7)	$284	$(82)	$237

(a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $28 million and $29 million for the three months ended June 30, 2013 and 2012, respectively, and $61 million and $55 million for the six months ended June 30, 2013 and 2012, respectively.

(b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were $38 million and $59 million for the three months ended June 30, 2013 and 2012, respectively, and $76 million and $119 million for the six months ended June 30, 2013 and 2012, respectively.

(c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of $18 million and losses of $56 million were recognized for the three months ended June 30, 2013 and 2012, respectively. Losses of $47 million and $25 million were recognized for the six months ended June 30, 2013 and 2012, respectively.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table summarizes derivative instruments used in cash flow and net investment hedge accounting relationships.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Cash flow hedges				
Interest rate contracts				
Loss reclassified from accumulated other comprehensive income to interest on long-term debt (a)	$—	$—	$(7)	$—
Gain (loss) recorded directly to interest on long-term debt	1	—	1	(5)
Total interest on long-term debt	$1	$—	$(6)	$(5)
Gain (loss) recognized in other comprehensive income	$3	$1	$10	$(2)
Net investment hedges				
Foreign exchange contracts				
Loss reclassified from accumulated other comprehensive income (loss) to income (loss) from discontinued operations, net	$(112)	$(1)	$(261)	$(1)
Total other income, net of losses	$(112)	$(1)	$(261)	$(1)
Gain recognized in other comprehensive income (b)	$158	$249	$327	$46

(a) The amount represents losses reclassified from other comprehensive income (OCI) into earnings as a result of the discontinuance of hedge accounting because it is probable that the forecasted transaction will not occur.

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were losses of $20 million and $343 million for the three months ended June 30, 2013 and 2012, respectively. There were losses of $539 million and $43 million for the six months ended June 30, 2013 and 2012, respectively.

21. Income Taxes

We recognized total income tax expense from continuing operations of $40 million and an income tax benefit from continuing operations of $83 million during the three months and six months ended June 30, 2013, respectively, compared to an income tax benefit of $16 million and $15 million for the same periods in 2012. The increase in income tax expense for the three months ended June 30, 2013, compared to the same period in 2012, stemmed primarily from our differing U.S. valuation allowance posture in the respective periods. Specifically, U.S. pretax income was subject to U.S. taxation in both periods, however, the resulting deferred tax adjustment was offset by a valuation allowance reversal during the three months ended June 30, 2012. No such valuation allowance offset existed for the three months ended June 30, 2013 due to our release of valuation allowance against our ordinary-in-character deferred tax assets at December 31, 2012. The decrease in income tax expense for the six months ended June 30, 2013, compared to the same period in 2012, was primarily related to benefit in 2013 that was driven by the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

As of each reporting date, we consider both positive and negative evidence that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for certain state net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we continue to provide a partial valuation allowance on the deferred tax assets relating to these carryforwards. During the three months and six months ended June 30, 2013, net capital gains generated from the completed sales of our international discontinued operations served to reduce the deferred tax asset related to our capital loss carryforwards by approximately $87 million and $298 million for the respective periods. This capital loss

carryforward utilization resulted in a reversal of related valuation allowance. Furthermore, successful completion during 2013 of additional sales of entities currently held-for-sale may result in additional capital gains that would allow us to realize additional capital loss carryforwards. Any related reduction in valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization. Refer to Note 2 for further details on sales of our international discontinued operations.

22. Fair Value

Fair Value Measurements

For purposes of this disclosure, fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability. Additionally, entities are required to consider all aspects of nonperformance risk, including the entity’s own credit standing, when measuring the fair value of a liability.

GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e.,

unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

Level 1	Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market and the quoted prices cannot be adjusted by the entity.
Level 2	Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.
Transfers	Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the six months ended June 30, 2013.

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized.

- Available-for-sale securities — Available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- Mortgage loans held-for-sale, net — Our mortgage loans held-for-sale are accounted for at fair value because of fair value option elections. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility, product type, interest rate, and credit quality. Mortgage loans classified as Level 2 were mainly GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

Refer to the section within this note titled Fair Value Option for Financial Assets for further information about the fair value elections.

- MSRs — MSRs are classified as Level 3, management estimates fair value using our transaction data and other market data or, in periods when there are limited MSRs market transactions that are directly observable, internally developed discounted cash flow models (an income approach) are used to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.
- Interests retained in financial asset sales — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business

conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).

- Derivative instruments — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

We also execute over-the-counter derivative contracts, such as interest rate swaps, swaptions, forwards, caps, floors, and agency to-be-announced securities. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are used in the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

We had interest rate lock commitments accounted for as derivative instruments at Ally Bank that were classified as Level 3. We have also historically held certain derivative contracts that are structured specifically to meet a particular hedging objective. These

derivative contracts often were utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount was often indexed to the hedged item. As a result, we typically were required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. However, as of the quarter ended March 31, 2013, we no longer hold such positions within continuing operations due to the sales of our international automotive finance businesses.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We reduce credit risk on the majority of our derivatives by entering into legally enforceable agreements that enable the posting and receiving of collateral associated with the fair value of our derivative positions on an ongoing basis. In the event that we do not enter into legally enforceable agreements that enable the posting and receiving of collateral, we will consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA), if warranted. The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty.

Recurring Fair Value

The following tables display the assets and liabilities measured at fair value on a recurring basis including financial instruments elected for the fair value option. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk management activities.

	Recurring fair value measurements			
June 30, 2013 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$658	$1,132	$—	$1,790
Foreign government	4	288	—	292
Mortgage-backed residential	—	10,328	—	10,328
Asset-backed	—	2,276	—	2,276
Corporate debt securities	—	1,309	—	1,309
Total debt securities	662	15,333	—	15,995
Equity securities (a)	1,020	—	—	1,020
Total available-for-sale securities	1,682	15,333	—	17,015
Mortgage loans held-for-sale, net (b)	—	56	—	56
Mortgage servicing rights	—	—	—	—
Other assets				
Interests retained in financial asset sales	—	—	124	124
Derivative contracts in a receivable position				
Interest rate	15	246	—	261
Foreign currency	—	49	—	49
Total derivative contracts in a receivable position	15	295	—	310
Total assets	$1,697	$15,684	$124	$17,505
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$(24)	$(175)	$—	$(199)
Foreign currency	—	(12)	(9)	(21)

Total derivative contracts in a payable position	(24)	(187)	(9)	(220)
Total liabilities	$(24)	$(187)	$(9)	$(220)

(a) Our investment in any one industry did not exceed 17%.
(b) Carried at fair value due to fair value option elections.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

	Recurring fair value measurements			
December 31, 2012 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$697	$1,517	$—	$2,214
Foreign government	3	300	—	303
Mortgage-backed residential	—	6,906	—	6,906
Asset-backed	—	2,340	—	2,340
Corporate debt securities	—	1,263	—	1,263
Total debt securities	700	12,326	—	13,026
Equity securities (a)	1,152	—	—	1,152
Total available-for-sale securities	1,852	12,326	—	14,178
Mortgage loans held-for-sale, net (b)	—	2,490	—	2,490
Mortgage servicing rights	—	—	952	952
Other assets				
Interests retained in financial asset sales	—	—	154	154
Derivative contracts in a receivable position (c)				
Interest rate	40	2,170	48	2,258
Foreign currency	—	40	—	40
Total derivative contracts in a receivable position	40	2,210	48	2,298
Collateral placed with counterparties (d)	103	99	—	202
Total assets	$1,995	$17,125	$1,154	$20,274
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	$(13)	$(2,374)	$(1)	$(2,388)
Foreign currency	—	(78)	(2)	(80)
Total derivative contracts in a payable position	(13)	(2,452)	(3)	(2,468)
Total liabilities	$(13)	$(2,452)	$(3)	$(2,468)

(a) Our investment in any one industry did not exceed 21%.
(b) Carried at fair value due to fair value option elections.
(c) Includes derivatives classified as trading.
(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets and liabilities measured at fair value on a recurring basis.

June 30, 2013 ($ in millions)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Other assets				
Interests retained in financial asset sales	$ 124	Discounted cash flow	Discount rate	5.4-5.6%
			Commercial paper rate	0-0.1%

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

	Level 3 recurring fair value measurements									
($ in millions)	Fair value at April 1, 2013	Net realized/unrealized gains (losses) included in earnings		included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at June 30, 2013	Net unrealized (losses) included in earnings still held at June 30, 2013	
Assets											
Mortgage servicing rights	$917	$(12)		$—	$—	$(911)	$6	$—	$—	$(12)	(a)
Other assets											
Interests retained in financial asset sales	139	9	(b)	—	—	—	—	(24)	124	—	
Derivative contracts, net											
Interest rate	5	(5)		—	—	—	—	—	—	(6)	(c)
Foreign currency	—	(9)		—	—	—	—	—	(9)	(8)	(c)
Total derivative contracts in a receivable position, net	5	(14)		—	—	—	—	—	(9)	(14)	
Total assets	$1,061	$(17)		$—	$—	$(911)	$6	$(24)	$115	$(26)	

(a) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.

(b) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

(c) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

	Level 3 recurring fair value measurements											
		Net realized/unrealized gains (losses)										
($ in millions)	Fair value at April 1, 2012	included in earnings		included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation (a)		Fair value at June 30, 2012	Net unrealized gains (losses) included in earnings still held at June 30, 2012	
Assets													
Trading assets (excluding derivatives)													
Mortgage-backed residential securities	$32	$—	(b)	$—	$—	$—	$—	$ (1)	$ (31)		$—	$—	(b)
Investment securities													
Available-for-sale debt securities													
Asset-backed	63	—		—	—	—	—	—	—		63	—	
Mortgage loans held-for-sale, net (c)	30	—		—	3	—	—	(2)	(31)		—	—	
Consumer mortgage finance receivables and loans, net (c)	832	34	(c)	—	—	(245)	(d) —	(34)	(587)		—	16	(c)
Mortgage servicing rights	2,595	(402)	(e)	—	—	—	42	—	(1,130)		1,105	(402)	(e)
Other assets													
Interests retained in financial asset sales	194	22	(f)	—	—	—	—	(23)	—		193	—	
Derivative contracts, net (g)													
Interest rate	44	297	(h)	—	—	—	—	(247)	(1)		93	22	(h)
Foreign currency	5	2	(h)	—	—	—	—	—	—		7	(11)	(h)
Total derivative contracts in a receivable position, net	49	299		—	—	—	—	(247)	(1)		100	11	
Total assets	$3,795	$(47)		$—	$3	$(245)	$42	$ (307)	$ (1,780)		$1,461	$(375)	
Liabilities													
Long-term debt													
On-balance sheet securitization	$(828)	$(32)	(c)	$—	$—	$—	$—	$ 304	$ 556		$—	$(23)	(c)

debt (c)										
Accrued expenses and other liabilities										
Loan repurchase liabilities (c)	(30)	—	—	(2)	—	—	2	30	—	—
Total liabilities	$(858)	$(32)	$—	$(2)	$—	$—	$ 306	$ 586	$—	$(23)

(a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap during the three months ended June 30, 2012. Refer to Note 1 for additional information related to ResCap.

(b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled Fair Value Option for Financial Assets and Liabilities for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.

(d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.

(e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(g) Includes derivatives classified as trading.

(h) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

	Level 3 recurring fair value measurements									
($ in millions)	Fair value at Jan. 1, 2013	Net realized/unrealized gains (losses) included in earnings		included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at June 30, 2013	Net unrealized (losses) included in earnings still held at June 30, 2013	
Assets											
Mortgage servicing rights	$952	$(101)	(a)	$—	$—	$(911)	$60	$—	$—	$(101)	(a)
Other assets											
Interests retained in financial asset sales	154	11	(b)	—	—	—	—	(41)	124	—	
Derivative contracts, net											
Interest rate	47	(51)	(c)	—	—	—	—	4	—	(15)	(c)
Foreign currency	(2)	(7)	(c)	—	—	—	—	—	(9)	(9)	(c)
Total derivative contracts in a receivable position, net	45	(58)		—	—	—	—	4	(9)	(24)	
Total assets	$1,151	$(148)		$—	$—	$(911)	$60	$(37)	$115	$(125)	

(a) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.

(b) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

(c) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

	Level 3 recurring fair value measurements										
		Net realized/unrealized gains (losses)									
($ in millions)	Fair value at Jan. 1, 2012	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation (a)	Fair value at June 30, 2012	Net unrealized gains (losses) included in earnings still held at June 30, 2012	
Assets											
Trading assets (excluding derivatives)											
Mortgage-backed residential securities	$33	$2	(b)	$—	$—	$—	$—	$ (4)	$ (31)	$—	$4 (b)
Investment securities											
Available-for-sale debt securities											
Asset-backed	62	—	1	—	—	—	—	—	63	—	
Mortgage loans held-for-sale, net (c)	30	—	—	12	—	—	(11)	(31)	—	—	
Consumer mortgage finance receivables and loans, net (c)	835	121	(c)	—	—	(245)	(d) —	(124)	(587)	—	51 (c)
Mortgage servicing rights	2,519	(401)	(e)	—	—	—	53	64	(1,130)	1,105	(401) (e)
Other assets											
Interests retained in financial asset sales	231	27	(f)	—	—	—	—	(65)	—	193	—
Derivative contracts, net (g)											
Interest rate	71	273	(h)	—	—	—	—	(250)	(1)	93	(6) (h)
Foreign currency	16	(9)	(h)	—	—	—	—	—	—	7	(22) (h)
Total derivative contracts in a receivable position, net	87	264		—	—	—	—	(250)	(1)	100	(28)
Total assets	$3,797	$13		$1	$12	$(245)	$53	$ (390)	$ (1,780)	$1,461	$ (374)
Liabilities											
Long-term debt											
On-balance sheet securitization	$(830)	$(115)	(c)	$—	$—	$—	$—	$ 389	$ 556	$—	$ (62) (c)

debt (c)										
Accrued expenses and other liabilities										
Loan repurchase liabilities (c)	(29)	—	—	(11)	—	—	10	30	—	—
Total liabilities	$(859)	$(115)	$—	$(11)	$—	$—	$ 399	$ 586	$—	$(62)

(a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap during the three months ended June 30, 2012. Refer to Note 1 for additional information related to ResCap.

(b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled Fair Value Option for Financial Assets and Liabilities for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.

(d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.

(e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(g) Includes derivatives classified as trading.

(h) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Nonrecurring Fair Value

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower-of-cost or fair value accounting or certain impairment measures. These items would constitute nonrecurring fair value measures.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis.

June 30, 2013 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	Total loss included in earnings for the six months ended	
Assets								
Loans held-for-sale	$—	$—	$46	$46	$ —	n/m	n/m	(a)
Commercial finance receivables and loans, net (b)								
Automotive	—	—	123	123	(19)	n/m (b)	n/m	(a)
Other	—	—	64	64	(7)	n/m (b)	n/m	(a)
Total commercial finance receivables and loans, net	—	—	187	187	(26)	n/m (b)	n/m	(a)
Other assets								
Repossessed and foreclosed assets (c)	—	—	6	6	(2)	n/m (b)	n/m	(a)
Total assets	$—	$—	$239	$239	$ (28)	n/m	n/m	

n/m = not meaningful

(a) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.

(b) Represents the portion of the portfolio specifically impaired during 2013. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

(c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

June 30, 2012 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	Total loss included in earnings for the six months ended	
Assets								
Commercial finance receivables and loans, net (a)								
Automotive	$—	$—	$130	$130	$ (27)	n/m (b)	n/m	(b)
Other	—	—	27	27	(6)	n/m (b)	n/m	(b)
Total commercial finance receivables and loans, net	—	—	157	157	(33)	n/m (b)	n/m	(b)
Other assets								
Repossessed and foreclosed assets (c)	—	7	5	12	(1)	n/m (b)	n/m	(b)
Total assets	$—	$7	$162	$169	$ (34)	n/m (b)	n/m	

n/m = not meaningful

(a) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

(b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.

(c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets measured at fair value on a nonrecurring basis.

June 30, 2013 ($ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	$123	Fair value of collateral	Adjusted appraisal value	65.0-95.0%

Fair Value Option for Financial Assets

A description of the financial assets elected to be measured at fair value is as follows. Our intent in electing fair value measurement was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

- Conforming and government-insured mortgage loans held-for-sale — We elected the fair value option for conforming and government-insured mortgage loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were conforming and government-insured loans funded on or prior to July 31, 2009, and those repurchased or rerecognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and rerecognized conforming and government-insured loans were not elected because the election would not mitigate earning volatility. We repurchase or rerecognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carry the fair value-elected conforming and government-insured loans as loans held-for-sale, net, on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. Upfront fees and costs related to the fair value-elected loans were not deferred or capitalized. The fair value adjustment recorded for these loans is classified as gain (loss) on mortgage loans, net, in the Condensed Consolidated Statement of Comprehensive Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold.

The following tables summarize the fair value option elections and information regarding the amounts recorded as earnings for each fair value option-elected item.

	Changes included in the Condensed Consolidated Statement of Comprehensive Income			
Three months ended June 30, ($ in millions)	Interest on loans held-for-sale (a)	(Loss) gain on mortgage loans, net	Total included in earnings	
2013				
Assets				
Mortgage loans held-for-sale, net	$ 3	$(8)	$(5)	(b)
2012				
Assets				
Mortgage loans held-for-sale, net	$ 14	$12	$26	(b)

(a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.

(b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, ($ in millions)	Changes included in the Condensed Consolidated Statement of Comprehensive Income			
	Interest on loans held-for-sale (a)	Loss on mortgage loans, net	Total included in earnings	
2013				
Assets				
Mortgage loans held-for-sale, net	$ 19	$(49)	$(30)	(b)
2012				
Assets				
Mortgage loans held-for-sale, net	$ 40	$(47)	$(7)	(b)

(a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.

(b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.

The following table provides the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans.

($ in millions)	June 30, 2013		December 31, 2012	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	$119	$56	$2,416	$2,490
Nonaccrual loans	45	22	47	25
Loans 90+ days past due (b)	43	20	36	19

(a) Excludes accrued interest receivable.

(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.

Table of Contents

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled Recurring Fair Value. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at June 30, 2013 and December 31, 2012.

		Estimated fair value			
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total
June 30, 2013					
Financial assets					
Loans held-for-sale, net (a)	$102	$—	$56	$46	$102
Finance receivables and loans, net (a)	95,810	—	—	96,685	96,685
Nonmarketable equity investments	204	—	176	34	210
Financial liabilities					
Deposit liabilities	$50,125	$—	$—	$50,872	$50,872
Short-term borrowings	4,197	—	—	4,197	4,197
Long-term debt (a)(b)	64,873	—	34,910	33,039	67,949
December 31, 2012					
Financial assets					
Loans held-for-sale, net (a)	$2,576	$—	$2,490	$86	$2,576
Finance receivables and loans, net (a)	97,885	—	—	98,907	98,907
Nonmarketable equity investments	303	—	272	34	306
Financial liabilities					
Deposit liabilities	$47,915	$—	$—	$48,752	$48,752
Short-term borrowings	7,461	6	—	7,454	7,460
Long-term debt (a)(b)	74,882	—	36,018	42,533	78,551

(a) Includes financial instruments carried at fair value due to fair value option elections. Refer to the previous section of this note titled Fair Value Option for Financial Assets and Liabilities for further information about the fair value elections.

