Ally Financial Inc.
Form 10-Q
November 02, 2016
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 September 30, 2016, 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.)

Ally Detroit Center
500 Woodward Ave.
Floor 10, Detroit, Michigan
48226
(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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer þ Accelerated filer o Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o
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 October 31, 2016, the number of shares outstanding of the Registrant’s common stock was 471,597,537 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 Nine Months Ended September 30, 2016 and 2015	3
	Condensed Consolidated Balance Sheet (unaudited) at September 30, 2016 and December 31, 2015	5
	Condensed Consolidated Statement of Changes in Equity (unaudited) for the Three and Nine Months Ended September 30, 2016 and 2015	7
	Condensed Consolidated Statement of Cash Flows (unaudited) for the Nine Months Ended September 30, 2016 and 2015	8
	Notes to Condensed Consolidated Financial Statements (unaudited)	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	64
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	108
Item 4.	Controls and Procedures	109
Part II — Other Information		110
Item 1.	Legal Proceedings	110
Item 1A.	Risk Factors	110
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	110
Item 3.	Defaults Upon Senior Securities	110
Item 4.	Mine Safety Disclosures	110
Item 5.	Other Information	110
Item 6.	Exhibits	110
Signatures		111
Index of Exhibits		112

Table of Contents PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
Ally Financial Inc. • Form 10-Q

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,307	$1,166	$3,807	$3,358
Interest on loans held-for-sale	—	2	—	40
Interest and dividends on investment securities	101	102	302	283
Interest on cash and cash equivalents	3	2	10	6
Operating leases	649	830	2,119	2,586
Total financing revenue and other interest income	2,060	2,102	6,238	6,273
Interest expense				
Interest on deposits	212	181	608	530
Interest on short-term borrowings	14	13	39	36
Interest on long-term debt	430	410	1,308	1,258
Total interest expense	656	604	1,955	1,824
Depreciation expense on operating lease assets	408	528	1,352	1,713
Net financing revenue	996	970	2,931	2,736
Other revenue				
Insurance premiums and service revenue earned	238	236	704	706
(Loss) gain on mortgage and automotive loans, net	—	(2)	4	45
Loss on extinguishment of debt	—	—	(4)	(354)
Other gain on investments, net	52	6	145	106
Other income, net of losses	98	92	289	283
Total other revenue	388	332	1,138	786
Total net revenue	1,384	1,302	4,069	3,522
Provision for loan losses	258	211	650	467
Noninterest expense				
Compensation and benefits expense	248	235	742	726
Insurance losses and loss adjustment expenses	69	61	287	239
Other operating expenses	418	378	1,189	1,128
Total noninterest expense	735	674	2,218	2,093
Income from continuing operations before income tax expense	391	417	1,201	962
Income tax expense from continuing operations	130	144	336	341
Net income from continuing operations	261	273	865	621
(Loss) income from discontinued operations, net of tax	(52)	(5)	(46)	405
Net income	209	268	819	1,026
Other comprehensive (loss) income, net of tax	(4)	61	262	(56)
Comprehensive income	$205	$329	$1,081	$970

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

(in dollars) (a)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Basic earnings per common share				
Net income (loss) from continuing operations	$0.54	$0.49	$1.73	$(1.52)
(Loss) income from discontinued operations, net of tax	(0.11)	(0.01)	(0.10)	0.84
Net income (loss)	$0.43	$0.48	$1.63	$(0.68)
Diluted earnings per common share				
Net income (loss) from continuing operations	$0.54	$0.49	$1.72	$(1.52)
(Loss) income from discontinued operations, net of tax	(0.11)	(0.01)	(0.10)	0.84
Net income (loss)	$0.43	$0.47	$1.63	$(0.68)
Cash dividends per common share	$0.08	$—	$0.08	$—

(a) Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers.

Refer to Note 18 for additional earnings per share information, including the impact of preferred stock dividends recognized in connection with the partial redemption of the Series G Preferred Stock and the repurchase of the Series A Preferred Stock for the three months and nine months ended September 30, 2015. 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, except share data)	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents		
Noninterest-bearing	$ 1,779	$ 2,148
Interest-bearing	2,510	4,232
Total cash and cash equivalents	4,289	6,380
Available-for-sale securities (refer to Note 6 for discussion of investment securities pledged as collateral)	17,701	17,157
Held-to-maturity securities	649	—
Loans held-for-sale, net	56	105
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	114,959	111,600
Allowance for loan losses	(1,134)	(1,054)
Total finance receivables and loans, net	113,825	110,546
Investment in operating leases, net	12,689	16,271
Premiums receivable and other insurance assets	1,881	1,801
Other assets	6,307	6,321
Total assets	$ 157,397	$ 158,581
Liabilities		
Deposit liabilities		
Noninterest-bearing	$ 101	$ 89
Interest-bearing	75,643	66,389
Total deposit liabilities	75,744	66,478
Short-term borrowings	6,434	8,101
Long-term debt	56,836	66,234
Interest payable	462	350
Unearned insurance premiums and service revenue	2,493	2,434
Accrued expenses and other liabilities	1,798	1,545
Total liabilities	143,767	145,142
Contingencies (refer to Note 26)		
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 485,431,852 and 482,790,696; and outstanding 475,469,882 and 481,980,111)	21,149	21,100
Preferred stock	—	696
Accumulated deficit	(7,361)	(8,110)
Accumulated other comprehensive income (loss)	31	(231)
Treasury stock, at cost (9,961,970 and 810,585 shares)	(189)	(16)
Total equity	13,630	13,439
Total liabilities and equity	$ 157,397	$ 158,581

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)	September 30, 2016	December 31, 2015
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	$ 26,009	$ 27,929
Allowance for loan losses	(193)	(196)
Total finance receivables and loans, net	25,816	27,733
Investment in operating leases, net	2,337	4,791
Other assets	1,189	1,624
Total assets	$ 29,342	$ 34,148
Liabilities		
Long-term debt	$ 15,985	$ 20,267
Accrued expenses and other liabilities	14	22
Total liabilities	$ 15,999	$ 20,289