(b) The carrying value includes deferred interest for zero-coupon bonds of $339 million and $321 million at June 30, 2013, and December 31, 2012, respectively.

The following describes the methodologies and assumptions used to determine fair value for the significant classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market was not active and a transaction was not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not in forced liquidation or distressed sale.

- Loans held-for-sale, net — Loans held-for-sale classified as Level 2 included all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a

discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

Finance receivables and loans, net — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain automotive and other receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of commercial receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

Table of Contents

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach with Level 3 inputs to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the section above titled Loans held-for-sale, net, for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

- Deposit liabilities — Deposit liabilities represent certain consumer and brokered bank deposits, mortgage escrow deposits, and dealer deposits. The fair value of deposits at Level 3 were estimated by discounting projected cash flows based on discount factors derived from the forward interest rate swap curve.
- Debt — Level 2 debt was valued using quoted market prices, when available, or other means for substantiation with observable inputs. Debt valued using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.

23. Offsetting Assets and Liabilities

Our qualifying master netting agreements are written, legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the agreement to the non-defaulting entity upon an event of default of the counterparty, including bankruptcy, insolvency, or similar proceeding, and (2) provide the non-defaulting entity the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to liquidate or set off collateral promptly upon an event of default of the counterparty. As it relates to derivative instruments, in certain instances we have the option to report derivatives that are subject to a qualifying master netting agreement on a net basis, we have elected to report these instruments as gross assets and liabilities on the Condensed Consolidated Balance Sheet.

To further mitigate the risk of counterparty default related to derivative instruments, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls, such that the net replacement cost of the non-defaulting party is covered in the event of counterparty default.

The composition of offsetting derivative instruments, financial assets, and financial liabilities was as follows.

June 30, 2013 ($ in millions)	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/(Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
				Financial Instruments	Collateral (a)	Net Amount
Assets						
Derivative assets in net asset positions	$ 233	$ —	$ 233	$(56)	$(158)	$19
Derivative assets in net liability positions	46	—	46	(46)	—	—
	31	—	31	—	—	31

Derivative assets with no offsetting arrangements						
Total assets	$ 310	$—	$ 310	$(102)	$(158)	$50
Liabilities						
Derivative liabilities in net liability positions	$ (142)	$—	$ (142)	$46	$80	$(16)
Derivative liabilities in net asset positions	(56)	—	(56)	56	—	—
Derivative liabilities with no offsetting arrangements	(22)	—	(22)	—	—	(22)
Total liabilities	$ (220)	$—	$ (220)	$102	$80	$(38)

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

December 31, 2012 ($ in millions)	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/(Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
				Financial Instruments	Collateral (a)	Net Amount
Assets						
Derivative assets in net asset positions	$ 1,395	$—	$ 1,395	$(503)	$(841)	$51
Derivative assets in net liability positions	788	—	788	(788)	—	—
Derivative assets with no offsetting arrangements	115	—	115	—	—	115
Total assets	$ 2,298	$—	$ 2,298	$(1,291)	$(841)	$166
Liabilities						
Derivative liabilities in net liability positions	$ (1,929)	$—	$ (1,929)	$788	$1,092	$(49)
Derivative liabilities in net asset positions	(503)	—	(503)	503	—	—
Derivative liabilities with no offsetting arrangements	(36)	—	(36)	—	—	(36)
Total liabilities	$ (2,468)	$—	$ (2,468)	$1,291	$1,092	$(85)

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

24. Segment and Geographic Information

Operating segments are defined as components of an enterprise that engage in business activity from which revenues are earned and expenses incurred for which discrete financial information is available that is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and in assessing performance.

We report our results of operations on a line-of-business basis through three operating segments - Automotive Finance operations, Insurance operations, and Mortgage operations, with the remaining activity reported in Corporate and Other. The operating segments are determined based on the products and services offered, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

Automotive Finance operations — Provides automotive financing services to consumers and automotive dealers. For consumers, we offer retail automotive financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

Insurance operations — Offers both consumer finance and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory in the United States.

Mortgage operations — Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio. Our Mortgage operations also consist of noncore businesses that are winding down.

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments.

We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the LIBOR swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other.

The information presented in our reportable operating segments and geographic areas tables that follow are based in part on internal allocations, which involve management judgment.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Financial information for our reportable operating segments is summarized as follows.

Three months ended June 30, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2013					
Net financing revenue (loss)	$777	$15	$15	$(179)	$628
Other revenue (loss)	60	325	(6)	23	402
Total net revenue (loss)	837	340	9	(156)	1,030
Provision for loan losses	88	—	6	(5)	89
Total noninterest expense	367	295	46	93	801
Income (loss) from continuing operations before income tax expense (benefit)	$382	$45	$(43)	$(244)	$140
Total assets	$107,485	$7,336	$9,061	$26,745	$150,627
2012					
Net financing revenue (loss)	$693	$16	$29	$(281)	$457
Other revenue (loss)	112	300	320	(18)	714
Total net revenue (loss)	805	316	349	(299)	1,171
Provision for loan losses	15	—	21	(3)	33
Total noninterest expense	350	296	226	99	971
Income (loss) from continuing operations before income tax expense (benefit)	$440	$20	$102	$(395)	$167
Total assets	$120,523	$8,237	$17,146	$32,654	$178,560

(a) Total assets for the Commercial Finance Group were $1.5 billion and $1.2 billion at June 30, 2013 and 2012, respectively.

(b) Net financing revenue after the provision for loan losses totaled $0.5 billion and $0.4 billion for the three months ended June 30, 2013 and 2012, respectively.

Six months ended June 30, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2013					
Net financing revenue (loss)	$1,550	$27	$49	$(358)	$1,268
Other revenue (loss)	142	633	(25)	38	788
Total net revenue (loss)	1,692	660	24	(320)	2,056
Provision for loan losses	200	—	26	(6)	220
Total noninterest expense	767	554	245	193	1,759
Income (loss) from continuing operations before income tax expense (benefit)	$725	$106	$(247)	$(507)	$77
Total assets	$107,485	$7,336	$9,061	$26,745	$150,627
2012					
Net financing revenue (loss)	$1,323	$28	$66	$(609)	$808
Other revenue	189	638	457	35	1,319
Total net revenue (loss)	1,512	666	523	(574)	2,127
Provision for loan losses	93	—	48	(10)	131

Total noninterest expense	738	546	310	232	1,826
Income (loss) from continuing operations before income tax expense (benefit)	$681	$120	$165	$(796)	$170
Total assets	$120,523	$8,237	$17,146	$32,654	$178,560

(a) Total assets for the Commercial Finance Group were $1.5 billion and $1.2 billion at June 30, 2013 and 2012, respectively.

(b) Net financing revenue after the provision for loan losses totaled $1.0 billion and $0.7 billion for the six months ended June 30, 2013 and 2012, respectively.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Information concerning principal geographic areas were as follows.

Three months ended June 30, ($ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013			
Canada	$47	$14	$13
Europe (d)	—	(1)	(146)
Latin America	—	(1)	194
Asia-Pacific	—	—	29
Total foreign	47	12	90
Total domestic (e)	983	128	(1,017)
Total	$1,030	$140	$(927)
2012			
Canada	$61	$17	$79
Europe (d)	(4)	10	41
Latin America	1	(4)	62
Asia-Pacific	1	1	23
Total foreign	59	24	205
Total domestic (e)	1,112	143	(1,103)
Total	$1,171	$167	$(898)

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.

(b) The domestic amounts include original discount amortization of $64 million and $100 million for the three months ended June 30, 2013 and 2012, respectively.

(c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.

(d) Amounts include eliminations between our foreign operations.

(e) Amounts include eliminations between our domestic and foreign operations.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, ($ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013			
Canada	$96	$28	$1,243
Europe (d)	(10)	(19)	(86)
Latin America	—	(5)	274
Asia-Pacific	1	(2)	54
Total foreign	87	2	1,485
Total domestic (e)	1,969	75	(1,319)
Total	$2,056	$77	$166
2012			
Canada	$120	$31	$162
Europe (d)	(14)	—	67
Latin America	2	(7)	108
Asia-Pacific	2	1	50
Total foreign	110	25	387
Total domestic (e)	2,017	145	(975)
Total	$2,127	$170	$(588)

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.

(b) The domestic amounts include original discount amortization of $124 million and $211 million for the six months ended June 30, 2013 and 2012, respectively.

(c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.

(d) Amounts include eliminations between our foreign operations.

(e) Amounts include eliminations between our domestic and foreign operations.

25. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of June 30, 2013, the Guarantors were, Ally US LLC and IB Finance Holding Company, LLC (IB Finance), each of which fully and unconditionally guarantee the senior notes on a joint and several basis.

The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company-only basis), (ii) the Guarantors, (iii) the nonguarantor subsidiaries (all other subsidiaries), and (iv) an elimination column for adjustments to arrive at (v) the information for the parent company, the Guarantors, and nonguarantors on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company’s and the Guarantors’ investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, the Guarantors, and nonguarantors.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statements of Comprehensive Income

Three months ended June 30, 2013 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$272	$—	$867	$—	$1,139
Interest and fees on finance receivables and loans — intercompany	13	—	20	(33)	—
Interest on loans held-for-sale	—	—	3	—	3
Interest and dividends on available-for-sale investment securities	—	—	76	—	76
Interest-bearing cash	1	—	1	—	2
Interest-bearing cash — intercompany	—	—	2	(2)	—
Operating leases	118	—	670	—	788
Total financing revenue and other interest income	404	—	1,639	(35)	2,008
Interest expense					
Interest on deposits	6	—	156	—	162
Interest on short-term borrowings	12	—	4	—	16
Interest on long-term debt	564	—	139	—	703
Interest on intercompany debt	21	—	14	(35)	—
Total interest expense	603	—	313	(35)	881
Depreciation expense on operating lease assets	102	—	397	—	499
Net financing (loss) revenue	(301)	—	929	—	628
Dividends from subsidiaries					
Nonbank subsidiaries	1,864	405	—	(2,269)	—
Other revenue					
Servicing fees	38	—	(19)	—	19
Servicing asset valuation and hedge activities, net	—	—	(12)	—	(12)
Total servicing income, net	38	—	(31)	—	7
Insurance premiums and service revenue earned	—	—	258	—	258
Loss on mortgage and automotive loans, net	—	—	(1)	—	(1)
Other gain on investments, net	—	—	64	—	64
Other income, net of losses	26	—	341	(293)	74
Total other revenue	64	—	631	(293)	402
Total net revenue	1,627	405	1,560	(2,562)	1,030
Provision for loan losses	105	—	(16)	—	89
Noninterest expense					
Compensation and benefits expense	160	—	194	(102)	252
Insurance losses and loss adjustment expenses	—	—	146	—	146
Other operating expenses	99	—	496	(192)	403
Total noninterest expense	259	—	836	(294)	801
Income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries	1,263	405	740	(2,268)	140

Income tax (benefit) expense from continuing operations	(231)	—	271	—	40
Net income from continuing operations	1,494	405	469	(2,268)	100
(Loss) income from discontinued operations, net of tax	(1,242)	(47)	262	—	(1,027)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	207	207	—	(414)	—
Nonbank subsidiaries	(1,386)	(348)	—	1,734	—
Net (loss) income	(927)	217	731	(948)	(927)
Other comprehensive loss, net of tax	(181)	(141)	(253)	394	(181)
Comprehensive (loss) income	$(1,108)	$76	$478	$(554)	$(1,108)

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Three months ended June 30, 2012 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$198	$—	$938	$4	$1,140
Interest and fees on finance receivables and loans — intercompany	19	(1)	5	(23)	—
Interest on loans held-for-sale	6	—	14	—	20
Interest on trading assets	—	—	1	—	1
Interest and dividends on available-for-sale investment securities	—	—	77	—	77
Interest-bearing cash	6	—	3	—	9
Interest-bearing cash - intercompany	—	—	9	(9)	—
Operating leases	35	—	526	—	561
Total financing revenue and other interest income	264	(1)	1,573	(28)	1,808
Interest expense					
Interest on deposits	16	—	144	—	160
Interest on short-term borrowings	13	—	2	4	19
Interest on long-term debt	664	—	177	(4)	837
Interest on intercompany debt	4	—	22	(26)	—
Total interest expense	697	—	345	(26)	1,016
Depreciation expense on operating lease assets	18	—	317	—	335
Net financing (loss) revenue	(451)	(1)	911	(2)	457
Dividends from subsidiaries					
Nonbank subsidiaries	179	—	—	(179)	—
Other revenue					
Servicing fees	50	—	63	—	113
Servicing asset valuation and hedge activities, net	—	—	46	—	46
Total servicing income, net	50	—	109	—	159
Insurance premiums and service revenue earned	—	—	261	—	261
(Loss) gain on mortgage and automotive loans, net	(3)	—	89	—	86
Other gain on investments, net	—	—	64	—	64
Other income, net of losses	61	110	259	(286)	144
Total other revenue	108	110	782	(286)	714
Total net (loss) revenue	(164)	109	1,693	(467)	1,171
Provision for loan losses	(20)	—	53	—	33
Noninterest expense					
Compensation and benefits expense	182	109	89	(110)	270
Insurance losses and loss adjustment expenses	—	—	149	—	149
Other operating expenses	805	—	(77)	(176)	552
Total noninterest expense	987	109	161	(286)	971
(Loss) income from continuing operations before income tax (benefit) expense and	(1,131)	—	1,479	(181)	167

undistributed income (loss) of subsidiaries					
Income tax (benefit) expense from continuing operations	(280)	—	264	—	(16)
Net (loss) income from continuing operations	(851)	—	1,215	(181)	183
Income (loss) from discontinued operations, net of tax	9	3	(1,094)	1	(1,081)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	275	275	—	(550)	—
Nonbank subsidiaries	(331)	114	—	217	—
Net (loss) income	(898)	392	121	(513)	(898)
Other comprehensive loss, net of tax	(206)	(155)	(425)	580	(206)
Comprehensive (loss) income	$(1,104)	$237	$(304)	$67	$(1,104)

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2013 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$431	$—	$1,843	$—	$2,274
Interest and fees on finance receivables and loans — intercompany	37	—	25	(62)	—
Interest on loans held-for-sale	—	—	19	—	19
Interest and dividends on available-for-sale investment securities	—	—	144	—	144
Interest-bearing cash	2	—	3	—	5
Interest-bearing cash — intercompany	—	—	4	(4)	—
Operating leases	214	—	1,308	—	1,522
Total financing revenue and other interest income	684	—	3,346	(66)	3,964
Interest expense					
Interest on deposits	15	—	311	—	326
Interest on short-term borrowings	24	—	8	—	32
Interest on long-term debt	1,124	—	285	(5)	1,404
Interest on intercompany debt	20	—	40	(60)	—
Total interest expense	1,183	—	644	(65)	1,762
Depreciation expense on operating lease assets	164	—	770	—	934
Net financing (loss) revenue	(663)	—	1,932	(1)	1,268
Dividends from subsidiaries					
Nonbank subsidiaries	5,163	3,659	—	(8,822)	—
Other revenue					
Servicing fees	82	—	19	—	101
Servicing asset valuation and hedge activities, net	—	—	(213)	—	(213)
Total servicing income, net	82	—	(194)	—	(112)
Insurance premiums and service revenue earned	—	—	517	—	517
Gain on mortgage and automotive loans, net	—	—	37	—	37
Other gain on investments, net	—	—	115	—	115
Other income, net of losses	77	—	766	(612)	231
Total other revenue	159	—	1,241	(612)	788
Total net revenue	4,659	3,659	3,173	(9,435)	2,056
Provision for loan losses	229	—	(9)	—	220
Noninterest expense					
Compensation and benefits expense	352	—	417	(232)	537
Insurance losses and loss adjustment expenses	—	—	261	—	261
Other operating expenses	157	—	1,184	(380)	961
Total noninterest expense	509	—	1,862	(612)	1,759
Income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries	3,921	3,659	1,320	(8,823)	77
	(560)	—	477	—	(83)

Income tax (benefit) expense from continuing operations					
Net income from continuing operations	4,481	3,659	843	(8,823)	160
(Loss) income from discontinued operations, net of tax	(1,507)	(34)	1,546	1	6
Undistributed income (loss) of subsidiaries					
Bank subsidiary	433	433	—	(866)	—
Nonbank subsidiaries	(3,241)	(2,400)	—	5,641	—
Net income	166	1,658	2,389	(4,047)	166
Other comprehensive loss, net of tax	(498)	(719)	(854)	1,573	(498)
Comprehensive (loss) income	$(332)	$939	$1,535	$(2,474)	$(332)

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2012 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$451	$—	$ 1,782	$ —	$ 2,233
Interest and fees on finance receivables and loans — intercompany	57	—	13	(70)	—
Interest on loans held-for-sale	11	—	40	—	51
Interest on trading assets	—	—	10	—	10
Interest and dividends on available-for-sale investment securities	—	—	151	—	151
Interest-bearing cash	7	—	4	—	11
Interest-bearing cash - intercompany	—	—	9	(9)	—
Operating leases	87	—	981	—	1,068
Total financing revenue and other interest income	613	—	2,990	(79)	3,524
Interest expense					
Interest on deposits	33	—	290	—	323
Interest on short-term borrowings	33	—	3	—	36
Interest on long-term debt	1,387	—	338	(8)	1,717
Interest on intercompany debt	(1)	1	67	(67)	—
Total interest expense	1,452	1	698	(75)	2,076
Depreciation expense on operating lease assets	31	—	609	—	640
Net financing (loss) revenue	(870)	(1)	1,683	(4)	808
Dividends from subsidiaries					
Nonbank subsidiaries	320	—	—	(320)	—
Other revenue					
Servicing fees	102	—	133	—	235
Servicing asset valuation and hedge activities, net	—	—	(60)	—	(60)
Total servicing income, net	102	—	73	—	175
Insurance premiums and service revenue earned	—	—	531	—	531
(Loss) gain on mortgage and automotive loans, net	(4)	—	110	—	106
Other gain on investments, net	—	—	153	—	153
Other income, net of losses	96	254	604	(600)	354
Total other revenue	194	254	1,471	(600)	1,319
Total net (loss) revenue	(356)	253	3,154	(924)	2,127
Provision for loan losses	58	—	73	—	131
Noninterest expense					
Compensation and benefits expense	395	253	179	(254)	573
Insurance losses and loss adjustment expenses	—	—	247	—	247
Other operating expenses	891	—	461	(346)	1,006
Total noninterest expense	1,286	253	887	(600)	1,826
(Loss) income from continuing operations before income tax (benefit) expense and	(1,700)	—	2,194	(324)	170

undistributed income of subsidiaries					
Income tax (benefit) expense from continuing operations	(548)	—	533	—	(15)
Net (loss) income from continuing operations	(1,152)	—	1,661	(324)	185
Income (loss) from discontinued operations, net of tax	19	6	(796)	(2)	(773)
Undistributed income of subsidiaries					
Bank subsidiary	498	498	—	(996)	—
Nonbank subsidiaries	47	199	—	(246)	—
Net (loss) income	(588)	703	865	(1,568)	(588)
Other comprehensive loss, net of tax	(19)	(29)	(37)	66	(19)
Comprehensive (loss) income	$(607)	$674	$828	$(1,502)	$(607)

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Condensed Consolidating Balance Sheet

June 30, 2013 ($ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	$726	$29	$537	$—	$1,292
Noninterest-bearing — intercompany	84	—	—	(84)	—
Interest-bearing	3,151	—	3,331	—	6,482
Interest-bearing — intercompany	—	—	422	(422)	—
Total cash and cash equivalents	3,961	29	4,290	(506)	7,774
Investment securities	—	—	17,015	—	17,015
Loans held-for-sale, net	—	—	102	—	102
Finance receivables and loans, net					
Finance receivables and loans, net	19,123	—	77,870	—	96,993
Intercompany loans to					
Bank subsidiary	3,400	—	—	(3,400)	—
Nonbank subsidiaries	3,176	—	1,789	(4,965)	—
Allowance for loan losses	(314)	—	(869)	—	(1,183)
Total finance receivables and loans, net	25,385	—	78,790	(8,365)	95,810
Investment in operating leases, net	2,910	—	13,175	—	16,085
Intercompany receivables from					
Bank subsidiary	82	—	—	(82)	—
Nonbank subsidiaries	231	—	470	(701)	—
Investment in subsidiaries					
Bank subsidiary	14,530	14,530	—	(29,060)	—
Nonbank subsidiaries	10,869	111	—	(10,980)	—
Premiums receivable and other insurance assets	—	—	1,628	(17)	1,611
Other assets	3,181	—	3,807	(287)	6,701
Assets of operations held-for-sale	620	—	4,909	—	5,529
Total assets	$61,769	$14,670	$124,186	$(49,998)	$150,627
Liabilities					
Deposit liabilities					
Noninterest-bearing	$—	$—	$72	$—	$72
Noninterest-bearing — intercompany	—	—	84	(84)	—
Interest-bearing	642	—	49,411	—	50,053
Total deposit liabilities	642	—	49,567	(84)	50,125
Short-term borrowings	3,197	—	1,000	—	4,197
Long-term debt	31,640	—	32,894	—	64,534
Intercompany debt to					
Nonbank subsidiaries	2,211	—	6,576	(8,787)	—
Intercompany payables to					
Bank subsidiary	100	—	—	(100)	—
Nonbank subsidiaries	462	—	239	(701)	—
Interest payable	806	—	193	—	999
	—	—	2,301	—	2,301

Unearned insurance premiums and service revenue					
Accrued expenses and other liabilities	3,546	100	1,684	(287)	5,043
Liabilities of operations held-for-sale	—	—	4,263	—	4,263
Total liabilities	42,604	100	98,717	(9,959)	131,462
Total equity	19,165	14,570	25,469	(40,039)	19,165
Total liabilities and equity	$61,769	$14,670	$124,186	$ (49,998)	$ 150,627

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

December 31, 2012 ($ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	$729	$—	$344	$—	$1,073
Noninterest-bearing — intercompany	39	—	—	(39)	—
Interest-bearing	3,204	—	3,236	—	6,440
Interest-bearing — intercompany	—	—	452	(452)	—
Total cash and cash equivalents	3,972	—	4,032	(491)	7,513
Investment securities	—	—	14,178	—	14,178
Loans held-for-sale, net	—	—	2,576	—	2,576
Finance receivables and loans, net					
Finance receivables and loans, net	12,486	—	86,569	—	99,055
Intercompany loans to					
Bank subsidiary	1,600	—	—	(1,600)	—
Nonbank subsidiaries	3,514	—	672	(4,186)	—
Allowance for loan losses	(170)	—	(1,000)	—	(1,170)
Total finance receivables and loans, net	17,430	—	86,241	(5,786)	97,885
Investment in operating leases, net	2,003	—	11,547	—	13,550
Intercompany receivables from					
Bank subsidiary	677	—	—	(677)	—
Nonbank subsidiaries	315	334	378	(1,027)	—
Investment in subsidiaries					
Bank subsidiary	14,288	14,288	—	(28,576)	—
Nonbank subsidiaries	19,180	3,723	—	(22,903)	—
Mortgage servicing rights	—	—	952	—	952
Premiums receivable and other insurance assets	—	—	1,609	—	1,609
Other assets	2,514	—	9,968	(574)	11,908
Assets of operations held-for-sale	855	762	30,582	(23)	32,176
Total assets	$61,234	$19,107	$162,063	$(60,057)	$182,347
Liabilities					
Deposit liabilities					
Noninterest-bearing	$—	$—	$1,977	$—	$1,977
Noninterest-bearing — intercompany	—	—	39	(39)	—
Interest-bearing	983	—	44,955	—	45,938
Total deposit liabilities	983	—	46,971	(39)	47,915
Short-term borrowings	3,094	—	4,367	—	7,461
Long-term debt	32,342	—	42,219	—	74,561
Intercompany debt to					
Nonbank subsidiaries	530	—	5,708	(6,238)	—
Intercompany payables to					
Bank subsidiary	752	—	—	(752)	—
Nonbank subsidiaries	674	—	278	(952)	—
Interest payable	748	—	184	—	932
	—	—	2,296	—	2,296

Unearned insurance premiums and service revenue					
Accrued expenses and other liabilities	2,187	451	4,517	(570)	6,585
Liabilities of operations held-for-sale	26	725	21,948	—	22,699
Total liabilities	41,336	1,176	128,488	(8,551)	162,449
Total equity	19,898	17,931	33,575	(51,506)	19,898
Total liabilities and equity	$61,234	$19,107	$162,063	$ (60,057)	$ 182,347

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statement of Cash Flows

Six months ended June 30, 2013 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	$5,085	$3,514	$3,636	$(8,822)	$3,413
Investing activities					
Purchases of available-for-sale securities	—	—	(9,305)	—	(9,305)
Proceeds from sales of available-for-sale securities	—	—	3,700	—	3,700
Proceeds from maturities and repayments of available-for-sale securities	—	—	3,125	—	3,125
Net (increase) decrease in finance receivables and loans	(4,708)	79	6,220	—	1,591
Net (increase) decrease in loans — intercompany	(1,463)	251	(1,368)	2,580	—
Net increase in operating lease assets	(798)	—	(2,670)	—	(3,468)
Capital contributions to subsidiaries	(158)	—	—	158	—
Returns of contributed capital	558	150		(708)	—
Sales of mortgage servicing rights	—	—	911	—	911
Proceeds from sale of business units, net	1,120	554	5,259	—	6,933
Net change in restricted cash	—	(26)	2,345	—	2,319
Other, net	(265)	—	125	—	(140)
Net cash (used in) provided by investing activities	(5,714)	1,008	8,342	2,030	5,666
Financing activities					
Net change in short-term borrowings — third party	103	36	(2,971)	—	(2,832)
Net (decrease) increase in deposits	(342)	—	2,538	(45)	2,151
Proceeds from issuance of long-term debt — third party	39	—	7,998	—	8,037
Repayments of long-term debt — third party	(461)	(70)	(17,234)	—	(17,765)
Net change in debt — intercompany	1,680	(271)	1,140	(2,549)	—
Dividends paid — third party	(401)	—	—	—	(401)
Dividends paid and returns of contributed capital — intercompany	—	(4,217)	(5,312)	9,529	—
Capital contributions from parent	—	29	129	(158)	—
Net cash provided by (used in) financing activities	618	(4,493)	(13,712)	6,777	(10,810)
Effect of exchange-rate changes on cash and cash equivalents	—	—	50	—	50
Net (decrease) increase in cash and cash equivalents	(11)	29	(1,684)	(15)	(1,681)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	1,942	—	1,942
Cash and cash equivalents at beginning of year	3,972	—	4,032	(491)	7,513
Cash and cash equivalents at June 30	$3,961	$29	$4,290	$(506)	$7,774

74

Table of Contents
Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2012 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash (used in) provided by operating activities	$ (453)	$ 19	$ 5,699	$ (325)	$ 4,940
Investing activities					
Purchases of available-for-sale securities	—	—	(6,758)	—	(6,758)
Proceeds from sales of available-for-sale securities	—	—	5,636	—	5,636
Proceeds from maturities and repayments of available-for-sale securities	—	—	2,792	—	2,792
Net (increase) decrease in finance receivables and loans	(1,986)	86	(5,575)	—	(7,475)
Proceeds from sales of finance receivables and loans	—	—	1,978	—	1,978
Net decrease in loans — intercompany	2,741	232	323	(3,296)	—
Net decrease (increase) in operating lease assets	417	—	(2,875)	—	(2,458)
Capital contributions to subsidiaries	(51)	—	—	51	—
Returns of contributed capital	1,666	—	—	(1,666)	—
Net cash effect from deconsolidation of ResCap	—	—	(539)	—	(539)
Proceeds from sale of business units, net	29	—	487	—	516
Net change in restricted cash	—	—	69	—	69
Other, net	(43)	—	139	—	96
Net cash provided by (used in) investing activities	2,773	318	(4,323)	(4,911)	(6,143)
Financing activities					
Net change in short-term borrowings — third party	202	8	(1,695)	—	(1,485)
Net (decrease) increase in deposits	(245)	—	3,218	—	2,973
Proceeds from issuance of long-term debt — third party	2,542	—	16,581	—	19,123
Repayments of long-term debt — third party	(1,491)	(27)	(14,398)	—	(15,916)
Net change in debt — intercompany	466	(311)	(2,972)	2,817	—
Dividends paid — third party	(401)	—	—	—	(401)
Dividends paid and returns of contributed capital — intercompany	—	(11)	(1,980)	1,991	—
Capital contributions from parent	—	—	51	(51)	—
Net cash provided by (used in) financing activities	1,073	(341)	(1,195)	4,757	4,294
Effect of exchange-rate changes on cash and cash equivalents	(117)	—	78	—	(39)
Net increase (decrease) in cash and cash equivalents	3,276	(4)	259	(479)	3,052
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	39	—	39
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035

Cash and cash equivalents at June 30	$9,537	$10	$7,574	$ (995)	$16,126

26. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk. For additional information on contingencies and other risks arising from such transactions, refer to Note 29 to the Consolidated Financial Statements in our 2012 Annual Report.

Mortgage-Related Matters

ResCap Bankruptcy Filing

Our mortgage operations were historically a significant portion of our operations and were conducted primarily through our Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly-owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases, and certain other creditors. On June 26, 2013, the Bankruptcy Court entered an order approving the PSA. For further information with respect to the bankruptcy, refer to Note 1.

Mortgage Settlements and Consent Order

On February 9, 2012, we announced that we had reached an agreement with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and

evictions (the Mortgage Settlement). Further, as a result of an examination conducted by the FRB and FDIC, on April 13, 2011, we entered into a consent order (the Consent Order) with the FRB and the FDIC, that required, among other things, GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (the FRB Foreclosure Review).

As described in Note 1, on June 26, 2013, the Bankruptcy Court approved a term sheet (the FRB Term Sheet) encompassing the terms of an amendment to the Consent Order (the Consent Order Amendment). The FRB Term Sheet, among other things, required the Debtors to escrow approximately $230 million (the FRB Settlement Amount) in exchange for the FRB suspending the FRB Foreclosure Review for 30 days. The FRB Term Sheet was fully executed on June 27, 2013 and the FRB Foreclosure Review was suspended on June 28, 2013. On July, 26, 2013, the Bankruptcy Court approved the Consent Order Amendment and, as a result, the Debtors are no longer responsible for the FRB Foreclosure Review, and the FRB Settlement Amount will be distributed to individual borrowers in full satisfaction of the Debtors' foreclosure review obligations.

In addition, the PSA described above provides that the Debtors will remain responsible for all costs and obligations imposed on the Debtors under the Mortgage Settlement and Consent Order. For further information, refer to Note 1. If the Bankruptcy Court does not confirm the Plan, it is possible that Ally could become liable for certain financial and performance obligations under the Mortgage Settlement and Consent Order.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims.

Mortgage-backed Securities Litigation

Ally Financial Inc. and certain of its subsidiaries are named as defendants in various cases relating to ResCap mortgage-backed securities and certain other mortgage-related matters, which are described in Note 29 to the Consolidated Financial Statements in our 2012 Annual Report, as updated in Note 26 to the Condensed Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the three months ended March 31, 2013 (collectively, the Mortgage Cases). The PSA requires the parties to support a Chapter 11 plan in the Debtors' Chapter 11 cases that will, among other things, settle and provide AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that reside with the Debtors, and all pending and potential claims held by third parties related to the Debtors that could be brought against AFI. These releases cover all of the Mortgage Cases, except for securities claims by the Federal Housing Finance Agency and the Federal Deposit Insurance Corporation, as receiver for certain failed banks. AFI believes it has strong defenses against these claims and will vigorously defend its position, as necessary.

Regulatory Matters

We have responded to subpoenas and document requests from the SEC, seeking information covering a wide range of mortgage-related matters, including, among other things, various aspects surrounding securitizations of residential mortgages. We also have responded to subpoenas received from the U.S. Department of Justice, which include broad requests for documentation and other information in connection with its investigation of potential fraud and other potential legal violations related to mortgage backed securities, as well as the origination and/or underwriting of mortgage loans. In addition, the CFPB has advised us that they are investigating certain of our retail financing

practices. It is possible that this could result in actions against us.

Loan Repurchases and Obligations Related to Loan Sales

Representation and Warranty Obligation Reserve Methodology

The representation and warranty reserve was $25 million at June 30, 2013 with respect to our sold and serviced loans for which we have retained representation and warranty obligation. The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income.

Table of Contents

On April 16, 2013, we completed the sales of agency MSRs to Ocwen and Quicken. The sale to Ocwen included the transfer of the origination representation and warranty liabilities (but not those related to servicing) on any and all claims following the sale of the MSRs through an indemnification agreement. However, Ally Bank retained all representation and warranty liability related to loans previously liquidated with a loss (e.g. GSEs completed a foreclosure) as well as the liability on outstanding claims at the time of the sale. The MSRs sale to Quicken did not include the transfer of representation and warranty liabilities. The repurchase reserve at June 30, 2013 reflects losses associated with this contractual obligation.

The following table summarizes the changes in our reserve for representation and warranty obligations.

Three months ended June 30, ($ in millions)	2013 (a)	2012 (b)
Balance at April 1,	$170	$811
Provision for mortgage representation and warranty expenses		
Loan sales	1	4
Change in estimate — continuing operations	(2)	18
Total additions	(1)	22
Resolved claims (c)	(18)	(45)
Recoveries	1	1
Other (d)	(127)	(665)
Balance at June 30,	$25	$124

(a) The liabilities are held by Ally Bank and a majority of the previous liability was eliminated as a result of the deconsolidation of ResCap. Refer to Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

(b) Includes activities of our discontinued operations.

(c) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

(d) Activity for 2013 includes the impact of the sale of MSRs to Ocwen. Activity for 2012 includes the impact of the deconsolidation of ResCap.

Six months ended June 30, ($ in millions)	2013 (a)	2012 (b)
Balance at January 1,	$105	$825
Provision for mortgage representation and warranty expenses		
Loan sales	5	8
Change in estimate — continuing operations	81	37
Total additions	86	45
Resolved claims (c)	(41)	(87)
Recoveries	2	6
Other (d)	(127)	(665)
Balance at June 30,	$25	$124

(a) The liabilities are held by Ally Bank and a majority of the previous liability was eliminated as a result of the deconsolidation of ResCap. Refer to Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

(b) Includes activities of our discontinued operations.

(c) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

(d) Activity for 2013 includes the impact of the sale of MSRs to Ocwen. Activity for 2012 includes the impact of the deconsolidation of ResCap.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the loss becomes probable and the amount can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

27. Subsequent Events

Notes Offering

On July 15, 2013, we completed a securities offering of $1.4 billion in aggregate principal amount of Ally senior guaranteed notes. The offering included $1.0 billion of fixed rate notes at par to yield 3.5% with a July 2016 maturity date and $375 million of floating rate notes to yield a spread of 2.68% over the three-month London interbank offer rate with a July 2016 maturity date.

Table of Contents

Declaration of Quarterly Dividend Payments
On July 9, 2013, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of $1.125 per share, or a total of $134 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of $17.50 per share, or a total of $45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of $0.53 per share, or a total of $22 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends are payable on August 15, 2013.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operation (MD&A), as well as other portions of this Form 10-K, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words “expect,” “anticipate,” “estimate,” “forecast,” “initiative,” “object “plan,” “goal,” “project,” “outlook,” “priorities,” “target,” “intend,” “evaluate,” “pursue,” “seek,” “may,” “would,” “could,” “s “potential,” “continue,” or the negatives of any of these words or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this report, including those under Item 1A, Risk Factors, as well as those provided in any subsequent SEC filings. Forward-looking statements apply only as of the date they are made, and Ally undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward-looking statement is made.

Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management’s Discussion and Analysis (MD&A) of Financial Condition and Results of Operations, our Condensed Consolidated Financial Statements, and the Notes to Condensed Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

The following table presents selected statement of income data.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Total financing revenue and other interest income	$2,008	$1,808	$3,964	$3,524
Interest expense	881	1,016	1,762	2,076
Depreciation expense on operating lease assets	499	335	934	640
Net financing revenue	628	457	1,268	808
Total other revenue	402	714	788	1,319
Total net revenue	1,030	1,171	2,056	2,127
Provision for loan losses	89	33	220	131
Total noninterest expense	801	971	1,759	1,826
Income from continuing operations before income tax expense (benefit)	140	167	77	170
Income tax expense (benefit) from continuing operations	40	(16)	(83)	(15)
Net income from continuing operations	100	183	160	185
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net (loss) income	$(927)	$(898)	$166	$(588)
Basic and diluted earnings per common share:				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
Net loss	(847)	(825)	(176)	(743)
Non-GAAP financial measures (a):				
Net (loss) income	$(927)	$(898)	$166	$(588)
Add: Original issue discount amortization expense (b)	61	96	118	204
Add: Income tax expense (benefit) from continuing operations	40	(16)	(83)	(15)
Less: (Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Core pretax income (a)	$201	$263	$195	$374

(a)

Core pretax income is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income is an important measure that management uses to assess the performance of our operations. We believe that core pretax income is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net (loss) income determined in accordance with GAAP.