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	Preferred stock	Accumulated deficit	Accumulated other comprehensive (loss) income	Treasury stock	Total equity
Balance at January 1, 2015	$ 21,038	$ 1,255	$ (6,828)	$ (66)	$ —	$ 15,399
Net income			1,026			1,026
Preferred stock dividends			(1,356) (a)			(1,356)
Series A preferred stock repurchase		(325)				(325)
Series G preferred stock redemption		(117)				(117)
Share-based compensation	44					44
Other comprehensive loss				(56)		(56)
Share repurchases related to employee stock-based compensation awards					(16)	(16)
Balance at September 30, 2015	$ 21,082	$ 813	$ (7,158)	$ (122)	$ (16)	$ 14,599
Balance at January 1, 2016	$ 21,100	$ 696	$ (8,110)	$ (231)	$ (16)	$ 13,439
Net income			819			819
Preferred stock dividends			(30)			(30)
Series A preferred stock redemption		(696)				(696)
Share-based compensation	49					49
Other comprehensive income				262		262
Common stock repurchases (b)					(173)	(173)
Common stock dividend			(40)			(40)
Balance at September 30, 2016	$ 21,149	$ —	$ (7,361)	$ 31	$ (189)	$ 13,630

(a) Preferred stock dividends include $1,193 million recognized in connection with the partial redemption of the Series G Preferred Stock and the repurchase of the Series A Preferred Stock. These dividends represent an additional return to preferred shareholders calculated as the excess consideration paid over the carrying amount derecognized.

(b) Includes shares repurchased related to employee stock-based compensation awards.

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

Nine months ended September 30, ($ in millions)	2016	2015
Operating activities		
Net income	$ 819	$ 1,026
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	1,807	2,130
Provision for loan losses	650	467
Gain on mortgage and automotive loans, net	(4)	(45)
Other gain on investments, net	(145)	(106)
Loss on extinguishment of debt	4	354
Originations and purchases of loans held-for-sale	(141)	(1,594)
Proceeds from sales and repayments of loans originated as held-for-sale	184	1,580
Gain on sale of subsidiaries, net	—	(452)
Net change in		
Deferred income taxes	322	406
Interest payable	112	(40)
Other assets	16	528
Other liabilities	(65)	(212)
Other, net	30	(72)
Net cash provided by operating activities	3,589	3,970
Investing activities		
Purchases of available-for-sale securities	(11,027)	(10,011)
Proceeds from sales of available-for-sale securities	8,546	4,408
Proceeds from maturities and repayment of available-for-sale securities	2,411	3,141
Purchases of held-to-maturity securities	(650)	—
Net increase in finance receivables and loans	(8,308)	(9,175)
Proceeds from sales of finance receivables and loans originated as held-for-investment	4,221	2,665
Purchases of operating lease assets	(2,360)	(3,423)
Disposals of operating lease assets	4,631	3,855
Acquisitions, net of cash acquired	(309)	—
Proceeds from sale of business unit, net (a)	—	1,049
Net change in restricted cash	622	489
Net change in nonmarketable equity investments	(401)	(42)
Other, net	(157)	25
Net cash used in investing activities	(2,781)	(7,019)

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

Nine months ended September 30, ($ in millions)	2016	2015
Financing activities		
Net change in short-term borrowings	(1,673)	(1,692)
Net increase in deposits	9,240	5,797
Proceeds from issuance of long-term debt	11,229	23,866
Repayments of long-term debt	(20,758)	(23,454)
Repurchase and redemption of preferred stock	(696)	(442)
Repurchase of common stock	(173)	(16)
Dividends paid	(70)	(1,356)
Net cash (used in) provided by financing activities	(2,901)	2,703
Effect of exchange-rate changes on cash and cash equivalents	2	(3)
Net decrease in cash and cash equivalents	(2,091)	(349)
Cash and cash equivalents at beginning of year	6,380	5,576
Cash and cash equivalents at September 30,	$4,289	$5,227
Supplemental disclosures		
Cash paid for		
Interest	$1,860	$1,825
Income taxes	16	95
Noncash items		
Finance receivables and loans transferred to loans held-for-sale	4,231	777
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	28	61

(a) Cash flows of discontinued operations are reflected within operating, investing, and financing activities in the Condensed Consolidated Statement of Cash Flows.

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

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

Ally Financial Inc. (referred to herein as Ally, Parent, we, our, or us) is a leading digital financial services company offering financial products for consumers, businesses, automotive dealers and corporate clients. Founded in 1919, we have over 95 years of experience providing a broad array of financial products and services. We operate as a financial holding company (FHC) and a bank holding company (BHC). Our banking subsidiary, Ally Bank, is an award-winning online bank, and an indirect, wholly-owned subsidiary of Ally Financial Inc. with a distinct brand and relentless focus on customers, offering a variety of deposit and other banking products.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period and related disclosures. 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 September 30, 2016, and for the three months and nine months ended September 30, 2016, and 2015, 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, except for within the Condensed Consolidated Statement of Cash Flows and related disclosures in Note 25 to the Condensed Consolidated Financial Statements, where an immaterial amount related to the repurchase of common stock for the period ended September 30, 2015, was reclassified from operating activities to financing activities to appropriately present the prior period amounts.

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, 2015, as filed on February 24, 2016, with the U.S. Securities and Exchange Commission (SEC), as amended by the Current Report on Form 8-K filed with the SEC on May 5, 2016 (referred to herein as the Annual Consolidated Financial Statements).

Change in Reportable Segments

As a result of a change in how management views and operates our business, during the first quarter of 2016, we made changes in the composition of our operating segments. Financial information related to our Corporate Finance business is presented as a separate reportable segment. Previously, all such activity was included in Corporate and Other. Additionally, only the activity of our ongoing bulk acquisitions of mortgage loans and other originations and refinancing is presented in Mortgage Finance operations. The activity related to the management of our legacy mortgage portfolio is included in Corporate and Other. Our other operating segments, Automotive Finance operations and Insurance operations, were unchanged. Amounts for 2015 have been adjusted to conform to the current management view. In connection with the change in operating segments, we defined additional classes of finance receivables and loans: Mortgage Finance and Mortgage — Legacy. Mortgage Finance includes consumer mortgage loans from our ongoing mortgage operations and Mortgage — Legacy includes consumer mortgage loans originated prior to 2009.

Significant Accounting Policies

Business Combinations

We account for our business acquisitions using the acquisition method of accounting. Under this method we generally record the initial carrying values of purchased assets, including identifiable intangible assets, and assumed liabilities at fair value on the acquisition date. We recognize goodwill when the acquisition price is greater than the fair value of the net assets acquired, including identifiable intangible assets. The initial fair value of recognized assets and

liabilities are subject to refinement during the measurement period, a period up to one year after the closing date of an acquisition, as information relative to closing date fair values becomes available. Costs directly related to business combinations are recorded as expenses as they are incurred.