(b) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

The following table presents selected balance sheet and ratio data.

($ in millions)	At and for the three months ended June 30, 2013	2012	At and for the six months ended June 30, 2013	2012
Selected period-end balance sheet data:				
Total assets	$150,627	$178,560	$150,627	$178,560
Long-term debt	$64,534	$91,096	$64,534	$91,096
Preferred stock	$6,940	$6,940	$6,940	$6,940
Total equity	$19,165	$18,272	$19,165	$18,272
Financial ratios				
Efficiency ratio (a)	77.77 %	82.92 %	85.55 %	85.85 %
Core efficiency ratio (a)	73.42 %	76.64 %	80.91 %	78.34 %
Return on assets				
Net income from continuing operations	0.26 %	0.40 %	0.20 %	0.20 %
Net (loss) income	(2.45)%	(1.96)%	0.21 %	(0.64)%
Core pretax income	0.53 %	0.57 %	0.24 %	0.41 %
Return on equity				
Net income from continuing operations	2.02 %	3.88 %	1.62 %	1.95 %
Net (loss) income	(18.76)%	(19.05)%	1.68 %	(6.19)%
Core pretax income	4.07 %	5.58 %	1.97 %	3.94 %
Equity to assets	13.07 %	10.27 %	12.23 %	10.35 %
Net interest spread (b)	1.51 %	1.18 %	1.59 %	1.03 %
Net interest spread excluding original issue discount (b)	1.75 %	1.54 %	1.82 %	1.42 %
Net yield on interest-earning assets (c)	1.85 %	1.38 %	1.88 %	1.24 %
Net yield on interest-earning assets excluding original issue discount (c)	2.04 %	1.67 %	2.05 %	1.56 %
Regulatory capital ratios				
Tier 1 capital (to risk-weighted assets) (d)	15.45 %	13.62 %	15.45 %	13.62 %
Total risk-based capital (to risk-weighted assets) (e)	16.48 %	14.64 %	16.48 %	14.64 %
Tier 1 leverage (to adjusted quarterly average assets) (f)	13.16 %	10.94 %	13.16 %	10.94 %
Total equity	$19,165	$18,272	$19,165	$18,272
Goodwill and certain other intangibles	(188)	(491)	(188)	(491)
Unrealized gains and other adjustments	(1,862)	(180)	(1,862)	(180)
Trust preferred securities	2,544	2,543	2,544	2,543
Tier 1 capital (d)	19,659	20,144	19,659	20,144
Preferred stock	(6,940)	(6,940)	(6,940)	(6,940)
Trust preferred securities	(2,544)	(2,543)	(2,544)	(2,543)
Tier 1 common capital (non-GAAP) (g)	$10,175	$10,661	$10,175	$10,661
Risk-weighted assets (h)	$127,248	$147,909	$127,248	$147,909
Tier 1 common (to risk-weighted assets) (g)	8.00 %	7.21 %	8.00 %	7.21 %

(a) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.

(b) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.

(c) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

(d) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.

(e) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

(f) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

(g) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.

(h) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Overview

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Discontinued Operations

During 2013 and 2012, we committed to dispose of certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and have classified these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for more details. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

Remaining sales transactions for our Automotive Finance discontinued operations are expected to close in stages throughout 2013 and possibly 2014. We believe that when all of the stages are closed, we will realize a cumulative net gain on the sale.

Primary Lines of Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. The following table summarizes the operating results excluding discontinued operations of each line of business. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Total net revenue (loss)						
Dealer Financial Services						
Automotive Finance operations	$837	$805	4	$1,692	$1,512	12
Insurance operations	340	316	8	660	666	(1)
Mortgage operations	9	349	(97)	24	523	(95)
Corporate and Other	(156)	(299)	48	(320)	(574)	44
Total	$1,030	$1,171	(12)	$2,056	$2,127	(3)
Income (loss) from continuing operations before income tax expense (benefit)						
Dealer Financial Services						
Automotive Finance operations	$382	$440	(13)	$725	$681	6
Insurance operations	45	20	125	106	120	(12)
Mortgage operations	(43)	102	(142)	(247)	165	n/m
Corporate and Other	(244)	(395)	38	(507)	(796)	36
Total	$140	$167	(16)	$77	$170	(55)

n/m = not meaningful

- Our Dealer Financial Services operations offer a wide range of financial services and products to retail automotive consumers and automotive dealerships. Our Dealer Financial Services consist of two separate reportable segments — Automotive Finance and Insurance operations. Our automotive finance services include providing retail installment sales financing, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit

to dealers, fleet leasing, and vehicle remarketing services.

Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and Guaranteed Automobile Protection (GAP) products. We also underwrite selected commercial insurance coverage, which primarily insures dealers' wholesale vehicle inventory.

Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio. Our Mortgage operations also consist of noncore businesses that are winding down. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. On April 16, 2013, we completed the sales of agency MSRs to Ocwen Financial Corp. (Ocwen) and Quicken Loans, Inc. (Quicken). Also on April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

Table of Contents

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the operating segment sections of the MD&A that follows for a more complete discussion of operating results by line of business.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Total financing revenue and other interest income	$2,008	$1,808	11	$3,964	$3,524	12
Interest expense	881	1,016	13	1,762	2,076	15
Depreciation expense on operating lease assets	499	335	(49)	934	640	(46)
Net financing revenue	628	457	37	1,268	808	57
Other revenue						
Net servicing income (loss)	7	159	(96)	(112)	175	(164)
Insurance premiums and service revenue earned	258	261	(1)	517	531	(3)
(Loss) gain on mortgage and automotive loans, net	(1)	86	(101)	37	106	(65)
Other gain on investments, net	64	64	—	115	153	(25)
Other income, net of losses	74	144	(49)	231	354	(35)
Total other revenue	402	714	(44)	788	1,319	(40)
Total net revenue	1,030	1,171	(12)	2,056	2,127	(3)
Provision for loan losses	89	33	(170)	220	131	(68)
Noninterest expense						
Compensation and benefits expense	252	270	7	537	573	6
Insurance losses and loss adjustment expenses	146	149	2	261	247	(6)
Other operating expenses	403	552	27	961	1,006	4
Total noninterest expense	801	971	18	1,759	1,826	4
Income from continuing operations before income tax expense (benefit)	140	167	(16)	77	170	(55)
Income tax expense (benefit) from continuing operations	40	(16)	n/m	(83)	(15)	n/m
Net income from continuing operations	$100	$183	(45)	$160	$185	(14)

n/m = not meaningful

We earned net income from continuing operations of $100 million and $160 million for the three months and six months ended June 30, 2013, respectively, compared to $183 million and $185 million for the three months and six months ended June 30, 2012, respectively. Net income from continuing operations for the three months and six months ended June 30, 2013 was unfavorably impacted by our Mortgage operations, primarily due to the exit of all non-strategic mortgage-related activities, including consumer mortgage-lending production associated with government-sponsored refinancing programs, our warehouse lending operations, and our agency MSRs portfolio; which was partially offset by lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization, and lower funding costs. Results for the three months ended June 30, 2013 were also

unfavorably impacted by higher income tax expense from continuing operations, whereas the results for the six months ended June 30, 2013 were favorably impacted by higher income tax benefit from continuing operations.

Total financing revenue and other interest income increased $200 million and $440 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The increases resulted primarily from an increase in operating lease revenue and consumer financing revenue for our Automotive Finance operations driven primarily by an increase in consumer asset levels as a result of strong lease originations, increased used vehicle automotive financing, and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods. Additionally, we continue to maintain our nonprime origination volume across a broad credit spectrum. This increase was partially offset by lower mortgage loan production as a result of the shutdown of our warehouse lending operations and the wind-down of the consumer held-for-sale portfolio.

Interest expense decreased 13% and 15% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to lower funding costs and a decrease in OID amortization expense. OID amortization expense decreased $36 million and $87 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, due to bond maturities and normal monthly amortization.

Depreciation expense on operating lease assets increased 49% and 46% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

We earned net servicing income of $7 million and incurred a net servicing loss of $112 million for the three months and six months ended June 30, 2013, respectively, compared to net servicing income of $159 million and $175 million for the same periods in 2012. The decreases resulted primarily from the valuation of our MSRs portfolio in conjunction with the completed sales of our agency MSRs portfolio to Ocwen and Quicken.

Gain on mortgage and automotive loans decreased $87 million and $69 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily related to lower consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs. Furthermore, while we continue to opportunistically utilize whole-loan sales as a source of funding in our Automotive Finance operations, we have not executed any whole-loan sales during the three months and six months ended June 30, 2013 and have primarily focused on securitization and deposit-based funding sources.

Other gain on investments, net, was $64 million and $115 million for the three months and six months ended June 30, 2013, respectively, compared to $64 million and $153 million for the same periods in 2012. The decrease for the six months ended June 30, 2013 was primarily a result of fewer sales of investments during the period.

Other income, net of losses, decreased 49% and 35% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs, partially offset by a fair value adjustment on derivatives related to the wind-down of our MSR portfolio.

The provision for loan losses was $89 million and $220 million, respectively, for the three months and six months ended June 30, 2013, compared to $33 million and $131 million for the same periods in 2012. The increases for the three months and six months ended June 30, 2013 were primarily due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. automobile consumer loan originations resulting primarily from higher industry sales.

Total noninterest expense decreased 18% and 4% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to lower representation and warranty expense due to the establishment of our representation and warranty liability during the second quarter of 2012 resulting from the deconsolidation of ResCap.

We recognized consolidated income tax expense from continuing operations of $40 million and income tax benefit from continuing operations of $83 million for the three months and six months ended June 30, 2013, respectively, compared to income tax benefit of $16 million and $15 million for the same periods in 2012. The increase in income tax expense for the three months ended June 30, 2013, compared to the same period in 2012, stemmed primarily from our differing U.S. valuation allowance posture in the respective periods. Specifically, U.S. pretax income was subject to U.S. taxation in both periods, however, the resulting deferred tax adjustment was offset by a valuation allowance reversal during the three months ended June 30, 2012. No such valuation allowance offset existed for the three months ended June 30, 2013 due to our release of valuation allowance against our ordinary-in-character deferred tax assets at December 31, 2012. The decrease in income tax expense for the six months ended June 30, 2013, compared to the same period in 2012, was primarily related to benefit in 2013 that was driven by the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

In calculating the continuing operations provision for income taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income on an interim basis. Refer to Critical Accounting Estimates within MD&A and Note 1 to

the Condensed Consolidated Financial Statements for further details.

Table of Contents

Dealer Financial Services

Results for Dealer Financial Services are presented by reportable segment, which includes our Automotive Finance and Insurance operations.

Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our Automotive Finance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Consumer	$750	$708	6	$1,479	$1,369	8
Commercial	268	290	(8)	549	575	(5)
Loans held-for-sale	—	6	(100)	—	11	(100)
Operating leases	788	561	40	1,522	1,068	43
Other interest income	6	15	(60)	13	30	(57)
Total financing revenue and other interest income	1,812	1,580	15	3,563	3,053	17
Interest expense	536	552	3	1,079	1,090	1
Depreciation expense on operating lease assets	499	335	(49)	934	640	(46)
Net financing revenue	777	693	12	1,550	1,323	17
Other revenue						
Servicing fees	16	30	(47)	35	60	(42)
Gain on automotive loans, net	—	39	(100)	—	39	(100)
Other income	44	43	2	107	90	19
Total other revenue	60	112	(46)	142	189	(25)
Total net revenue	837	805	4	1,692	1,512	12
Provision for loan losses	88	15	n/m	200	93	(115)
Noninterest expense						
Compensation and benefits expense	104	97	(7)	217	205	(6)
Other operating expenses	263	253	(4)	550	533	(3)
Total noninterest expense	367	350	(5)	767	738	(4)
Income from continuing operations before income tax expense (benefit)	$382	$440	(13)	$725	$681	6
Total assets	$107,485	$120,523	(11)	$107,485	$120,523	(11)

n/m = not meaningful

Our Automotive Finance operations earned income before income tax expense of $382 million and $725 million for the three months and six months ended June 30, 2013, respectively, compared to $440 million and $681 million for the three months and six months ended June 30, 2012, respectively. Results for the three months ended June 30, 2013 were unfavorably impacted by higher depreciation expense, higher provision for loan losses primarily driven by the prudent expansion of our underwriting strategy to originate assets across a broader credit spectrum, a gain on sale of loans during 2012 that did not recur in 2013, and higher noninterest expense primarily resulting from a favorable non-income tax credit recorded during the three months ended June 30, 2012. These unfavorable items were partially

offset by higher total financing revenue due to growth in the consumer loan and lease portfolios coupled with lower interest expense. Results for the six months ended June 30, 2013 were favorably impacted by higher total financing revenue due to growth in the consumer loan and lease portfolios, partially offset by higher depreciation expense, higher provision for loan losses, and lower servicing fee income due to lower levels of serviced retail automotive loans.

Consumer financing revenue increased $42 million and $110 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, due to an increase in U.S. consumer asset levels primarily related to continued strong loan origination volume relative to the pay-down of the existing portfolio as well as a lack of use of whole-loan sales as a funding source in recent periods; however, our penetration levels for new retail automotive loans with GM are lower than those of 2012, and our originations of Chrysler subvented retail financing and subvented leases have ceased, thus reducing our current originations from the Chrysler channel. The

increase in consumer revenue from volume was partially offset by slightly lower yields as a result of the competitive market environment for automotive financing.

Commercial financing revenue decreased 8% and 5% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to lower yields as a result of competitive markets for automotive commercial financing.

Operating lease revenue increased 40% and 43% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong origination volume.

Depreciation expense on operating lease assets increased 49% and 46% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

Servicing fee income decreased 47% and 42% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, due to lower levels of off-balance sheet retail serviced assets.

Gains from the sale of automotive loans decreased $39 million for both the three months and six months ended June 30, 2013, compared to the same periods in 2012. While we continue to opportunistically utilize whole-loan sales as a source of funding, we have not executed any whole-loan sales during the three months and six months ended June 30, 2013 and have primarily focused on securitization and deposit-based funding sources.

Other income increased 2% and 19% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The increase for the six months ended June 30, 2013 was primarily due to a one-time fee earned from a vendor that did not occur during the six months ended June 30, 2012.

The provision for loan losses was $88 million and $200 million for the three months and six months ended June 30, 2013, respectively, compared to $15 million and $93 million for the same periods in 2012. The increases for the three months and six months ended June 30, 2013 were primarily due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. automobile consumer loan originations resulting primarily from higher industry sales.

Table of Contents

Automotive Financing Volume

Consumer Automotive Financing Volume

The following tables summarize our new and used vehicle consumer financing volume, including lease, and our share of consumer sales in the United States.

	Consumer automotive financing volume		% Share of consumer sales	
Three months ended June 30, (units in thousands)	2013	2012	2013	2012
GM new vehicles	161	158	29	32
Chrysler new vehicles	58	89	16	28
Other non-GM / Chrysler new vehicles	21	24		
Used vehicles	125	128		
Total consumer automotive financing volume	365	399		

	Consumer automotive financing volume		% Share of consumer sales	
Six months ended June 30, (units in thousands)	2013	2012	2013	2012
GM new vehicles	312	299	30	31
Chrysler new vehicles	129	166	19	28
Other non-GM / Chrysler new vehicles	40	44		
Used vehicles	251	266		
Total consumer automotive financing volume	732	775		

Consumer automotive financing decreased during the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, driven primarily by a decrease in Chrysler new subvented vehicle originations as a result of the expiration of our operating agreement on April 30, 2013. The decrease was partially offset by an increase in GM new vehicle originations resulting from stronger lease volume.

The following tables present the total U.S. consumer origination dollars and percentage mix by product type.

	Consumer automotive financing originations		% Share of originations	
Three months ended June 30, ($ in millions)	2013	2012	2013	2012
GM new vehicles				
New retail standard	$1,608	$1,540	16	15
New retail subvented	1,255	1,910	13	18
Lease	2,151	1,435	22	14
Total GM new vehicle originations	5,014	4,885		
Chrysler new vehicles				
New retail standard	952	1,146	10	11
New retail subvented	159	708	2	7
Lease	587	592	6	6
Total Chrysler new vehicle originations	1,698	2,446		
Other new retail vehicles	594	625	6	6
Other lease	30	26	1	1
Used vehicles	2,498	2,560	25	24
Total consumer automotive financing originations	$9,834	$10,542		

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

	Consumer automotive financing originations		% Share of originations	
Six months ended June 30, ($ in millions)	2013	2012	2013	2012
GM new vehicles				
New retail standard	$3,104	$3,137	16	15
New retail subvented	2,546	3,656	13	18
Lease	4,034	2,474	21	12
Total GM new vehicle originations	9,684	9,267		
Chrysler new vehicles				
New retail standard	1,998	2,224	10	11
New retail subvented	390	1,214	2	6
Lease	1,376	1,153	7	6
Total Chrysler new vehicle originations	3,764	4,591		
Other new retail vehicles	1,102	1,167	6	6
Other lease	68	46	1	1
Used vehicles	4,948	5,198	25	26
Total consumer automotive financing originations	$19,566	$20,269		

During the three months and six months ended June 30, 2013, respectively, total new GM vehicle originations increased, compared to the same periods in 2012, due to stronger lease volume, partially offset by lower new retail volume. Chrysler new retail contracts decreased primarily as a result of lower retail penetration at Chrysler due to our shift in focus towards non-subvented business as a result of the expiration of our operating agreement on April 30, 2013. Other lease originations were higher due to the continued strategic focus within the non-GM/non-Chrysler market.

For further discussion of manufacturing marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission (SEC) as revised by the Current Report on Form 8-K filed with the SEC on July 9, 2013 (referred to herein as 2012 Annual Report), Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

Commercial Wholesale Financing Volume

The following tables summarize the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles and share of dealer inventory in the United States.

	Average balance		% Share of dealer inventory	
Three months ended June 30, ($ in millions)	2013	2012	2013	2012
GM new vehicles (a)	$15,753	$15,633	68	71
Chrysler new vehicles (a)	6,825	6,547	52	61
Other non-GM / Chrysler new vehicles	2,650	2,229		
Used vehicles	3,021	2,960		
Total commercial wholesale finance receivables	$28,249	$27,369		

(a) Share of dealer inventory based on a 4 month average of dealer inventory (excludes in-transit units).

	Average balance		% Share of dealer inventory	
Six months ended June 30, ($ in millions)	2013	2012	2013	2012
GM new vehicles (a)	$15,950	$14,840	68	72
Chrysler new vehicles (a)	6,965	6,543	53	61
Other non-GM / Chrysler new vehicles	2,588	2,176		

Used vehicles	3,035	2,979
Total commercial wholesale finance receivables	$28,538	$26,538

(a) Share of dealer inventory based on a 7 month average of dealer inventory (excludes in-transit units).

Commercial wholesale financing average volume increased during the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to growing dealer inventories required to support increasing automotive industry sales.

Wholesale penetration with GM decreased and wholesale penetration with Chrysler decreased significantly during the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, as a result of increased competition in the wholesale marketplace.

Table of Contents

Insurance Operations
Results of Operations
The following table summarizes the operating results of our Insurance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Insurance premiums and other income						
Insurance premiums and service revenue earned	$258	$261	(1)	$517	$531	(3)
Investment income	77	38	103	135	111	22
Other income	5	17	(71)	8	24	(67)
Total insurance premiums and other income	340	316	8	660	666	(1)
Expense						
Insurance losses and loss adjustment expenses	146	149	2	261	247	(6)
Acquisition and underwriting expense						
Compensation and benefits expense	16	15	(7)	31	32	3
Insurance commissions expense	93	94	1	185	193	4
Other expenses	40	38	(5)	77	74	(4)
Total acquisition and underwriting expense	149	147	(1)	293	299	2
Total expense	295	296	—	554	546	(1)
Income from continuing operations before income tax expense (benefit)	$45	$20	125	$106	$120	(12)
Total assets	$7,336	$8,237	(11)	$7,336	$8,237	(11)
Insurance premiums and service revenue written	$271	$284	(5)	$505	$535	(6)
Combined ratio (a)	112.9 %	109.0 %		106.3 %	100.2 %	

(a) Management uses a combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

Our Insurance operations earned income from continuing operations before income tax expense of $45 million and $106 million for the three months and six months ended June 30, 2013, respectively, compared to $20 million and $120 million for the three months and six months ended June 30, 2012, respectively. The increase for the three months ended June 30, 2013 was primarily due to higher realized investment gains. The decrease for the six months ended June 30, 2013 was primarily attributable to higher losses due to early spring hailstorms, partially offset by higher realized investment gains.

Insurance premiums and service revenue earned was $258 million and $517 million for the three months and six months ended June 30, 2013, respectively, compared to $261 million and $531 million for the same periods in 2012. The decreases were primarily due to declining U.S. vehicle service contracts written in prior years when the automotive market was depressed.

Investment income totaled $77 million and $135 million for the three months and six months ended June 30, 2013, respectively, compared to $38 million and $111 million for the same periods in 2012. The increases were primarily due to higher realized investment gains.

Insurance losses and loss adjustment expenses totaled $146 million and $261 million for the three months and six months ended June 30, 2013, respectively, compared to $149 million and $247 million for the same periods in 2012. The increase for the six month period was driven primarily by higher losses on our dealer inventory insurance products due to early spring hailstorms.

The combined ratio increased to 112.9% and 106.3% for the three months and six months ended June 30, 2013, respectively, compared to 109.0% and 100.2% for the same periods in 2012 primarily due to an increase in weather-related losses. Excluding the impact of the higher weather-related losses, expenses decreased in line with the decline in earned premium as expected.

Table of Contents

The following table shows premium and service revenue written by insurance product.

($ in millions)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Vehicle service contracts				
New retail	$116	$109	$214	$204
Used retail	133	131	258	264
Reinsurance	(34)	(29)	(67)	(60)
Total vehicle service contracts	215	211	405	408
Wholesale	45	31	72	51
Other finance and insurance (a)	11	42	28	76
Total	$271	$284	$505	$535

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products. The wind-down of Canadian personal line totaled $23 million and $38 million for the three months and six months ended June 30, 2012, respectively.

Insurance premiums and service revenue written was $271 million and $505 million for the three months and six months ended June 30, 2013, respectively, compared to $284 million and $535 million for the same periods in 2012. Insurance premiums and service revenue written decreased due to the sale of the Canadian personal lines business, which stopped writing new business on November 1, 2012. Exclusive of Canadian Personal Lines, written premium increased $14 million primarily due to growth in Wholesale Motors Inventory business. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during 2013 will be recognized as income in future periods.

Cash and Investments

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

The following table summarizes the composition of our Insurance operations cash and investment portfolio at fair value.

($ in millions)	June 30, 2013	December 31, 2012
Cash		
Noninterest-bearing cash	$299	$129
Interest-bearing cash	437	488
Total cash	736	617
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	921	1,090
Foreign government	291	303
Mortgage-backed	1,184	714
Asset-backed	8	8
Corporate debt	1,309	1,264
Total debt securities	3,713	3,379
Equity securities	1,017	1,148

Total available-for-sale securities	4,730	4,527
Total cash and securities	$5,466	$5,144

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Mortgage Operations
Results of Operations
The following table summarizes the operating results for our Mortgage operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Total financing revenue and other interest income	$93	$146	(36)	$215	$312	(31)
Interest expense	78	117	33	166	246	33
Net financing revenue	15	29	(48)	49	66	(26)
Servicing fees	3	83	(96)	66	175	(62)
Servicing asset valuation and hedge activities, net	(12)	46	(126)	(213)	(60)	n/m
Total servicing (loss) income, net	(9)	129	(107)	(147)	115	n/m
(Loss) gain on mortgage loans, net	(1)	79	(101)	37	104	(64)
Other income, net of losses	4	112	(96)	85	238	(64)
Total other (loss) revenue	(6)	320	(102)	(25)	457	(105)
Total net revenue	9	349	(97)	24	523	(95)
Provision for loan losses	6	21	71	26	48	46
Noninterest expense						
Compensation and benefits expense	3	23	87	28	42	33
Representation and warranty expense	(2)	141	101	81	141	43
Other operating expenses	45	62	27	136	127	(7)
Total noninterest expense	46	226	80	245	310	21
(Loss) income from continuing operations before income tax expense (benefit)	$(43)	$102	(142)	$(247)	$165	n/m
Total assets	$9,061	$17,146	(47)	$9,061	$17,146	(47)

n/m = not meaningful

Our Mortgage operations incurred a loss from continuing operations before income tax expense of $43 million and $247 million for the three months and six months ended June 30, 2013, respectively, compared to income from continuing operations before income tax expense of $102 million and $165 million for the three months and six months ended June 30, 2012, respectively. The decreases were primarily related to our exit of all non-strategic mortgage-related activities, including consumer mortgage-lending production associated with government-sponsored refinancing programs, our warehouse lending operations, and our agency MSRs portfolio.

Net financing revenue was $15 million and $49 million for the three months and six months ended June 30, 2013, respectively, compared to $29 million and $66 million for the same periods in 2012. The decreases in net financing revenue were primarily due to lower production as a result of the shutdown of our warehouse lending operations and the wind-down of consumer held-for-sale portfolio, partially offset by lower interest expense as a result of lower funding costs.

We incurred a net servicing loss of $9 million and $147 million for the three months and six months ended June 30, 2013, respectively, compared to net servicing income of $129 million and $115 million for the same periods in 2012, primarily resulting from the completed sales of our agency MSRs portfolio to Ocwen and Quicken.

The net gain on mortgage loans decreased $80 million and $67 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily related to lower consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs.

Other income, net of losses, was $4 million and $85 million for the three months and six months ended June 30, 2013, respectively, compared to $112 million and $238 million for the same periods in 2012. The decreases were primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs, partially offset by a fair value adjustment on derivatives related to the wind-down of our MSR portfolio.

The provision for loan losses was $6 million and $26 million for the three months and six months ended June 30, 2013, respectively, compared to $21 million and $48 million for the same periods in 2012. The decreases for the three months and six months ended June 30,

2013, were primarily due to lower net charge-offs in 2013 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense decreased $180 million and $65 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to lower representation and warranty expense due to the establishment of our representation and warranty liability during the second quarter of 2012 resulting from the deconsolidation of ResCap.

Mortgage Loan Production and Servicing

Mortgage loan production was $688 million and $6.8 billion for the three months and six months ended June 30, 2013, respectively, compared to $5.9 billion and $14.5 billion for the same periods in 2012. Loan production decreased $5.2 billion, or 88%, and $7.7 billion, or 53%, for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decline in loan production was largely driven by our reduced presence in the correspondent lending and direct lending channels. On April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

The following tables summarize U.S. consumer mortgage loan production.

	2013		2012	
Three months ended June 30, ($ in millions)	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	2,235	$455	23,612	$4,868
Prime nonconforming	286	232	716	580
Government	1	1	2,232	486
Total U.S. production by product type	2,522	$688	26,560	$5,934
U.S. production by channel				
Direct lending	1,018	$207	15,753	$3,166
Correspondent lender and secondary market purchases	1,322	415	8,572	2,156
Mortgage brokers	182	66	2,235	612
Total U.S. production by channel	2,522	$688	26,560	$5,934

	2013		2012	
Six months ended June 30, ($ in millions)	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	30,107	$6,020	54,362	$11,455
Prime nonconforming	920	740	1,294	1,044
Government	221	44	9,027	1,970
Total U.S. production by product type	31,248	$6,804	64,683	$14,469
U.S. production by channel				
Direct lending	14,362	$2,631	32,981	$6,752
Correspondent lender and secondary market purchases	14,102	3,363	25,858	6,152
Mortgage brokers	2,784	810	5,844	1,565
Total U.S. production by channel	31,248	$6,804	64,683	$14,469

The majority of Ally Bank’s serviced mortgage assets are subserviced by Ocwen, pursuant to a servicing agreement. During April 2013, we completed the sale of our portfolio of agency mortgage servicing rights to Ocwen and Quicken. The sales were completed in two stages - loans guaranteed by Fannie Mae were sold on April 1, 2013, and loans guaranteed by Freddie Mac were sold on April 16, 2013.

93

The following table summarizes our primary consumer mortgage loan-servicing portfolio by product category.

($ in millions)	June 30, 2013	December 31, 2012
U.S. primary servicing portfolio		
Prime conforming	$401	$ 117,544
Prime nonconforming	6,948	11,628
Prime second-lien	1,024	1,136
Government	1	16
Total primary servicing portfolio	$8,374	$ 130,324

For more information regarding our serviced mortgage assets, refer to Note 10 to the Condensed Consolidated Financial Statements.

Loans Outstanding

Consumer mortgage loans held-for-sale were as follows.

($ in millions)	June 30, 2013	December 31, 2012
Prime conforming	$118	$ 2,407
Government	1	8
Total	119	2,415
Net (discounts) premiums	(58)	26
Fair value option election adjustment	(5)	49
Total, net	$56	$ 2,490

Consumer mortgage loans held-for-investment were as follows.

($ in millions)	June 30, 2013	December 31, 2012
Prime conforming	$248	$ 245
Prime nonconforming	7,885	8,322
Prime second-lien	1,024	1,137
Government	—	—
Total	9,157	9,704
Net premiums	42	43
Allowance for loan losses	(410)	(432)
Other	6	8
Total, net	$8,795	$ 9,323

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing loss						
Total financing revenue and other interest income	$71	$45	58	$124	$89	39
Interest expense						
Original issue discount amortization	64	100	36	124	211	41
Other interest expense	186	226	18	358	487	26
Total interest expense	250	326	23	482	698	31
Net financing loss (a)	(179)	(281)	36	(358)	(609)	41
Other revenue						
Other gain on investments, net	—	36	(100)	3	60	(95)
Other income, net of losses	23	(54)	143	35	(25)	n/m
Total other revenue	23	(18)	n/m	38	35	9
Total net loss	(156)	(299)	48	(320)	(574)	44
Provision for loan losses	(5)	(3)	67	(6)	(10)	(40)
Noninterest expense						
Compensation and benefits expense	129	135	4	261	294	11
Other operating expense (b)	(36)	(36)	—	(68)	(62)	10
Total noninterest expense	93	99	6	193	232	17
Loss from continuing operations before income tax expense (benefit)	$(244)	$(395)	38	$(507)	$(796)	36
Total assets	$26,745	$32,654	(18)	$26,745	$32,654	(18)

n/m = not meaningful

(a) Refer to the table that follows for further details on the components of net financing loss.

(b) Includes a reduction of $178 million and $371 million for the three months and six months ended June 30, 2013, respectively, and $195 million and $402 million for the three months and six months ended June 30, 2012, respectively, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

The following table summarizes the components of net financing losses for Corporate and Other.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Original issue discount amortization				
2008 bond exchange amortization	$(58)	$(92)	$(114)	$(196)
Other debt issuance discount amortization	(6)	(8)	(10)	(15)
Total original issue discount amortization (a)	(64)	(100)	(124)	(211)
Net impact of the funds transfer pricing methodology				
Unallocated liquidity costs (b)	(129)	(98)	(216)	(207)
Funds-transfer pricing / cost of funds mismatch (c)	47	(17)	111	(65)
Unassigned equity costs (d)	(46)	(81)	(155)	(159)
Total net impact of the funds transfer pricing methodology	(128)	(196)	(260)	(431)
Other (including Commercial Finance Group net financing revenue)	13	15	26	33
Total net financing losses for Corporate and Other	$(179)	$(281)	$(358)	$(609)
Outstanding original issue discount balance	$1,716	$1,992	$1,716	$1,992

(a) Amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.

(b) Represents the unallocated cost of funding our cash and investment portfolio.

(c) Represents our methodology to assign funding costs to classes of assets and liabilities based on expected duration and the London interbank offer rate (LIBOR) swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to the reportable segments so the respective reportable segments results are insulated from interest rate risk. The balance above is the resulting benefit (loss) due to holding interest rate risk at Corporate and Other.

(d) Primarily represents the unassigned cost of maintaining required capital positions for certain of our regulated entities, primarily Ally Bank and Ally Insurance.

The following table presents the scheduled remaining amortization of original issue discount at June 30, 2013.

Year ended December 31, ($ in millions)	2013 (a)	2014	2015	2016	2017	2018 and thereafter	Total
Original issue discount							
Outstanding balance	$1,579	$1,391	$1,335	$1,272	$1,197	$—	
Total amortization (b)	137	188	56	63	75	1,197	$1,716
2008 bond exchange amortization (c)	127	166	43	53	66	1,059	1,514

(a) The maximum annual scheduled amortization for any individual year is $158 million in 2030 of which $152 million is related to 2008 bond exchange amortization.

(b) The amortization is included as interest on long-term debt on the Condensed Consolidated Statement of Comprehensive Income.

(c) 2008 bond exchange amortization is included in total amortization.

Loss from continuing operations before income tax expense for Corporate and Other was $244 million and $507 million for the three months and six months ended June 30, 2013, respectively, compared to $395 million and $796 million for the three months and six months ended June 30, 2012, respectively. Corporate and Other’s loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios. The improvement in the loss from continuing operations before income tax expense for the three months and six months ended June 30, 2013 was primarily due to decreases in OID amortization expense related to bond maturities and normal monthly amortization, lower funding

costs as a result of the early repayment of certain Federal Home Loan Bank debt during the fourth quarter of 2012, and increases in other income primarily driven by derivative gains. The improvement was partially offset by a decrease in other gain on investments as a result of fewer sales of investments during the six months ended June 30, 2013. Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of $17 million and $35 million for the three months and six months ended June 30, 2013, respectively, compared to $9 million and $34 million for the three months and six months ended June 30, 2012, respectively. The increases were primarily due to release of reserves related to a specific letter of credit exposure during the three months ended June 30, 2013.

Table of Contents

Cash and Securities

The following table summarizes the composition of the cash and securities portfolio held at fair value by Corporate and Other.

($ in millions)	June 30, 2013	December 31, 2012
Cash		
Noninterest-bearing cash	$993	$944
Interest-bearing cash	6,035	5,942
Total cash	7,028	6,886
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	868	1,124
Mortgage-backed	9,145	6,191
Asset-backed	2,268	2,332
Total debt securities	12,281	9,647
Equity securities	4	4
Total available-for-sale securities	12,285	9,651
Total cash and securities	$19,313	$16,537

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses. Our risk management program is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage those risks to be within our risk appetite. Ally's primary risks include credit, lease residual, market, operational, insurance/underwriting, country, and liquidity. For more information on our risk management process, refer to the Risk Management MD&A section of our 2012 Annual Report.

Loan and Lease Exposure

The following table summarizes the exposures from our loan and lease activities.

($ in millions)	June 30, 2013	December 31, 2012
Finance receivables and loans		
Dealer Financial Services	$86,226	$ 86,542
Mortgage operations	9,270	9,821
Corporate and Other	1,497	2,692
Total finance receivables and loans	96,993	99,055
Held-for-sale loans		
Dealer Financial Services	—	—
Mortgage operations	56	2,490
Corporate and Other	46	86
Total held-for-sale loans	102	2,576
Total on-balance sheet loans	$97,095	$ 101,631
Off-balance sheet securitized loans		
Dealer Financial Services	$1,183	$ 1,495
Mortgage operations	131	119,384
Corporate and Other	—	—
Total off-balance sheet securitized loans	$1,314	$ 120,879
Operating lease assets		
Dealer Financial Services	$16,085	$ 13,550
Mortgage operations	—	—
Corporate and Other	—	—
Total operating lease assets	$16,085	$ 13,550
Serviced loans and leases		
Dealer Financial Services	$117,897	$ 134,122
Mortgage operations	8,374	130,324
Corporate and Other	1,438	1,344
Total serviced loans and leases	$127,709	$ 265,790

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. Historically, we primarily originated mortgage loans with the intent to sell and, as such, retained only a small percentage of the loans that we originated or purchased. Mortgage loans that we did not intend to retain were sold to investors, primarily through securitizations guaranteed by GSEs. However, we may have retained an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure. On April 17, 2013, we announced a decision to exit the correspondent lending

channel and cease production of any new jumbo mortgage loans; as a result, our ongoing mortgage portfolio includes the management of our held-for-investment mortgage loans.

Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from an obligor in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. Credit risk is monitored by global and line of business committees and the Global Risk Management organization. Together they oversee the credit decisioning and management processes, and monitor credit risk exposures to ensure they are managed in a safe-and-sound manner and are within our risk appetite. In addition, our Loan Review Group

provides an independent assessment of the quality of our credit portfolios and credit risk management practices, and directly reports its findings to the Risk and Compliance Committee of the Board on a regular basis.

To mitigate risk we have implemented specific policies and processes across all lines of business, utilizing both qualitative and quantitative analyses, that reflect our commitment to maintaining an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, as well as stress testing and the assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations. In addition, we maintain limits and underwriting guidelines that reflect our risk appetite.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment.

Additionally, we utilize numerous collection strategies to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we work with customers when they become delinquent on their monthly payment. In lieu of repossessing their vehicle, we may offer additional types of assistance to aid our customers based on their willingness and ability to repay their loan. Loss mitigation includes extending payments and rewriting the loan terms. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

Furthermore, we manage our counterparty credit exposure based on the risk profile of the counterparty. Within our policies, we have established standards and requirements for managing counterparty risk exposures in a safe-and-sound manner. Counterparty credit risk is derived from multiple exposure types, including derivatives, securities trading, securities financing transactions, financial futures, cash balances (e.g. due from depository institutions, restricted accounts, and cash equivalents), and investment in debt securities. For more information on Derivative Counterparty Credit Risk, refer to Note 20 to the Condensed Consolidated Financial Statements.