Goodwill and Other Intangibles

Goodwill and intangible assets, net of accumulated amortization, are reported in other assets.

Our intangible assets primarily consist of acquired customer relationships and developed technology, and are amortized using a straight line methodology over their estimated useful lives. We review intangible assets for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If it is determined the carrying amount of the asset is not recoverable, an impairment charge is recorded. Refer to Note 2 for further discussion on intangible assets.

Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired, including identifiable intangibles. We allocate goodwill to applicable reporting units based on the relative fair value of other net assets allocated to those reporting units at the time of the acquisition. In the event we restructure our business, we may reallocate goodwill. We test goodwill for impairment annually, or more frequently if events and changes in circumstances indicate that it is more likely than not that impairment exists. Our annual goodwill impairment test is performed as of August 31 of each year. In certain situations, we may perform a qualitative assessment to test goodwill for impairment. We may also decide to bypass the qualitative assessment and perform a quantitative assessment. If we perform the qualitative assessment to test goodwill for impairment and conclude that it is more likely than not that the reporting unit's fair value is greater than its

carrying value, then the quantitative assessment is not required. However, if we perform the qualitative assessment and determine that is it more likely than not that a reporting unit's fair value is less than its carrying value, then we must perform the quantitative assessment. The quantitative assessment uses a two-step process. The first step of the assessment requires us to compare the fair value of each of the reporting units to their respective carrying value. The fair value of the reporting units in our quantitative assessment is determined based on various analyses including discounted cash flow projections using assumptions a market participant would use. If the carrying value is less than the fair value, no impairment exists, and the second step does not need to be completed. If the carrying value is higher than the fair value or there is an indication that impairment may exist, a second step must be performed where we determine the implied value of goodwill based on the individual fair values of the reporting unit's assets and liabilities, including unrecognized intangibles, to compute the amount of the impairment. Refer to Note 2 for further discussion on goodwill.

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification (ASC) 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. This method differs from that described in Note 1 to the Annual Consolidated Financial Statements, which describes our annual significant income tax accounting policy and related methodology.

Investments

Our portfolio of investments includes various debt and marketable equity securities and nonmarketable equity investments. Debt and marketable equity securities are classified based on management's intent to sell or hold the security. We classify debt securities as held-to-maturity only when we have both the intent and ability to hold the securities to maturity. We classify debt and marketable equity securities as trading when the securities are acquired for the purpose of selling or holding them for a short period of time. Securities not classified as either held-to-maturity or trading are classified as available-for-sale.

Our debt and marketable equity securities include government securities, corporate bonds, asset-backed securities (ABS), mortgage-backed securities (MBS), equity securities and other investments. Our portfolio includes securities classified as available-for-sale and held-to-maturity. Our available-for-sale securities are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income or loss and are subject to impairment. Our held-to-maturity securities are carried at amortized cost and are subject to impairment.

We amortize premiums and discounts on debt securities as an adjustment to investment yield generally over the stated maturity of the security. For ABS and MBS where prepayments can be reasonably estimated, amortization is adjusted for expected prepayments.

Additionally, we assess our debt and marketable equity securities for potential other-than-temporary impairment. We employ a methodology that considers available evidence in evaluating potential other-than-temporary impairment of our debt and marketable equity securities classified as available-for-sale and held-to-maturity. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value. We also evaluate the financial health of and business outlook for the issuer, the performance of the underlying assets for interests in securitized assets, and, for securities classified as available-for-sale, our intent and ability to hold the investment through recovery of its amortized cost basis.

Once a decline in fair value of a debt security is determined to be other-than-temporary, an impairment charge for the credit component is recorded to other gain (loss) on investments, net, in our Consolidated Statement of Income, and a new cost basis in the investment is established. The noncredit loss component of a debt security is recorded in other comprehensive income (loss) when we do not intend to sell the security and it is not more likely than not that we will have to sell the security prior to the security's anticipated recovery. The credit and noncredit loss components are recorded in earnings when we intend to sell the security or it is more likely than not that we will have to sell the security prior to the security's anticipated recovery. Unrealized losses that we have determined to be

other-than-temporary on equity securities are recorded to other gain (loss) on investments, net in our Consolidated Statement of Income. Subsequent increases and decreases to the fair value of available-for-sale debt and equity securities are included in other comprehensive income (loss), so long as they are not attributable to another other-than-temporary impairment.

Realized gains and losses on investment securities are reported in other gain (loss) on investments, net, and are determined using the specific identification method. For information on our debt and marketable equity securities, refer to Note 6.

In addition to our investments in debt and marketable equity securities, we hold equity positions in other entities. These positions include Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock held to meet regulatory requirements, other equity investments that are not publicly traded and do not have a readily determinable fair value, equity investments in low income housing tax credits, and Community Reinvestment Act (CRA) equity investments. Our investments in FHLB and FRB stock and other equity investments are accounted for using the cost method of accounting. Our low income housing tax credit investments are accounted for using the proportionate amortization method of accounting for qualified affordable housing investments. Our CRA investments are accounted for using the equity method of accounting. Our FHLB and FRB stock and other equity investments carried at cost are included in nonmarketable equity investments in other assets. Our investments in low income housing tax credits and CRA are also included in other assets. As conditions warrant, we review our investments carried at cost for impairment and will adjust the carrying value of the investment if it is deemed to be impaired. No impairment was recognized in 2016 or 2015. For more information on our nonmarketable equity investments, refer to Note 22.

Refer to Note 1 to the Annual Consolidated Financial Statements regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Consolidation — Amendments to the Consolidation Analysis (ASU 2015-02)

As of January 1, 2016, we adopted ASU (Accounting Standards Update) 2015-02. The amendments in this update modify the requirements of consolidation with respect to entities that are or are similar in nature to limited partnerships or are variable interest entities (VIEs). For entities that are or are similar to limited partnerships, the guidance clarifies the evaluation of kick-out rights, removes the presumption that the general partner will consolidate and generally states that such entities will be presumed to be VIEs unless proven otherwise. For VIEs, the guidance modifies the analysis related to the evaluation of servicing fees, excludes servicing fees that are deemed commensurate with the level of service required from the determination of the primary beneficiary and clarifies certain considerations related to the consolidation analysis when performing a related party assessment. The amendments in this guidance did not impact our historical VIE and consolidation conclusions. No adjustments to our consolidated financial statements were required as a result of the adoption of this guidance.