The U.S. economy has continued to expand during the three months and six months ended June 30, 2013. The labor market recovered further during the quarter, with nonfarm payrolls increasing by more than 600,000 and the quarterly unemployment rate falling to a four year low of 7.6%. Within the U.S. automotive portfolio, encouraging trends include a Seasonally Adjusted Annual Rate of 15.3 million new light vehicle sales during the quarter, an 8.7% increase over the same period in 2012. Nonetheless, we continue to be cautious with the economic outlook due to adverse effects of the sequester mandated cuts to U.S. federal government spending, weak manufacturing activity, and slow economic growth.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At June 30, 2013, this primarily included $86.2 billion of automobile finance receivables and loans and $9.3 billion of mortgage finance receivables and loans.

During 2012 and 2013, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Consumer						
Finance receivables and loans						
Loans at historical cost	$65,298	$63,536	$701	$642	$1	$1
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	65,298	63,536	701	642	1	1
Loans held-for-sale	56	2,490	21	25	—	—
Total consumer loans	65,354	66,026	722	667	1	1
Commercial						
Finance receivables and loans						
Loans at historical cost	31,695	35,519	305	216	—	—
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	31,695	35,519	305	216	—	—
Loans held-for-sale	46	86	—	—	—	—
Total commercial loans	31,741	35,605	305	216	—	—
Total on-balance sheet loans	$97,095	$101,631	$1,027	$883	$1	$1

(a) Includes nonaccrual troubled debt restructured loans (TDRs) of $518 million and $419 million at June 30, 2013, and December 31, 2012, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2013 and December 31, 2012.

Total on-balance sheet loans outstanding at June 30, 2013, decreased $4.5 billion to $97.1 billion from December 31, 2012 reflecting a decrease of $3.9 billion in the commercial portfolio and a decrease of $672 million in the consumer portfolio. The decrease in commercial on-balance sheet loans outstanding was primarily driven by the seasonality of dealer inventories and increased competition across the automotive lending market. The decrease in consumer on-balance sheet loans was primarily driven by the reduction of mortgage originations, partially offset by automobile originations, which outpaced portfolio runoff.

The total TDRs outstanding at June 30, 2013, increased $105 million to $1.3 billion from December 31, 2012, primarily due to our loss mitigation procedures and continued foreclosure prevention along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at June 30, 2013, increased $144 million to $1.0 billion from December 31, 2012, reflecting an increase of $89 million of commercial nonperforming loans and an increase of $55 million of consumer nonperforming loans. The increase in total nonperforming loans from December 31, 2012, was due in part to the reclassification of a small number of commercial loans to nonperforming status within an overall stable commercial portfolio. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report for additional information.

100

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Consumer								
Finance receivables and loans at historical cost (b)	$106	$107	0.7 %	0.5 %	$220	$224	0.7 %	0.6 %
Commercial								
Finance receivables and loans at historical cost (c)	(3)	(19)	—	(0.2)	(3)	(29)	—	(0.1)
Total finance receivables and loans at historical cost	$103	$88	0.4	0.3	$217	$195	0.4	0.3

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

(b) Includes no international net charge-offs for the three months and six months ended June 30, 2013, and $27 million and $47 million of international net charge-offs for the three months and six months ended June 30, 2012.

(c) Includes $1 million of international net charge-offs for both the three months and six months ended June 30, 2013, and $18 million and $23 million of international recoveries for the three months and six months ended June 30, 2012.

Net charge-offs were $103 million and $217 million for the three months and six months ended June 30, 2013, respectively, compared to $88 million and $195 million for the three months and six months ended June 30, 2012, respectively. The increase was largely due to recoveries in the commercial portfolio in 2012 that did not repeat in 2013. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

The Consumer Credit Portfolio and Commercial Credit Portfolio discussions that follow relate to consumer and commercial finance receivables and loans recorded at historical cost. Finance receivables and loans recorded at historical cost have an associated allowance for loan losses. Finance receivables and loans measured at fair value were excluded from these discussions since those exposures are not accounted for within our allowance for loan losses.

Consumer Credit Portfolio

During the three months and six months ended June 30, 2013, the credit performance of the consumer portfolio remained strong and reflects our prudently expanded underwriting strategy to originate the consumer automotive assets across a broader spectrum. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Consumer automobile (c)	$56,028	$53,715	$277	$260	$—	$—
Consumer mortgage						
1st Mortgage	6,774	7,173	388	342	1	1
Home equity	2,496	2,648	36	40	—	—

Total consumer finance receivables and loans	$65,298	$63,536	$701	$642	$1	$1

(a) Includes nonaccrual troubled debt restructured loans of $442 million and $373 million at June 30, 2013, and December 31, 2012, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2013, and December 31, 2012.

(c) Includes $1 million and $2 million of international consumer automobile loans outstanding at June 30, 2013, and December 31, 2012, respectively.

Total consumer outstanding finance receivables and loans increased $1.8 billion at June 30, 2013 compared with December 31, 2012. This increase was related to growth in our U.S. automobile consumer loan originations largely due to higher industry sales, which outpaced portfolio runoff. Additionally, we continued to prudently expand our nonprime and used originations as a percent of our total originations.

Total consumer nonperforming finance receivables and loans at June 30, 2013 increased $59 million to $701 million from December 31, 2012, reflecting an increase of $42 million of consumer mortgage nonperforming finance receivables and loans and an increase of $17 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans increased primarily due to increased TDRs as we continue foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Nonperforming consumer automobile finance receivables and loans increased

primarily due to the change in our portfolio mix as we prudently expanded our nonprime and used originations as well as seasoning of the portfolio. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.1% and 1.0% at June 30, 2013 and December 31, 2012, respectively.

Consumer automotive loans accruing and past due 30 days or more decreased $74 million to $999 million at June 30, 2013, compared with December 31, 2012. The decrease is predominately due to normal seasonal trends.

The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs		Net charge-off ratios (a)		Net charge-offs		Net charge-off ratios (a)	
($ in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Consumer automobile (b)	$80	$70	0.6 %	0.4 %	$173	$144	0.6 %	0.4 %
Consumer mortgage								
1st Mortgage	18	24	1.0	1.4	28	47	0.8	1.4
Home equity	8	13	1.3	1.8	19	33	1.5	2.2
Total consumer finance receivables and loans	$106	$107	0.7	0.5	$220	$224	0.7	0.6

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

(b) Includes no international consumer automobile net charge-offs for the three months and six months ended June 30, 2013, and $27 million and $47 million for the three months and six months ended June 30, 2012.

Our net charge-offs from total consumer automobile finance receivables and loans were $80 million and $173 million for the three months and six months ended June 30, 2013, respectively, compared to $70 million and $144 million for the three months and six months ended June 30, 2012, respectively. The increase was driven primarily by the change in our U.S. portfolio mix as we prudently expanded our nonprime and used originations, seasoning of the portfolio, and higher outstandings. This increase was partially offset by the inclusion of international net charge-offs during the first half of 2012 prior to the reclassification of the international automotive finance business to discontinued operations.

Our net charge-offs from total consumer mortgage receivables and loans were $26 million and $47 million for the three months and six months ended June 30, 2013, compared to $37 million and $80 million for the same periods in 2012. The decreases were driven by the improved mix of remaining loans as lower quality legacy loans continued to runoff.

The following table summarizes the unpaid principal balance of total consumer loan originations for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans and loans held-for-sale during the period.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Consumer automobile (a)	$7,066	$11,257	$14,088	$21,909
Consumer mortgage				
1st Mortgage	688	5,943	6,804	14,539
Home equity	—	—	—	—
Total consumer loan originations	$7,754	$17,200	$20,892	$36,448

(a) Includes no international consumer automobile originations for the three months and six months ended June 30, 2013, and $2.8 billion and $5.3 billion for the three months and six months ended June 30, 2012.

Total automobile-originated loans decreased $4.2 billion and $7.8 billion for the three months and six months ended June 30, 2013, compared to the same periods in 2012. The decreases were primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market. Total mortgage-originated loans decreased $5.3 billion and $7.7 billion for the three months and six months ended June 30, 2013, respectively. The declines in loan production were largely driven by our decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

Consumer loan originations retained on-balance sheet as held-for-investment were $7.3 billion and $14.8 billion for the three months and six months ended June 30, 2013, respectively, compared to $11.8 billion and $23.0 billion for the three months and six months ended June 30, 2012, respectively. The decreases were primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state concentration. Total automobile loans were $56.0 billion and $53.7 billion at June 30, 2013, and December 31, 2012, respectively. Total mortgage and home equity loans were $9.3 billion and $9.8 billion at June 30, 2013, and December 31, 2012, respectively.

	June 30, 2013 (a)		December 31, 2012	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	13.0 %	5.9 %	12.9 %	5.8 %
California	5.6	29.7	5.6	29.2
Florida	6.9	3.6	6.7	3.6
Pennsylvania	5.3	1.6	5.2	1.6
Michigan	4.7	3.9	5.0	4.1
Illinois	4.4	4.5	4.3	4.8
New York	4.4	1.9	4.6	2.0
Ohio	4.0	0.8	4.0	0.8
Georgia	3.8	2.0	3.7	1.9
North Carolina	3.3	1.9	3.3	2.0
Other United States	44.6	44.2	44.7	44.2
Total consumer loans	100.0 %	100.0 %	100.0 %	100.0 %

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at June 30, 2013.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 21.1% and 21.0% of our total outstanding consumer finance receivables and loans at June 30, 2013, and December 31, 2012, respectively.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in Other Assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

Repossessed assets in our Automotive Finance operations at June 30, 2013 increased $7 million to $69 million from December 31, 2012. Foreclosed mortgage assets at June 30, 2013, remained flat at $6 million from December 31, 2012.

Higher-Risk Mortgage Loans

Since 2009, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for production and prime nonconforming or nonprime for international production), and below-market rate (teaser) mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories, it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value (LTV) mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below-market rate (teaser) mortgages. We believe this hierarchy provides the most relevant risk assessment of our nontraditional products, given the historical stress within the housing market.

The following table summarizes mortgage finance receivables and loans by higher-risk loan type. These finance receivables and loans are recorded at historical cost and reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming		Accruing past due 90 days or more	
($ in millions)	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Interest-only mortgage loans (a)	$1,746	$2,063	$126	$125	$—	$—
Below-market rate (teaser) mortgages	177	192	3	3	—	—
Total higher-risk mortgage loans	$1,923	$2,255	$129	$128	$—	$—

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

High original LTV mortgage finance receivables and loans at June 30, 2013 remained flat at $1 million from December 31, 2012, and payment-option adjustable-rate mortgage finance receivables and loans at June 30, 2013 decreased $1 million to $2 million from December 31, 2012. There were no high original LTV mortgage loans or payment-option adjustable-rate mortgage loans classified as nonperforming or 90 days past due and still accruing at June 30, 2013 and December 31, 2012.

The allowance for loan losses was $88 million, or 4.6%, of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at June 30, 2013 compared to $104 million, or 4.6% at December 31, 2012.

The following table includes our five largest state concentrations based on our higher-risk mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

($ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
June 30, 2013			
California	$417	$55	$472
Virginia	192	8	200
Maryland	153	5	158
Illinois	91	6	97
Florida	73	8	81
Other United States	820	95	915
Total higher-risk mortgage loans	$1,746	$177	$1,923
December 31, 2012			
California	$500	$60	$560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Florida	90	9	99
Other United States	984	103	1,087
Total higher-risk mortgage loans	$2,063	$192	$2,255

Commercial Credit Portfolio

During the three months and six months ended June 30, 2013, the credit performance of the commercial portfolio remained strong as net charge-offs remained stable. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Commercial and industrial						
Automobile	$27,518	$30,270	$186	$146	$—	$—
Mortgage	—	—	—	—	—	—
Other (c)(d)	1,502	2,697	88	33	—	—
Commercial real estate						
Automobile	2,675	2,552	31	37	—	—

Mortgage	—	—	—	—	—	—
Total commercial finance receivables and loans	$31,695	$35,519	$305	$216	$—	$—

(a) Includes nonaccrual troubled debt restructured loans of $75 million and $29 million at June 30, 2013, and December 31, 2012, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2013 and December 31, 2012.

(c) Includes international commercial and industrial other outstanding loans of $15 million and $18 million and no international nonperforming loans at June 30, 2013, and December 31, 2012, respectively.

(d) Other commercial primarily includes senior secured commercial lending.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Total commercial finance receivables and loans outstanding decreased $3.8 billion to $31.7 billion at June 30, 2013, from December 31, 2012. The commercial and industrial outstandings decreased $3.9 billion primarily due to seasonality of dealer inventories and increased competition across the automotive lending market, as well as the June 2013 payoff of ResCap's debtor-in-possession financing.

Total commercial nonperforming finance receivables and loans were $305 million at June 30, 2013, an increase of $89 million compared to December 31, 2012. The increase was primarily due to the reclassification of a small number of commercial loans to nonperforming status within the overall stable commercial portfolio. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans increased to 1.0% as of June 30, 2013 from 0.6% as of December 31, 2012.

The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	2013	2012	2013	2012	2013	2012	2013	2012
Commercial and industrial								
Automobile (b)	$—	$1	— %	— %	$—	$1	— %	— %
Mortgage	—	—	—	—	—	—	—	—
Other (c)	(2)	(18)	(0.4)	(4.0)	(3)	(27)	(0.3)	(3.4)
Commercial real estate								
Automobile	(1)	(2)	(0.1)	(0.3)	—	(2)	—	(0.1)
Mortgage (d)	—	—	—	—	—	(1)	—	(12.4)
Total commercial finance receivables and loans	$(3)	$(19)	—	(0.2)	$(3)	$(29)	—	(0.1)

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

(b) Includes no international net charge-offs for the three months and six months ended June 30, 2013, and $1 million of international net charge-offs for both the three months and six months ended June 30, 2012.

(c) Includes $1 million of international net charge-offs for both the three months and six months ended June 30, 2013, respectively, and $19 million and $23 million of international recoveries for the three months and six months ended June 30, 2012, respectively.

(d) Includes no international net charge-offs for the three months and six months ended June 30, 2013, and no international net charge-offs and $1 million of international recoveries for the three months and six months ended June 30, 2012, respectively.

Our net charge-offs from commercial finance receivables and loans resulted in $3 million of recoveries for both the three months and six months ended June 30, 2013, compared to recoveries of $19 million and $29 million for the same periods in 2012. The change in net charge-offs was largely driven by strong recoveries in certain wind-down portfolios during the three months and six months ended June 30, 2012 that did not repeat for the same periods in 2013.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were $2.7 billion and $2.6 billion at June 30, 2013 and December 31, 2012, respectively.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

The following table presents the percentage of total commercial real estate finance receivables and loans by geographic region and property type. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	June 30, 2013	December 31, 2012
Geographic region		
Texas	13.8 %	13.0 %
Michigan	12.3	12.6
Florida	12.1	11.7
California	9.4	9.3
New York	4.5	4.9
North Carolina	4.1	3.9
Virginia	3.7	3.9
Pennsylvania	3.5	3.3
Georgia	3.1	3.0
Alabama	2.2	2.2
Other United States	31.3	32.2
Total commercial real estate finance receivables and loans	100.0 %	100.0 %
Property type		
Automotive dealers	100.0 %	100.0 %
Total commercial real estate finance receivables and loans	100.0 %	100.0 %

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential economic loss.

The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	June 30, 2013	December 31, 2012
Industry		
Automotive	89.3 %	85.7 %
Services	4.4	4.9
Electronics	1.9	1.2
Other	4.4	8.2
Total commercial criticized finance receivables and loans	100.0 %	100.0 %

Total criticized exposures increased $88 million to $1.8 billion at June 30, 2013 from December 31, 2012.

Table of Contents

Allowance for Loan Losses

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

Three months ended June 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at April 1, 2013	$599	$451	$1,050	$147	$1,197
Charge-offs (a)	(133)	(31)	(164)	(2)	(166)
Recoveries	53	5	58	5	63
Net charge-offs	(80)	(26)	(106)	3	(103)
Provision for loan losses	92	6	98	(9)	89
Other	(1)	—	(1)	1	—
Allowance at June 30, 2013	$610	$431	$1,041	$142	$1,183
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2013 (b)	1.1%	4.6%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2013 (b)	0.6%	1.1%	0.7%	—%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2013 (b)	220.5%	101.5%	148.4%	46.6%	117.6%
Ratio of allowance for loan losses to net charge-offs at June 30, 2013	1.9	4.1	2.5	(11.7)	2.9

(a) Includes international commercial charge-offs of $1 million.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Three months ended June 30, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at April 1, 2012	$832	$501	$1,333	$213	$1,546
Charge-offs (a)	(130)	(41)	(171)	(3)	(174)
Recoveries (b)	60	4	64	22	86
Net charge-offs	(70)	(37)	(107)	19	(88)
Provision for loan losses	18	21	39	(6)	33
Other (c)	(2)	(13)	(15)	(49)	(64)
Allowance at June 30, 2012	$778	$472	$1,250	$177	$1,427
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2012 (d)	1.1%	4.8%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2012 (d)	0.4%	1.5%	0.5%	(0.2)%	0.3%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2012 (d)	262.5%	114.8%	176.7%	61.5%	143.4%
Ratio of allowance for loan losses to net charge-offs at June 30, 2012	2.8	3.2	2.9	(2.3)	4.1

(a) Includes international consumer automobile and international commercial charge-offs of $45 million and $2 million, respectively.

(b) Includes international consumer automobile and international commercial recoveries of $18 million and $20 million, respectively.

(c) Includes negative provision for loan losses relating to discontinued operations of $4 million.

(d) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2013	$575	$452	$1,027	$143	$1,170
Charge-offs (a)	(275)	(55)	(330)	(3)	(333)
Recoveries	102	8	110	6	116
Net charge-offs	(173)	(47)	(220)	3	(217)
Provision for loan losses	199	26	225	(5)	220
Other	9	—	9	1	10
Allowance at June 30, 2013	$610	$431	$1,041	$142	$1,183
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2013 (b)	1.1%	4.6%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2013 (b)	0.6%	1.0%	0.7%	—%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2013 (b)	220.5%	101.5%	148.4%	46.6%	117.6%
Ratio of allowance for loan losses to net charge-offs at June 30, 2013	1.8	4.6	2.4	(24.2)	2.7

(a) Includes international commercial charge-offs of $1 million.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Six months ended June 30, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2012	$766	$516	$1,282	$221	$1,503
Charge-offs (a)	(266)	(86)	(352)	(5)	(357)
Recoveries (b)	122	6	128	34	162
Net charge-offs	(144)	(80)	(224)	29	(195)
Provision for loan losses	101	48	149	(18)	131
Other (c)	55	(12)	43	(55)	(12)
Allowance at June 30, 2012	$778	$472	$1,250	$177	$1,427
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2012 (d)	1.1%	4.8%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2012 (d)	0.4%	1.6%	0.6%	(0.1)%	0.3%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2012 (d)	262.5%	114.8%	176.7%	61.5%	143.4%
Ratio of allowance for loan losses to net charge-offs at June 30, 2012	2.7	3.0	2.8	(3.1)	3.7

(a) Includes international consumer automobile and international commercial charge-offs of $81 million and $2 million, respectively.

(b)

Includes international consumer automobile and international commercial recoveries of $34 million and $25 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of $37 million.

(d) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses at June 30, 2013, declined $209 million compared to June 30, 2012. The decline was primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 and run-off of legacy mortgage assets. The decline was partially offset by increases in the allowance for consumer automotive assets due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum and the growth in our U.S. automobile consumer loan originations largely due to higher industry sales.

The allowance for commercial loan losses declined $35 million at June 30, 2013, compared to June 30, 2012, primarily related to the reclassification of our international automotive business to discontinued operations at the end of 2012.

Table of Contents

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

	2013			2012		
June 30, ($ in millions)	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Consumer automobile (a)	$610	1.1 %	51.6 %	$778	1.1 %	54.5 %
Consumer mortgage						
1st Mortgage	276	4.1	23.3	252	3.6	17.7
Home equity	155	6.2	13.1	220	7.9	15.4
Total consumer loans	1,041	1.6	88.0	1,250	1.6	87.6
Commercial						
Commercial and industrial						
Automobile (b)	59	0.2	5.0	89	0.2	6.2
Mortgage	—	—	—	1	0.1	0.1
Other	46	3.1	3.9	46	1.9	3.2
Commercial real estate						
Automobile (c)	37	1.4	3.1	41	1.6	2.9
Mortgage	—	—	—	—	—	—
Total commercial loans	142	0.4	12.0	177	0.4	12.4
Total allowance for loan losses	$1,183	1.2	100.0 %	$1,427	1.2	100.0 %

(a) Includes no international consumer automobile allowance for loan losses and $189 million at June 30, 2013 and June 30, 2012, respectively.

(b) Includes no international commercial and industrial automobile allowance for loan losses and $31 million at June 30, 2013 and June 30, 2012, respectively.

(c) Includes no international commercial real estate automobile allowance for loan losses and $3 million at June 30, 2013 and June 30, 2012, respectively.

Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Consumer				
Consumer automobile	$92	$18	$199	$101
Consumer mortgage				
1st Mortgage	39	15	58	25
Home equity	(33)	6	(32)	23
Total consumer loans	98	39	225	149
Commercial				
Commercial and industrial				
Automobile	(1)	(5)	4	(5)

Mortgage	—	—	—	—
Other	(5)	(3)	(6)	(10)
Commercial real estate				
Automobile	(3)	2	(3)	(3)
Mortgage	—	—	—	—
Total commercial loans	(9)	(6)	(5)	(18)
Total provision for loan losses	$89	$33	$220	$131

The provision for consumer loan losses increased $59 million and $76 million, respectively, for the three months and six months ended June 30, 2013, compared to the same periods in 2012. The increases were primarily due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession and the growth in our U.S. automobile consumer loan originations largely due to higher industry sales.

Provision for commercial loan losses were credits of $9 million and $5 million, respectively, for the three months and six months ended June 30, 2013, compared to credits of $6 million and $18 million for the same periods in 2012. Lower finance receivables and loans at June 30, 2013 resulted in lower allowance build during the quarter while fewer recoveries and allowance releases from legacy businesses drove a lower credit for the six months ended June 30, 2013.

Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. For additional information on our valuation of automobile lease assets and residuals, refer to the Critical Accounting Estimates — Valuation of Automobile Lease Assets and Residuals section within the MD&A included in our 2012 Annual Report.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 20 to the Condensed Consolidated Financial Statements for further information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Refer to our 2012 Annual Report, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, for further discussion on value at risk and sensitivity analysis. Since December 31, 2012, there have been no material changes in these market risks.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet uncertain cash flow obligations caused by unanticipated events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to their solvency.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO and the Risk and Compliance Committee of the Ally Financial Board of Directors.We manage liquidity risk at the parent company, Ally Bank, and consolidated levels. The parent company and Ally Bank prepare periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline economic projections as well as more severe economic stressed environments. Corporate Treasury, in turn, plans and executes our funding strategies.

We use multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends such as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At June 30, 2013, we maintained $23.0 billion of total available parent company liquidity and $10.3 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. At June 30, 2013, $3.4 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on our timely and cost-effective access to retail deposits and funding in different segments of the capital markets. Our funding strategy largely focuses on the development of

diversified funding sources across a broad investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, unsecured retail term notes, public and private asset-backed securitizations, committed and uncommitted credit facilities, brokered deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company (nonbank) funding.

We diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on optimizing our funding sources, in particular at Ally Bank by growing retail deposits, expanding public and private securitization programs, maintaining a prudent maturity profile of our brokered deposit portfolio while not exceeding a $10.0 billion portfolio, maintaining repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our parent company exposures and funding requirements and to utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Ally Bank Funding and Liquidity

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our Automotive Finance and Mortgage operations with a stable and low-cost funding source. At June 30, 2013, Ally Bank had $49.5 billion of total external deposits, including $39.9 billion of retail deposits.

At June 30, 2013, Ally Bank maintained cash liquidity of $3.1 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of $6.7 billion. In addition, at June 30, 2013, Ally Bank had unused capacity in committed secured funding facilities of $3.9 billion, including an equal allocation of shared unused capacity of $4.1 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to five days notice. Ally Bank has total available liquidity of $10.3 billion at June 30, 2013, excluding the intercompany loan of $3.4 billion.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first six months of 2013 the deposit base at Ally Bank grew $2.6 billion, ending the quarter at $49.5 billion from $46.9 billion at December 31, 2012. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market checking accounts, and our CDs, partially offset by a decline in our mortgage escrow accounts related to the disposition of Ally Bank's MSR assets. Strong retention rates continue to materially contribute to our growth in retail deposits. In the second quarter of 2013 we retained 92% of maturing CD balances up for renewal in the same period.

In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve's Discount Window. At June 30, 2013, debt outstanding from the FHLB totaled $1.5 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase transactions are generally short-term. At June 30, 2013, Ally Bank had no debt outstanding under repurchase agreements. Refer to Note 12 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2012.

($ in millions)	2nd Quarter 2013	1st Quarter 2013	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012
Number of retail accounts	1,389,577	1,334,483	1,219,791	1,142,837	1,082,753	1,036,468
Deposits						
Retail	$39,859	$38,770	$35,041	$32,139	$30,403	$29,323
Brokered	9,552	9,877	9,914	9,882	9,905	9,884
Other (a)	72	844	1,977	2,487	2,411	2,314
Total deposits	$49,483	$49,491	$46,932	$44,508	$42,719	$41,521

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During the second quarter of 2013, Ally Bank completed three term securitization transactions backed by retail and dealer floorplan automotive loans and lease notes raising $2.4 billion. Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset creating an effective tool for managing interest rate and liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At June 30, 2013, Ally Bank had exclusive access to $3.5 billion from committed credit facilities including a $2.5 billion syndicated facility that can fund automotive retail and dealer floorplan loans, as well as leases. In March 2013, this facility was renewed by a syndicate of nineteen lenders and extended until June 2014. Ally Bank also had access to a $4.1 billion committed facility that is shared with the parent company.

Parent Company (Nonbank) Funding and Liquidity

At June 30, 2013, the parent company maintained liquid cash and equivalents in the amount of $4.0 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of $2.0 billion. In addition, at June 30, 2013, the parent company had available liquidity from unused capacity in committed credit facilities of $12.3 billion, including an equal allocation of shared unused capacity of $4.1 billion from a facility also available to Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the

regulated subsidiaries of Ally Insurance's holding company. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges. Funding sources at the parent company generally consist of long-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to five days notice. The parent company has total available liquidity of $23.0 billion at June 30, 2013, which includes the intercompany loan of $3.4 billion. The total available liquidity amount at June 30, 2013 also includes $1.3 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next six months.

We will access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a legacy retail term note program known as SmartNotes. This program generally consisted of callable fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that were issued through a network of participating broker-dealers. During 2012, we launched a new retail term note program known as Ally Term Notes. There were $7.5 billion and $7.9 billion of combined retail term notes outstanding at June 30, 2013, and December 31, 2012, respectively. As of July 31, 2013, we have provided notice for the early redemption of $3.3 billion of high-coupon callable SmartNotes debt during the third quarter of 2013, as part of a liability management strategy to continue to improve Ally's cost of funds.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were $3.2 billion at June 30, 2013, compared to $3.1 billion at December 31, 2012. Refer to Note 13 and Note 14 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. During the second quarter of 2013, Ally Financial raised $490 million through a public securitization transaction comprised of non-prime retail automotive loan collateral. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including an $8.5 billion syndicated facility that can fund automotive retail and dealer floorplan loans, as well as leases. In March 2013, this facility was renewed by a syndicate of nineteen lenders and extended until March 2015. At June 30, 2013, the parent company had $15.5 billion of exclusive commitments in the U.S. in various facilities secured by automotive and commercial finance assets. The parent company also had access to a $4.1 billion committed facility that is shared with Ally Bank.

Recent Funding Developments

During the first six months of 2013, we completed U.S. funding transactions totaling almost $5.6 billion and renewed or increased key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2013 to date were as follows:

- Ally Financial renewed, increased and/or extended $11.1 billion in U.S. credit facilities. The automotive credit facility renewal amount includes the March 2013 refinancing of $11.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The $11.0 billion capacity is secured by retail, lease, and dealer floorplan automotive assets and is allocated to two separate facilities, one is a $8.5 billion facility maturing in March 2015, which is available to the parent company, while the other is a $2.5 billion facility available to Ally Bank maturing in June 2014.
- Ally Financial continued to access the public asset-backed securitization markets completing six U.S. transactions that raised $5.5 billion, with $3.4 billion and $2.1 billion raised by Ally Bank and the parent company, respectively.
- We accessed the unsecured debt capital markets in July 2013 and raised $1.4 billion.

113

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

($ in millions)	Bank	Parent	Total	%
June 30, 2013				
Secured financings	$22,304	$10,295	$32,599	28
Institutional term debt	—	22,297	22,297	19
Retail debt programs (a)	—	13,143	13,143	11
Total debt (b)	22,304	45,735	68,039	58
Deposits (c)	49,483	642	50,125	42
Total on-balance sheet funding	$71,787	$46,377	$118,164	100
December 31, 2012				
Secured financings	$29,161	$15,950	$45,111	35
Institutional term debt	—	22,200	22,200	17
Retail debt programs (a)	—	13,451	13,451	10
Bank loans and other	2	164	166	—
Total debt (b)	29,163	51,765	80,928	62
Deposits (c)	46,932	983	47,915	38
Total on-balance sheet funding	$76,095	$52,748	$128,843	100

(a) Primarily includes $7.5 billion and $7.9 billion of Retail Term Notes at June 30, 2013 and December 31, 2012, respectively.

(b) Excludes fair value adjustment as described in Note 22 to the Condensed Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Parent deposits include dealer deposits. Intercompany deposits are not included.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2013 from 2012 levels. In addition, deposits represent a larger portion of the overall funding mix. Refer to Note 14 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at June 30, 2013.

Funding Facilities

We utilize both committed and uncommitted funding facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Condensed Consolidated Balance Sheet.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At June 30, 2013, $23.7 billion of our $28.3 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of June 30, 2013, we had $13.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. The decline in committed funding facilities is attributed to the sale of international businesses and the growth in Ally Bank deposits.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Committed Funding Facilities

($ in billions)	Outstanding		Unused Capacity (a)		Total Capacity	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Bank funding						
Secured	$1.7	$3.8	$1.8	$4.7	$3.5	$8.5
Parent funding						
Unsecured (b)	—	0.1	—	—	—	0.1
Secured (c) (d) (e)	9.0	22.5	11.7	7.8	20.7	30.3
Total Parent funding	9.0	22.6	11.7	7.8	20.7	30.4
Shared capacity (f) (g)	—	1.1	4.1	3.0	4.1	4.1
Total committed facilities	$10.7	$27.5	$17.6	$15.5	$28.3	$43.0

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

(b) Total unsecured parent funding capacity represents committed funding for our discontinued international automobile financing business.

(c) Total secured parent funding capacity includes committed funding for our discontinued international automobile financing business of $2.5 billion and $12.0 billion as of June 30, 2013 and December 31, 2012, respectively, with outstanding debt of $2.0 billion and $9.6 billion, respectively.

(d) Total unused capacity includes $1.5 billion and $2.2 billion as of June 30, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(e) Includes the secured facilities of our Commercial Finance Group.

(f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

(g) Total shared facilities includes committed funding for our discontinued international automobile financing business of $0.1 billion as of December 31, 2012, with outstanding debt of $0.1 billion.

Uncommitted Funding Facilities

($ in billions)	Outstanding		Unused Capacity		Total Capacity	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Bank funding						
Secured						
Federal Reserve funding programs	$—	$—	$1.8	$1.8	$1.8	$1.8
FHLB advances	1.5	4.8	4.0	0.4	5.5	5.2
Total bank funding	1.5	4.8	5.8	2.2	7.3	7.0
Parent funding						
Unsecured	1.3	2.1	—	0.4	1.3	2.5
Secured	—	0.1	—	0.1	—	0.2
Total parent funding (a)	1.3	2.2	—	0.5	1.3	2.7
Total uncommitted facilities	$2.8	$7.0	$5.8	$2.7	$8.6	$9.7

(a) Total parent funding capacity represents uncommitted funding for our discontinued international automobile financing business.

Ally Bank Committed Funding Facilities — Automotive Finance Operations

At June 30, 2013, Ally Bank had exclusive access to $3.5 billion from committed credit facilities. Ally Bank's largest facility is a $2.5 billion revolving syndicated credit facility secured by automotive receivables. In March 2013, we reduced and renewed this facility until June 2014. At June 30, 2013, the amount outstanding under this facility was

$1.7 billion. Ally Bank also had access to a $4.1 billion committed facility that is shared with the parent company. In the event these facilities are not renewed in the future, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Parent (Nonbank) Committed Funding Facilities — Automotive Finance Operations

The parent company's largest facility is an $8.5 billion revolving syndicated credit facility secured by automotive receivables. In March 2013, we increased and renewed this facility until March 2015. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At June 30, 2013, there was $2.9 billion outstanding under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At June 30,

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

2013, the parent company maintained exclusive access to $18.2 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a $4.1 billion committed facility that is shared with Ally Bank.

Cash Flows

Net cash provided by operating activities was $3.4 billion for the six months ended June 30, 2013, compared to $4.9 billion for the same period in 2012. The decrease in net cash provided by operating activities was primarily due to higher cash outflow to settle derivatives in the six months ended June 30, 2013, compared to 2012. The decrease was partially offset by the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeding cash outflow from new originations and purchases of such loans by $2.4 billion during the six months ended June 30, 2013. During the six months ended June 30, 2012, this activity resulted in a net cash inflow of $1.7 billion.

Net cash provided by investing activities was $5.7 billion for the six months ended June 30, 2013, compared to a net cash outflow from investing activities of $6.1 billion for the same period in 2012. The increase in net cash provided from investing activities was primarily due to $6.9 billion of net cash proceeds resulting from the sale of international businesses during the six months ended June 30, 2013, proceeds of $911 million from the sale of mortgage servicing rights, and a $7.1 billion decrease in net cash outflow from finance receivables and loans for the six months ended June 30, 2013, compared to 2012. Cash used to purchase available-for-sale securities, net of proceeds from sales, maturities, and repayments, increased $4.2 billion during the six months ended June 30, 2013, compared to the same period in 2012. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by $3.5 billion for the six months ended June 30, 2013, compared to a net cash outflow of $2.5 billion for the six months ended June 30, 2012. The increase in net cash outflows associated with leasing activities was primarily due to an increase in cash used to acquire leased assets.

Net cash used in financing activities for the six months ended June 30, 2013, totaled $10.8 billion, compared to net cash provided by financing of $4.3 billion in the same period in 2012. Cash used to repay long-term debt exceeded cash generated from long-term debt issuances by $9.7 billion for the six months ended June 30, 2013, as cash generated from the sale of international businesses was used in part to pay down debt. During the six months ended June 30, 2012, cash from issuances of long-term debt exceed repayments by $3.2 billion. Cash provided by short-term debt decreased $1.3 billion in the six months ended June 30, 2013, compared to 2012, while cash provided by deposits decreased by $0.8 billion.

Capital Planning and Stress Tests

As a bank holding company with $50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital position. The proposed capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital plan before Ally may take any proposed capital action covered by the new regime.

Ally submitted the required 2013 capital plan in January 2013. In March 2013, the FRB objected to our capital plan both on quantitative and qualitative grounds. In their published results, the FRB estimated our stressed tier 1 common ratio with adjusted planned capital actions to be 1.52 for the nine-quarter planning period. Also, the FRB estimated our stressed tier 1 capital ratio to be 11.02 and our tier 1 leverage ratio to be 9.42. The FRB noted that the stressed capital ratios assumed Ally remained subject to a substantial amount of contingent liabilities associated with ResCap over the nine-quarter period. During the three months ended June 30, 2013, we agreed on a settlement that will, if approved, substantially reduce our contingent liabilities associated with ResCap. Refer to Note 1 to the Condensed

Consolidated Financial Statements for more details related to the ResCap bankruptcy matters.

Further, and as previously disclosed, Ally is exploring a number of alternatives in furtherance of supporting our capital plan resubmission, including a possible primary issuance of common stock by Ally. No decision has been made to pursue any approach under consideration, and the implementation of any such approach may require regulatory and other approvals.

In connection with its reviews, the FRB continues to provide their approval for dividend and interest payments on preferred equity and debt instruments included in regulatory capital, including preferred stock, trust preferred securities, and subordinated debt that were outstanding as of December 31, 2012. We continue to have active, frequent and constructive dialogue with the FRB related to our capital plan on both the quantitative and qualitative aspects. In addition, on July 5, 2013, in accordance with the requirements of the Dodd-Frank Act, Ally submitted to the FRB its results of a mid-year stress test conducted under multiple macroeconomic scenarios.

Regulatory Capital

Refer to Note 19 to the Condensed Consolidated Financial Statements.

Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Stable	May 24, 2013 (a)
Moody’s	Not Prime	B1	Positive	February 25, 2013 (b)
S&P	C	B+	Watch Positive	May 16, 2013 (c)
DBRS	R-4	BB	Stable	July 3, 2013 (d)

(a) Fitch affirmed our senior debt rating of BB-, our short term rating of B and changed the outlook to Stable on May 24, 2013.