Recently Issued Accounting Standards

Revenue from Contracts with Customers (ASU 2014-09) and Revenue from Contracts with Customers — Deferral of the Effective Date (ASU 2015-14)

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09. The purpose of this guidance is to streamline and consolidate existing revenue recognition principles in GAAP and to converge revenue recognition principles with International Financial Reporting Standards (IFRS). The core principle of the amendments is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. The amendments include a five step process for consideration of the main principle, guidance on the accounting treatment for costs associated with a contract, and disclosure requirements related to the revenue process. As originally issued, the amendments in ASU 2014-09 were to be effective beginning on January 1, 2017. However, in August 2015, the FASB issued ASU 2015-14, which deferred the effective date of the guidance until January 1, 2018, and permitted early adoption as of the original effective date in ASU 2014-09. The FASB created a transition resource group to work with stakeholders and clarify the new guidance as necessary. The FASB has issued and is anticipating issuing additional ASUs to provide clarifying guidance and implementation support for ASU 2014-09. Management will consider these additional ASUs when assessing the overall impact of ASU 2014-09. The amendments to the revenue recognition principles can be applied on adoption either through a full retrospective application or on a modified basis with a cumulative effect adjustment on the date of initial adoption with certain practical expedients. Management has determined certain contractual arrangements are in scope of this guidance and is reviewing those in scope in order to determine the impact of the adoption of this guidance.

Financial Instruments — Recognition and Measurement of Financial Assets (ASU 2016-01)

In January 2016, the FASB issued ASU 2016-01. The amendments in this update modify the requirements related to the measurement of certain financial instruments in the statement of financial condition and results of operation. For equity investments (other than investments accounted for using the equity method), entities must measure such instruments at fair value with changes in fair value recognized in net income. Changes in fair value for available-for-sale equity securities will no longer be recognized through other comprehensive income. Reporting entities may continue to elect to measure equity investments that do not have a readily determinable fair value at cost with adjustments for impairment and observable changes in price. In addition, for a liability (other than a derivative liability) that an entity measures at fair value, any change in fair value related to the instrument-specific credit risk, that is the entity's own-credit, should be presented separately in other comprehensive income and not as a component of net income. The amendments are effective on January 1, 2018, with early adoption permitted solely for the provisions pertaining to instrument-specific credit risk for liabilities measured at fair value. The amendments must be applied on a modified retrospective basis with a cumulative effect adjustment as of the beginning of the fiscal year of initial adoption. Management is currently evaluating the impact of the amendments. However, we do expect additional

volatility in our consolidated results of operations as a result of the requirement to measure equity investments at fair value with changes in the fair value recognized in net income upon adoption.

Leases (ASU 2016-02)

In February 2016, the FASB issued ASU 2016-02. The amendments in this update primarily replace the existing accounting requirements for operating leases for lessees. Lessee accounting requirements for finance leases and lessor accounting requirements for both operating leases and sales type and direct financing leases (both of which were previously referred to as capital leases) are largely unchanged. The amendments require the lessee of an operating lease to record a balance sheet gross-up upon lease commencement by recognizing a right-to-use asset and lease liability equal to the present value of the lease payments. The right-to-use asset and lease liability should be derecognized in a manner that effectively yields a straight line lease expense over the lease term. In addition to the changes to the lessee operating lease accounting requirements, the amendments also change the types of costs that can be capitalized related to a lease agreement for both lessees and lessors for all types of leases. The amendments also require additional disclosures for all lease types for both lessees and lessors. The amendments are effective on January 1, 2019, with early adoption permitted. The amendments must be applied on a modified retrospective basis with a cumulative adjustment to the beginning of the earliest fiscal year presented in the financial statements in the period of adoption. Management is currently evaluating the impact of these amendments. Upon adoption, we expect to record a gross up in our consolidated statement of financial position upon adoption reflecting our right-to-use asset and lease liability for our operating leases where we are the lessee (for example, our facility leases). We are currently reviewing our operating lease contracts where we are the lessee to determine the impact of the gross up and the changes to capitalizable costs. We are also reviewing our leases where we are the lessor to determine the impact of the changes to capitalizable costs.

Stock Compensation — Improvements to Employee Share-Based Payment Accounting (ASU 2016-09)

In March 2016, the FASB issued ASU 2016-09. The amendments in this update include changes to several aspects of share-based payment accounting. The amendments allow for an entity wide accounting policy election to either account for forfeitures as they occur or estimate the number of awards that are expected to vest. The amendments modify the tax withholding requirements to allow entities to withhold an amount up to the employee's maximum individual statutory tax rates without resulting in a liability classification of the award as opposed to limiting the withholding to the minimum statutory tax rates. The amendments require that all excess tax benefits and tax deficiencies related to share-based payment awards should be recognized in income tax expense or benefit in the income statement in the period in which they occur. The amendments also address the classification and presentation of certain items on the cash flow statement. The amendments are effective on January 1, 2017, with early adoption permitted. The transition method varies depending on the specific amendment. We do not believe these amendments will have a material impact to the financial statements.

Financial Instruments — Credit Losses (ASU 2016-13)

In June 2016, the FASB issued ASU 2016-13. The amendments in this update introduce a new accounting model to measure credit losses for financial assets measured at amortized cost. Credit losses for financial assets measured at amortized cost should be determined based on the total current expected credit losses over the life of the financial asset or group of financial assets. In effect, the financial asset or group of financial assets should be presented at the net amount expected to be collected. Credit losses will no longer be measured as they are incurred for financial assets measured at amortized cost. The amendments also modify the accounting for available-for-sale debt securities whereby credit losses will be recorded through an allowance for credit losses rather than a write-down to the security's cost basis, which allows for reversals of credit losses when estimated credit losses decline. Credit losses for available-for-sale debt securities should be measured in a manner similar to current GAAP. The amendments are effective on January 1, 2020, with early adoption permitted as of January 1, 2019. The amendments must be applied using a modified retrospective approach with a cumulative-effect adjustment through retained earnings as of the beginning of the fiscal year upon adoption. The new accounting model for credit losses represents a significant departure from existing GAAP, which will increase the allowance for credit losses with a resulting negative adjustment to retained earnings. Management is currently evaluating the impact of the amendments.

2. Acquisitions

On June 1, 2016, we acquired 100% of the equity of TradeKing Group, Inc. (TradeKing), a digital wealth management company with an online broker/dealer, digital portfolio management platform, and educational content. for $298 million in cash. TradeKing will operate as a wholly owned subsidiary of Ally. The addition of brokerage and wealth management is a natural extension of our online banking franchise, creating a full suite of financial products for savings and investments. We applied the acquisition method of accounting to this transaction, which generally requires the initial recognition of assets acquired, including identifiable intangible assets, and liabilities assumed at their respective fair value. Goodwill is recognized as the excess of the acquisition price after the recognition of the net assets, including the identifiable intangible assets. Beginning in June 2016, financial information related to TradeKing is included within Corporate and Other.

The following table summarizes the allocation of cash consideration paid for TradeKing and the amounts of the identifiable assets acquired and liabilities assumed recognized at the acquisition date.

($ in millions)	
Purchase price	
Cash consideration	$298
Allocation of purchase price to net assets acquired	
Intangible assets (a)	82
Cash and short-term investments (b)	50
Other assets	14

Deferred tax asset, net	4
Employee compensation and benefits	(41)
Other liabilities	(4)
Goodwill	$193

(a) We recorded $3 million of amortization on these intangible assets during both the three and nine months ended September 30, 2016.

(b) Includes $40 million in cash proceeds from the acquisition transaction in order to pay employee compensation and benefits that vested upon acquisition as a result of the change in control.

The goodwill of $193 million arising from the acquisition consists largely of expected growth of the business as we leverage the Ally brand and our marketing capabilities to scale the acquired technology platform and expand the suite of financial products we offer to our existing growing customer base. None of the goodwill recognized is expected to be deductible for income tax purposes. Refer to Note 11 for a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period.

On August 1, 2016, we acquired assets from Blue Yield, an online automotive lender exchange, as we continue to expand our automotive finance offerings to include a direct-to-consumer model. We completed the acquisition for $28 million of total consideration. As a result of the purchase, we recognized $20 million of goodwill within Automotive Finance operations.

Table of Contents

3. Discontinued Operations

Prior to the adoption of ASU 2014-08, which was prospectively applied only to newly identified disposals that qualify as discontinued operations beginning after January 1, 2015, we have classified 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 or disposal transactions. For all periods presented, 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 Automotive Finance Operations

During the fourth quarter of 2012 we entered into an agreement with General Motors Financial Company Inc. (GMF) to sell our 40% interest in a motor vehicle finance joint venture in China. On January 2, 2015, the sale of our interest in the motor vehicle finance joint venture in China was completed and an after-tax gain of approximately $400 million was recorded. The tax expense included in this gain was reduced by the release of the valuation allowance on our capital loss carryforward deferred tax asset that was utilized to offset capital gains stemming from this sale. The remaining activity relates to previous discontinued operations for which we continue to have minimal residual costs.

Other Operations

Other operations relate to previous discontinued operations for which we continue to have wind-down, legal, and minimal operational costs. Refer to Note 26 to the Condensed Consolidated Financial Statements, titled Contingencies and Other Risks, for additional discussion.

Select Financial Information

Select financial information of discontinued operations is summarized below. The pretax income or loss includes direct costs to transact a sale.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Select Automotive Finance operations				
Pretax (loss) income (a)	$(5)	$(1)	$(5)	$452
Tax expense (b)	2	3	2	68
Other operations				
Pretax (loss) income	$(41)	$(1)	$(39)	$19
Tax expense (benefit)	4	—	—	(2)

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.
(b) Includes certain income tax activity recognized by Corporate and Other.

4. Other Income, Net of Losses

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Remarketing fees	$ 26	$ 25	$79	$78

Late charges and other administrative fees	25	23	72	66
Servicing fees	18	12	49	32
Income from equity-method investments	3	11	14	48
Other, net	26	21	75	59
Total other income, net of losses	$ 98	$ 92	$289	$283

5. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Insurance commissions	$99	$95	$290	$283
Technology and communications	70	65	203	198
Lease and loan administration	34	31	100	92
Advertising and marketing	27	26	75	80
Professional services	25	23	75	68
Vehicle remarketing and repossession	24	20	70	56
Regulatory and licensing fees	26	18	68	59
Premises and equipment depreciation	19	20	61	62
Occupancy	13	13	38	38
Non-income taxes	10	11	27	26
Other	71	56	182	166
Total other operating expenses	$418	$378	$1,189	$1,128

6. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, and other investments. The cost, fair value, and gross unrealized gains and losses on investment securities were as follows.

	September 30, 2016				December 31, 2015			
	Amortized	Gross unrealized		Fair	Amortized	Gross unrealized		Fair
($ in millions)	cost	gains	losses	value	cost	gains	losses	value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$316	$ 5	$ —	$321	$1,760	$ —	$ (19)	$1,741
U.S. States and political subdivisions	740	26	(3)	763	693	24	(1)	716
Foreign government	170	10	—	180	169	8	—	177
Mortgage-backed residential (a)	11,992	180	(29)	12,143	10,459	52	(145)	10,366
Mortgage-backed commercial	526	1	(3)	524	486	—	(5)	481
Asset-backed	1,563	8	(1)	1,570	1,762	1	(8)	1,755
Corporate debt	1,597	36	(3)	1,630	1,213	8	(17)	1,204
Total debt securities (b) (c)	16,904	266	(39)	17,131	16,542	93	(195)	16,440
Equity securities	631	2	(63)	570	808	3	(94)	717
Total available-for-sale securities	$17,535	$ 268	$ (102)	$17,701	$17,350	$ 96	$ (289)	$17,157
Total held-to-maturity securities (d)	$649	$ 10	$ (1)	$658	$—	$ —	$ —	$—

(a) Residential mortgage-backed securities include agency-backed bonds totaling $9,772 million and $7,544 million at September 30, 2016, and December 31, 2015, 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 $14 million at September 30, 2016, and December 31, 2015.

(c) Investment securities with a fair value of $635 million and $2,506 million at September 30, 2016, and December 31, 2015, were pledged to secure advances from the FHLB, short-term borrowings or repurchase

agreements and for other purposes as required by contractual obligation or law. Under these agreements, Ally has granted the counterparty the right to sell or pledge $635 million and $745 million of the underlying investment securities at September 30, 2016, and December 31, 2015, respectively.