(b) Moody's confirmed our senior debt rating of B1 and changed the outlook to Positive on February 25, 2013.

(c) Standard & Poor's affirmed our senior debt rating of B+, our short term rating of C, and placed our ratings on CreditWatch with positive implications on May 16, 2013.

(d) DBRS upgraded our senior debt rating to BB, confirmed our short term rating of R-4, and changed the outlook to Stable on July 3, 2013.

Off-balance Sheet Arrangements

Refer to Note 9 to the Condensed Consolidated Financial Statements.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

ResCap Bankruptcy Filing

As described in Note 1 and Note 26 to the Condensed Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC and certain of its wholly owned direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the deconsolidation of ResCap, a significant portion of our representation and warranty reserve was eliminated. Further, on April 16, 2013, we completed the sale of a portfolio of agency MSRs to Ocwen and the sale included the transfer of the representation and warranty liabilities associated with the majority of the loans sold. Our representation and warranty reserve was $25 million at June 30, 2013 with respect to Ally Bank's sold and serviced loans for which we have retained representation and warranty obligation.

Overview

Ally Bank, within our Mortgage operations, sells loans that take the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, is provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Ally Bank at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Ally Bank to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. See Repurchase Process below.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of

assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income.

On April 16, 2013, we completed the sales of agency MSRs to Ocwen and Quicken. The sale to Ocwen included the transfer of the origination representation and warranty liabilities (but not those related to servicing) on any and all claims following the sale of the MSRs through an indemnification agreement. However, Ally Bank retained all representation and warranty liability related to loans previously

liquidated with a loss (e.g. GSEs completed a foreclosure) as well as the liability on outstanding claims at the time of the sale. The MSRs sale to Quicken did not include the transfer of representation and warranty liabilities. The repurchase reserve at June 30, 2013 reflects losses associated with this contractual obligation.

Total new repurchase claims received by Ally Bank were $8 million and $78 million for the three months and six months ended June 30, 2013, respectively, compared to $107 million and $194 million for the same periods in 2012. The decrease in repurchase claims was driven by significantly fewer new claims during the second quarter of 2013 primarily resulting from the transfer of the representation and warranty liabilities associated with the agency MSRs sold to Ocwen.

The total number and original unpaid principal balance (UPB) of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands) were 43 and $10 million, respectively, at June 30, 2013, compared to 259 and $58 million, respectively, at December 31, 2012. This includes demands that we have requested be rescinded but have not been agreed to by the investor. Total unresolved representation and warranty demands where Ally Bank has requested the investor to rescind decreased to $3 million or 26% of outstanding claims at June 30, 2013, compared to $23 million or 40% of outstanding claims at December 31, 2012.

Repurchase Process

After receiving a claim under representation and warranty obligations, Ally Bank will review the claim to determine the appropriate response (e.g., appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. Ally Bank actively contests claims to the extent they are not considered valid. Ally Bank is not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. Ally Bank believes that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, Ally Financial, Inc. bears the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

Critical Accounting Estimates

We identified critical accounting estimates that, as a result of judgments, uncertainties, uniqueness, and complexities of the underlying accounting standards and operations involved could result in material changes to our financial condition, results of operations, or cash flows under different conditions or using different assumptions.

Our most critical accounting estimates are as follows.

- Fair value measurements
- Allowance for loan losses
- Valuation of automobile lease assets and residuals
- Valuation of mortgage servicing rights
- Goodwill
- Legal and regulatory reserves
- Loan repurchase and obligations related to loan sales
- Determination of provision for income taxes

As part of our quarterly assessment of critical accounting estimates, we concluded that in accordance with Accounting Standards Codification 740, Income Taxes, there was a change in the methodologies and processes used in developing

the provision for income taxes from what was described in our 2012 Annual Report. Refer to Note 1 to the Condensed Consolidated Financial Statements for further discussion regarding the methodology and process used in the determination of provision for income taxes. There have been no other significant changes in the methodologies and processes used in developing these estimates from what was described in our 2012 Annual Report.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 22 to the Condensed Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair

value hierarchy set forth in Note 22 to the Condensed Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

($ in millions)	June 30, 2013		December 31, 2012	
Assets at fair value	$17,744		$20,408	
As a percentage of total assets	12	%	11	%
Liabilities at fair value	$220		$2,468	
As a percentage of total liabilities	n/m		2	%
Assets at fair value using Level 3 inputs	$363		$1,288	
As a percentage of assets at fair value	2	%	6	%
Liabilities at fair value using Level 3 inputs	$9		$3	
As a percentage of liabilities at fair value	4	%	n/m	

n/m = not meaningful

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

Statistical Table
The accompanying supplemental information should be read in conjunction with the more detailed information, including our Condensed Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.
Net Interest Margin Table
The following tables present an analysis of net interest margin excluding discontinued operations for the periods shown.

	2013			2012			Increase (decrease) due to (a)		
Three months ended June 30, ($ in millions)	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	$6,059	$2	0.13 %	$11,130	$9	0.33 %	$(3)	$ (4)	$(7)
Trading assets	—	—	—	98	1	4.10	(1)	—	(1)
Investment securities (c)	14,580	69	1.90	12,124	70	2.32	12	(13)	(1)
Loans held-for-sale, net	297	3	4.05	2,179	20	3.69	(19)	2	(17)
Finance receivables and loans, net (d) (e)	97,840	1,139	4.67	95,423	1,140	4.80	29	(30)	(1)
Investment in operating leases, net (f)	15,616	289	7.42	10,422	226	8.72	100	(37)	63
Total interest-earning assets	134,392	1,502	4.48	131,376	1,466	4.49	118	(82)	36
Noninterest-bearing cash and cash equivalents	1,708			2,337					
Other assets (g)	16,698			52,119					
Allowance for loan losses	(1,197)			(1,250)					
Total assets	$151,601			$184,582					
Liabilities									
Interest-bearing deposit liabilities	$49,522	$162	1.31 %	$41,583	$160	1.55 %	$28	$ (26)	$2
Short-term borrowings	3,937	16	1.63	3,718	19	2.06	1	(4)	(3)
Long-term debt (h) (i) (j)	65,450	703	4.31	78,053	837	4.31	(135)	1	(134)
Total interest-bearing liabilities (h) (i) (k)	118,909	881	2.97	123,354	1,016	3.31	(106)	(29)	(135)
Noninterest-bearing deposit liabilities	274			2,279					
Total funding sources (i) (l)	119,183	881	2.96	125,633	1,016	3.25			
Other liabilities (m)	12,600			39,991					
Total liabilities	131,783			165,624					
Total equity	19,818			18,958					
Total liabilities and equity	$151,601			$184,582					
Net financing revenue		$621			$450		$224	$ (53)	$171
Net interest spread (n)			1.51 %			1.18 %			

Net interest spread excluding original issue discount (n)	1.75 %	1.54 %
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (n)	1.76 %	1.59 %
Net yield on interest-earning assets (o)	1.85 %	1.38 %
Net yield on interest-earning assets excluding original issue discount (o)	2.04 %	1.67 %

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

(b) Average balances are calculated using a combination of monthly and daily average methodologies.

(c) Excludes income on equity investments of $7 million during the three months ended June 30, 2013 and 2012, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report.

(e) Includes other interest income of $1 million during the three months ended June 30, 2012.

(f) Includes gains on sale of $91 million and $24 million during the three months ended June 30, 2013 and 2012, respectively. Excluding these gains on sale, the annualized yield would be 5.09% and 7.80% at June 30, 2013 and 2012, respectively.

(g) Includes average balances of assets of discontinued operations.

(h) Includes the effects of derivative financial instruments designated as hedges.

(i) Average balance includes $1,694 million and $1,960 million related to original issue discount at June 30, 2013 and 2012, respectively. Interest expense includes original issue discount amortization of $61 million and $96 million during the three months ended June 30, 2013 and 2012, respectively.

(j) Excluding original issue discount the rate on long-term debt was 3.84% and 3.72% at June 30, 2013 and 2012, respectively.

(k) Excluding original issue discount the rate on total interest-bearing liabilities was 2.73% and 2.95% at June 30, 2013 and 2012, respectively.

(l) Excluding original issue discount the rate on total funding sources was 2.72% and 2.90% at June 30, 2013 and 2012, respectively.

(m) Includes average balances of liabilities of discontinued operations.

(n) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

(o) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Table of Contents
Management's Discussion and Analysis
Ally Financial Inc. • Form 10-Q

	2013			2012			Increase (decrease) due to (a)		
Six months ended June 30, ($ in millions)	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	$6,293	$5	0.16 %	$9,920	$11	0.22 %	$(3)	$ (3)	$(6)
Trading assets	—	—	—	527	10	3.82	(5)	(5)	(10)
Investment securities (c)	14,252	132	1.87	12,395	139	2.26	19	(26)	(7)
Loans held-for-sale, net	1,157	19	3.31	2,963	51	3.46	(30)	(2)	(32)
Finance receivables and loans, net (d) (e)	98,321	2,274	4.66	93,038	2,233	4.83	124	(83)	41
Investment in operating leases, net (f)	14,910	588	7.95	9,886	428	8.71	201	(41)	160
Total interest-earning assets	134,933	3,018	4.51	128,729	2,872	4.49	306	(160)	146
Noninterest-bearing cash and cash equivalents	1,826			2,049					
Other assets (g)	27,344			55,022					
Allowance for loan losses	(1,184)			(1,265)					
Total assets	$162,919			$184,535					
Liabilities									
Interest-bearing deposit liabilities	$48,756	$326	1.35 %	$41,346	$323	1.57 %	$54	$ (51)	$3
Short-term borrowings	4,321	32	1.49	3,583	36	2.02	6	(10)	(4)
Long-term debt (h) (i) (j)	68,642	1,404	4.12	75,631	1,717	4.57	(151)	(162)	(313)
Total interest-bearing liabilities (h) (i) (k)	121,719	1,762	2.92	120,560	2,076	3.46	(91)	(223)	(314)
Noninterest-bearing deposit liabilities	939			2,195					
Total funding sources (i) (l)	122,658	1,762	2.90	122,755	2,076	3.40			
Other liabilities (m)	20,334			42,682					
Total liabilities	142,992			165,437					
Total equity	19,927			19,098					
Total liabilities and equity	$162,919			$184,535					
Net financing revenue		$1,256			$796		$397	$ 63	$460
Net interest spread (n)			1.59 %			1.03 %			
Net interest spread excluding original issue discount (n)			1.82 %			1.42 %			
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (n)			1.84 %			1.48 %			

Net yield on interest-earning assets (o)	1.88 %	1.24 %
Net yield on interest-earning assets excluding original issue discount (o)	2.05 %	1.56 %

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

(b) Average balances are calculated using a combination of monthly and daily average methodologies.

(c) Excludes income on equity investments of $12 million during the six months ended June 30, 2013 and 2012, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report.

(e) Includes other interest income of $1 million and $3 million during the six months ended June 30, 2013 and 2012, respectively.

(f) Includes gains on sale of $155 million and $47 million during the six months ended June 30, 2013 and 2012, respectively. Excluding these gains on sale, the annualized yield would be 5.86% and 7.75% at June 30, 2013 and 2012, respectively.

(g) Includes average balances of assets of discontinued operations.

(h) Includes the effects of derivative financial instruments designated as hedges.

(i) Average balance includes $1,723 million and $2,011 million related to original issue discount at June 30, 2013 and 2012, respectively. Interest expense includes original issue discount amortization of $118 million and $204 million during the six months ended June 30, 2013 and 2012, respectively.

(j) Excluding original issue discount the rate on long-term debt was 3.69% and 3.92% at June 30, 2013 and 2012, respectively.

(k) Excluding original issue discount the rate on total interest-bearing liabilities was 2.69% and 3.07% at June 30, 2013 and 2012, respectively.

(l) Excluding original issue discount the rate on total funding sources was 2.67% and 3.02% at June 30, 2013 and 2012, respectively.

(m) Includes average balances of liabilities of discontinued operations.

(n) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

(o) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Table of Contents

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward-looking Statements

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 10-Q contain various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorit "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative words or similar expressions is intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports on Forms 10-Q and 8-K. Such factors include, among others, the following: maintaining the mutually beneficial relationship between Ally and General Motors ("GM"), and Ally and Chrysler Group LLC ("Chrysler"); the profitability and financial condition of GM and Chrysler; resolution of the bankruptcy filings by Residential Capital, LLC and certain of its subsidiaries; our ability to realize the anticipated benefits associated with being a bank holding company, and the increased regulation and restrictions that we are now subject to; the potential for deterioration in the residual value of off-lease vehicles; disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity; changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; changes in the credit ratings of Ally, Chrysler, or GM; changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations (including as a result of the Dodd-Frank Act and Basel III).

Use of the term "loans" describes products associated with direct and indirect lending activities of Ally's global operations. The specific products include retail installment sales contracts, loans, lines of credit, leases or other financing products. The term "originate" refers to Ally's purchase, acquisition, or direct origination of various "loan" products.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk sections of Item 2, Management's Discussion and Analysis.

Table of Contents
Controls and Procedures
Ally Financial Inc. • Form 10-Q

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Senior Executive Vice President of Finance and Corporate Planning (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Table of Contents
PART II — OTHER INFORMATION
Ally Financial Inc. • Form 10-Q

Item 1. Legal Proceedings
Refer to Note 26 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 29 to our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission (SEC) as amended by the Current Report on Form 8-K filed with the SEC on July 9, 2013 (referred to herein as 2012 Annual Report).
Item 1A. Risk Factors
Other than with respect to the risk factors provided below, there have been no material changes to the Risk Factors described in our 2012 Annual Report and subsequent quarterly report on Form 10-Q for the three months ended March 31, 2013.
Risks Related to Our Business
The Plan Support Agreement related to the ResCap bankruptcy may not be consummated if certain conditions are not met or if delays occur. If the plan support agreement is not consummated, we will not be entitled to any release from claims of the Debtors or third parties.
On May 14, 2012, ResCap and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court).
On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases (the Creditors' Committee), and certain creditors (collectively, the Consenting Claimants). The PSA provides for the parties to support a plan (the Plan), which, among other things, would settle and provide AFI full releases for all existing and potential claims between AFI and the Debtors and all pending and potential claims held by third parties related to the Debtors that could be brought against AFI, except for securities claims by the Federal Housing Finance Agency and the Federal Deposit Insurance Corporation, as receiver for certain failed banks. The Plan will also include a settlement of insurance disputes between AFI and the Debtors under which the Debtors will relinquish in favor of AFI all of their rights to coverage under certain insurance policies. Further, the PSA requires that all litigation against AFI by the Debtors, the Creditors' Committee and the Consenting Claimants be stayed so long as the PSA has not been terminated.
The PSA requires, among other things, that the following milestones be satisfied: (i) the FGIC rehabilitation court must approve the PSA and a separate FGIC Settlement on or before August 19, 2013; (ii) the Bankruptcy Court must approve the Disclosure Statement on or before August 30, 2013; and (iii) the effective date of the Plan must occur on or before December 15, 2013. In the event any of the above milestones are not satisfied, the PSA could be terminated.
The PSA also includes a number of additional events that could result in the PSA being terminated, including the following: (i) the Bankruptcy Court enters an order appointing a Chapter 11 trustee; (ii) any of the Debtors' Chapter 11 cases are dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; (iii) any court has entered a final, non-appealable judgment or order declaring any material portion of the PSA unenforceable; (iv) the releases set forth in the PSA are modified, amended, changed, severed or otherwise altered in the Plan or any other definitive document; and (v) the PSA ceases to be binding on AFI or the Creditors' Committee.
Additionally, the PSA requires that several conditions be satisfied or waived before the Plan can be effective, including, the following: (i) the Bankruptcy Court approves the Plan and Disclosure Statement on terms reasonably acceptable to the parties; (ii) the Confirmation Order must have been entered by the Bankruptcy Court and provide for, among other things, the releases specified in the PSA; (iii) the Confirmation Order must not have been stayed, modified, or vacated on appeal, and the time to appeal shall have passed; (iv) the FGIC rehabilitation court must have approved the PSA and FGIC Settlement Agreement, including the release of all present and future claims against FGIC relating to FGIC policies; (v) AFI must have funded the Ally Contribution; and (vi) AFI's secured claims against

the Debtors must have been fully satisfied.

There can be no assurance that any of the required milestones will be satisfied, that the conditions to effectiveness will be satisfied or waived or that none of the specified termination events will occur. The termination of the PSA or the failure of the PSA to become effective could result in modifications to the Plan, or the pursuit of an alternative form of reorganization or liquidation. This would result in delay and significant expense, and any modifications to the Plan or other alternative may well be less favorable to AFI. If AFI does not receive the releases described above, the Debtors and/or third party creditors are expected to assert substantial claims directly against AFI, which could have a material adverse impact on us. Even if substantial elements of the Plan are confirmed by the Bankruptcy Court and all required conditions are satisfied, there could be significant litigation against AFI for any claims not released under the Plan.

Table of Contents

We are currently party to an agreement with GM that provides for certain exclusivity privileges that expires in December 2013, and were previously party to a similar agreement with Chrysler which has expired. We cannot predict the ultimate impact that the expiration of these agreements will have on our operations, but it is likely that the expiration of these agreements will continue to increase the competitive pressure on us.

We are currently party to an agreement with GM that provides for certain exclusivity privileges related to subvention programs that it offers, and were previously party to a similar agreement with Chrysler. On April 25, 2012, Chrysler provided us with notification of nonrenewal for our existing agreement with them, and as a result our agreement with Chrysler expired in April 2013. Further, in May 2013 Chrysler announced that it has entered into a ten-year agreement with Santander Consumer USA Inc. (Santander), pursuant to which Santander will provide a full range of wholesale and retail financing services to Chrysler dealers and consumers. Since this time, our originations of Chrysler subvented retail financing and subvented leases have ceased and that has reduced our current originations from the Chrysler channel. In addition, our agreement with GM will expire in December 2013. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler in their incentive programs. We cannot predict the ultimate impact that the expiration of these agreements will have on our operations. However, the expiration of these agreements are likely to continue to increase competitive pressure on Ally, as competitors have or could in the future have exclusive agreements with GM and/or Chrysler.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

Table of Contents
Signatures
Ally Financial Inc. • Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 2nd day of August, 2013.

Ally Financial Inc.
(Registrant)

/s/ JEFFREY J. BROWN
Jeffrey J. Brown
Senior Executive Vice President of
Finance and Corporate Planning

/s/ DAVID J. DEBRUNNER
David J. DeBrunner
Vice President, Chief Accounting Officer, and
Corporate Controller

Table of Contents

Ally Financial Inc. • Form 10-Q

INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
10.1	Plan Support Agreement, dated May 13, 2013	Filed herewith.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	Interactive Data File	Filed herewith.