(d) Held-to-maturity securities are recorded at amortized cost and consist of agency-backed residential mortgage-backed debt securities for liquidity purposes.

15

Table of Contents

The maturity distribution of investment securities outstanding is summarized in the following tables. Call or prepayment options may cause actual maturities to differ from contractual 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	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
September 30, 2016										
Fair value of available-for-sale debt securities (a)										
U.S. Treasury and federal agencies	$321	1.7%	$2	4.3%	$10	1.7%	$309	1.7%	$—	—%
U.S. States and political subdivisions	763	3.1	115	2.4	24	2.4	143	3.0	481	3.4
Foreign government	180	2.6	—	—	73	2.9	107	2.5	—	—
Mortgage-backed residential	12,143	2.9	—	—	—	—	34	2.5	12,109	2.9
Mortgage-backed commercial	524	2.4	—	—	—	—	3	2.8	521	2.4
Asset-backed	1,570	2.7	—	—	1,059	2.6	300	3.3	211	2.5
Corporate debt	1,630	2.9	50	2.3	949	2.6	591	3.2	40	4.7
Total available-for-sale debt securities	$17,131	2.9	$167	2.4	$2,115	2.6	$1,487	2.8	$13,362	2.9
Amortized cost of available-for-sale debt securities	$16,904		$168		$2,093		$1,449		$13,194	
Amortized cost of held-to-maturity securities	$649	2.9%	$—	—%	$—	—%	$—	—%	$649	2.9%
December 31, 2015										
Fair value of available-for-sale debt securities (a)										
U.S. Treasury and federal agencies	$1,741	1.8%	$6	5.1%	$510	1.2%	$1,225	2.1%	$—	—%
U.S. States and political subdivisions	716	3.2	86	1.3	37	2.2	141	2.8	452	3.7
Foreign government	177	2.6	9	1.9	77	2.8	91	2.6	—	—
Mortgage-backed residential	10,366	2.9	—	—	33	2.1	36	2.5	10,297	2.9
Mortgage-backed commercial	481	2.0	—	—	—	—	3	2.7	478	2.0
Asset-backed	1,755	2.3	6	1.4	1,027	2.1	518	2.6	204	2.2
Corporate debt	1,204	2.9	50	3.0	713	2.5	410	3.4	31	5.4
Total available-for-sale debt securities	$16,440	2.7	$157	2.0	$2,397	2.1	$2,424	2.5	$11,462	2.9
Amortized cost of available-for-sale debt securities	$16,542		$156		$2,404		$2,436		$11,546	

(a) Yield is calculated using the effective yield of each security at the end of the period, weighted based on the market value. The effective yield considers the contractual coupon and amortized cost, and excludes expected capital gains and losses.

The balances of cash equivalents were $0.8 billion and $1.0 billion at September 30, 2016, and December 31, 2015, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents interest and dividends on investment securities.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Taxable interest	$93	$90	$276	$252
Taxable dividends	4	7	13	18
Interest and dividends exempt from U.S. federal income tax	4	5	13	13

Interest and dividends on investment securities	$101	$102	$302	$283

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 September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Gross realized gains	$52	$28	$146	$134
Gross realized losses (a)	—	(11)	(1)	(14)
Other-than-temporary impairment	—	(11)	—	(14)
Other gain on investments, net	$52	$6	$145	$106

(a) Certain available-for-sale securities were sold at a loss in 2016 and 2015 as a result of changing conditions within these respective periods (e.g., a downgrade in the rating of a debt security). Any such sales were made in accordance with our risk management policies and practices.

The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the assessment of whether such losses were deemed to be other-than-temporary, we believe that the unrealized losses are not indicative of an other-than-temporary impairment of these securities. As of September 30, 2016, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis, and we expect to recover the entire amortized cost basis of the securities. As of September 30, 2016, we had the ability and intent to hold equity 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 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 September 30, 2016. Refer to Note 1 for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	September 30, 2016				December 31, 2015			
	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	$—	$ —	$—	$ —	$1,553	$ (17)	$173	$ (2)
U.S. States and political subdivisions	254	(2)	11	(1)	179	(1)	—	—
Foreign government	—	—	—	—	2	—	—	—
Mortgage-backed	948	(4)	1,786	(28)	4,096	(43)	2,453	(107)
Asset-backed	406	(1)	140	—	1,402	(8)	64	—
Corporate debt	134	(1)	50	(2)	745	(16)	12	(1)
Total temporarily impaired debt securities	1,742	(8)	1,987	(31)	7,977	(85)	2,702	(110)
Temporarily impaired equity securities	148	(12)	329	(51)	534	(54)	96	(40)
Total temporarily impaired available-for-sale securities	$1,890	$ (20)	$2,316	$ (82)	$8,511	$ (139)	$2,798	$ (150)

7. Finance Receivables and Loans, Net

The composition of finance receivables and loans reported at gross carrying value was as follows.

($ in millions)	September 30, 2016	December 31, 2015
Consumer automotive (a)	$ 64,816	$ 64,292
Consumer mortgage		
Mortgage Finance (b)	7,931	6,413
Mortgage — Legacy (c)	2,926	3,360
Total consumer mortgage	10,857	9,773
Total consumer	75,673	74,065
Commercial		
Commercial and industrial		
Automotive	32,260	31,469
Other	3,250	2,640
Commercial real estate — Automotive	3,776	3,426
Total commercial	39,286	37,535
Total finance receivables and loans (d)	$ 114,959	$ 111,600

(a) Includes $66 million of fair value adjustment for loans in hedge accounting relationships at both September 30, 2016, and December 31, 2015. Refer to Note 20 for additional information.

(b) Includes loans originated as interest-only mortgage loans of $32 million and $44 million at September 30, 2016, and December 31, 2015, respectively, none of which are expected to start principal amortization in 2016, 3% in 2017, none in 2018, 39% in 2019, and 39% thereafter.

(c) Includes loans originated as interest-only mortgage loans of $771 million and $941 million at September 30, 2016, and December 31, 2015, respectively, 8% of which are expected to start principal amortization in 2016, 23% in 2017, 2% in 2018, none in 2019, and 1% thereafter.

(d) Totals include a net increase of $310 million and $110 million at September 30, 2016, and December 31, 2015, respectively, for unearned income, unamortized premiums and discounts, and deferred fees and costs.

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

Three months ended September 30, 2016 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at July 1, 2016	$ 862	$ 109	$ 118	$ 1,089
Charge-offs	(293)	(10)	—	(303)
Recoveries	74	16	—	90
Net charge-offs	(219)	6	—	(213)
Provision for loan losses	269	(15)	4	258
Allowance at September 30, 2016	$ 912	$ 100	$ 122	$ 1,134

Three months ended September 30, 2015 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at July 1, 2015	$ 767	$ 119	$ 88	$ 974
Charge-offs	(220)	(10)	(1)	(231)
Recoveries	64	4	2	70
Net charge-offs	(156)	(6)	1	(161)
Provision for loan losses	200	6	5	211
Other (a)	(7)	—	1	(6)
Allowance at September 30, 2015	$ 804	$ 119	$ 95	$ 1,018

(a) Primarily related to the transfer of finance receivables and loans from held-for-investment to held-for-sale.

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

Nine months ended September 30, 2016 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2016	$ 834	$ 114	$ 106	$ 1,054
Charge-offs	(773)	(29)	(1)	(803)
Recoveries	233	25	1	259
Net charge-offs	(540)	(4)	—	(544)
Provision for loan losses	644	(10)	16	650
Other (a)	(26)	—	—	(26)
Allowance at September 30, 2016	$ 912	$ 100	$ 122	$ 1,134
Allowance for loan losses at September 30, 2016				
Individually evaluated for impairment	$ 24	$ 35	$ 25	$ 84
Collectively evaluated for impairment	888	65	97	1,050
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at gross carrying value				
Ending balance	$ 64,816	$ 10,857	$ 39,286	$ 114,959
Individually evaluated for impairment	349	251	111	711
Collectively evaluated for impairment	64,467	10,606	39,175	114,248
Loans acquired with deteriorated credit quality	—	—	—	—

(a) Primarily related to the transfer of finance receivables and loans from held-for-investment to held-for-sale.

Nine months ended September 30, 2015 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2015	$ 685	$ 152	$ 140	$ 977
Charge-offs	(579)	(41)	(1)	(621)
Recoveries	195	12	3	210
Net charge-offs	(384)	(29)	2	(411)
Provision for loan losses	510	4	(47)	467
Other (a)	(7)	(8)	—	(15)
Allowance at September 30, 2015	$ 804	$ 119	$ 95	$ 1,018
Allowance for loan losses at September 30, 2015				
Individually evaluated for impairment	$ 22	$ 48	$ 19	$ 89
Collectively evaluated for impairment	782	71	76	929
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at gross carrying value				
Ending balance	$ 63,610	$ 9,769	$ 34,611	$ 107,990
Individually evaluated for impairment	285	268	75	628
Collectively evaluated for impairment	63,325	9,501	34,536	107,362
Loans acquired with deteriorated credit quality	—	—	—	—

(a) Primarily related to the transfer of finance receivables and loans from held-for-investment to held-for-sale.

The following table presents the gross carrying value of significant sales of finance receivables and loans and transfers of finance receivables and loans from held-for-investment to held-for-sale.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015

Consumer automotive	$ 57	$ 704	$4,216	$704
Consumer mortgage	6	2	12	75
Commercial	—	1	28	1
Total sales and transfers	$ 63	$ 707	$4,256	$780

The following table presents information about significant purchases of finance receivables and loans.

($ in millions)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Consumer automotive	$—	$272	$—	$272
Consumer mortgage	467	990	2,855	3,640
Total purchases of finance receivables and loans	$467	$1,262	$2,855	$3,912

The following table presents an analysis of our past due finance receivables and loans recorded at gross carrying value.

($ 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
September 30, 2016						
Consumer automotive	$ 1,584	$ 343	$ 260	$ 2,187	$62,629	$ 64,816
Consumer mortgage						
Mortgage Finance	64	4	4	72	7,859	7,931
Mortgage — Legacy	49	12	60	121	2,805	2,926
Total consumer mortgage	113	16	64	193	10,664	10,857
Total consumer	1,697	359	324	2,380	73,293	75,673
Commercial						
Commercial and industrial						
Automotive	—	—	—	—	32,260	32,260
Other	—	—	—	—	3,250	3,250
Commercial real estate — Automotive	—	—	—	—	3,776	3,776
Total commercial	—	—	—	—	39,286	39,286
Total consumer and commercial	$ 1,697	$ 359	$ 324	$ 2,380	$112,579	$ 114,959
December 31, 2015						
Consumer automotive	$ 1,618	$ 369	$ 222	$ 2,209	$62,083	$ 64,292
Consumer mortgage						
Mortgage Finance	44	5	10	59	6,354	6,413
Mortgage — Legacy	53	20	73	146	3,214	3,360
Total consumer mortgage	97	25	83	205	9,568	9,773
Total consumer	1,715	394	305	2,414	71,651	74,065
Commercial						
Commercial and industrial						
Automotive	—	—	—	—	31,469	31,469
Other	—	—	—	—	2,640	2,640
Commercial real estate — Automotive	—	—	—	—	3,426	3,426
Total commercial	—	—	—	—	37,535	37,535
Total consumer and commercial	$ 1,715	$ 394	$ 305	$ 2,414	$109,186	$ 111,600

The following table presents the gross carrying value of our finance receivables and loans on nonaccrual status.

($ in millions)	September 30, 2016	December 31, 2015
Consumer automotive	$ 542	$ 475
Consumer mortgage		
Mortgage Finance	9	15
Mortgage — Legacy	91	113
Total consumer mortgage	100	128
Total consumer	642	603
Commercial		
Commercial and industrial		
Automotive	44	25
Other	62	44
Commercial real estate — Automotive	5	8
Total commercial	111	77
Total consumer and commercial finance receivables and loans	$ 753	$ 680

Management performs a quarterly analysis of the consumer automotive, consumer mortgage, and commercial portfolios using a range of credit quality indicators to assess the adequacy of the allowance for loan losses based on historical and current trends. The following tables present the population of loans by quality indicators for our consumer automotive, 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 gross carrying value. 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 not expected. Refer to Note 1 to the Annual Consolidated Financial Statements for additional information.

	September 30, 2016			December 31, 2015		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automotive	$64,274	$ 542	$64,816	$63,817	$ 475	$64,292
Consumer mortgage						
Mortgage Finance	7,922	9	7,931	6,398	15	6,413
Mortgage — Legacy	2,835	91	2,926	3,247	113	3,360
Total consumer mortgage	10,757	100	10,857	9,645	128	9,773
Total consumer	$75,031	$ 642	$75,673	$73,462	$ 603	$74,065

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans recorded at gross carrying value.

	September 30, 2016			December 31, 2015		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial and industrial						
Automotive	$30,355	$ 1,905	$32,260	$29,613	$ 1,856	$31,469
Other	2,574	676	3,250	2,122	518	2,640
Commercial real estate — Automotive	3,600	176	3,776	3,265	161	3,426
Total commercial	$36,529	$ 2,757	$39,286	$35,000	$ 2,535	$37,535

(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 Annual Consolidated Financial Statements.

The following table presents information about our impaired finance receivables and loans.

($ in millions)	Unpaid principal balance (a)	Gross carrying value	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
September 30, 2016					
Consumer automotive	$ 385	$ 349	$ 124	$ 225	$ 24
Consumer mortgage					
Mortgage Finance	7	7	3	4	—
Mortgage — Legacy	248	244	56	188	35
Total consumer mortgage	255	251	59	192	35
Total consumer	640	600	183	417	59
Commercial					
Commercial and industrial					
Automotive	44	44	10	34	6
Other	76	62	—	62	18
Commercial real estate — Automotive	5	5	1	4	1
Total commercial	125	111	11	100	25
Total consumer and commercial finance receivables and loans	$ 765	$ 711	$ 194	$ 517	$ 84
December 31, 2015					
Consumer automotive	$ 315	$ 315	$ —	$ 315	$ 22
Consumer mortgage					
Mortgage Finance	9	9	5	4	1
Mortgage — Legacy	260	257	59	198	43
Total consumer mortgage	269	266	64	202	44
Total consumer	584	581	64	517	66
Commercial					
Commercial and industrial					
Automotive	25	25	4	21	3
Other	44	44	—	44	15
Commercial real estate — Automotive	8	8	1	7	2
Total commercial	77	77	5	72	20
Total consumer and commercial finance receivables and loans	$ 661	$ 658	$ 69	$ 589	$ 86

(a) Adjusted for charge-offs.

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

Three months ended September 30, ($ in millions)	2016 Average balance	2016 Interest income	2015 Average balance	2015 Interest income
Consumer automotive	$347	$ 4	$288	$ 4
Consumer mortgage				
Mortgage Finance	8	—	7	—
Mortgage — Legacy	245	2	261	3
Total consumer mortgage	253	2	268	3
Total consumer	600	6	556	7
Commercial				
Commercial and industrial				
Automotive	48	1	36	—
Other	63	—	45	—
Commercial real estate — Automotive	6	—	6	—
Total commercial	117	1	87	—
Total consumer and commercial finance receivables and loans	$717	$ 7	$643	$ 7

Nine months ended September 30, ($ in millions)	2016 Average balance	2016 Interest income	2015 Average balance	2015 Interest income
Consumer automotive	$340	$ 12	$291	$ 13
Consumer mortgage				
Mortgage Finance	8	—	7	—
Mortgage — Legacy	250	7	276	7
Total consumer mortgage	258	7	283	7
Total consumer	598	19	574	20
Commercial				
Commercial and industrial				
Automotive	35	1	35	1
Other	58	1	39	3
Commercial real estate — Automotive	6	—	5	—
Total commercial	99	2	79	4
Total consumer and commercial finance receivables and loans	$697	$ 21	$653	$ 24

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. 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 automotive loans, we may offer several types of assistance to aid our customers, including extension of the loan maturity date and rewriting the loan terms. Total TDRs recorded at gross carrying value were $640 million and $625 million at September 30, 2016, and December 31, 2015, respectively. Commercial commitments to lend additional funds to borrowers owing receivables whose terms had been modified in a TDR were $2 million, at both September 30, 2016, and December 31, 2015. Refer to Note 1 to the Annual Consolidated Financial Statements for additional information.

The following tables present information related to finance receivables and loans recorded at gross carrying value modified in connection with a TDR during the period.

	2016			2015		
Three months ended September 30, ($ in millions)	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value
Consumer automotive	4,427	$ 70	$ 58	4,612	$ 75	$ 66
Consumer mortgage						
Mortgage Finance	2	—	—	3	2	2
Mortgage — Legacy	35	6	6	50	11	11
Total consumer mortgage	37	6	6	53	13	13
Total consumer	4,464	76	64	4,665	88	79
Commercial						
Commercial and industrial						
Automotive	—	—	—	—	—	—
Other	—	—	—	1	21	21
Commercial real estate — Automotive	—	—	—	1	3	3
Total commercial	—	—	—	2	24	24
Total consumer and commercial finance receivables and loans	4,464	$ 76	$ 64	4,667	$ 112	$ 103

	2016			2015		
Nine months ended September 30, ($ in millions)	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value
Consumer automotive	14,816	$ 238	$ 202	12,763	$ 202	$ 173
Consumer mortgage						
Mortgage Finance	5	2	2	5	3	3
Mortgage — Legacy	92	14	14	164	39	37
Total consumer mortgage	97	16	16	169	42	40
Total consumer	14,913	254	218	12,932	244	213
Commercial						
Commercial and industrial						
Automotive	—	—	—	—	—	—
Other	—	—	—	1	21	21
Commercial real estate — Automotive	—	—	—	1	3	3
Total commercial	—	—	—	2	24	24
Total consumer and commercial finance receivables and loans	14,913	$ 254	$ 218	12,934	$ 268	$ 237

The following tables present information about finance receivables and loans recorded at gross carrying value 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 Annual Consolidated Financial Statements for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

	2016			2015		
Three months ended September 30, ($ in millions)	Number of loans	Gross carrying value	Charge-off amount	Number of loans	Gross carrying value	Charge-off amount
Consumer automotive	1,959	$ 23	$ 14	1,742	$ 21	$ 12
Consumer mortgage						
Mortgage Finance	—	—	—	—	—	—
Mortgage — Legacy	1	—	—	2	1	—
Total consumer finance receivables and loans	1,960	$ 23	$ 14	1,744	$ 22	$ 12

	2016			2015		
Nine months ended September 30, ($ in millions)	Number of loans	Gross carrying value	Charge-off amount	Number of loans	Gross carrying value	Charge-off amount
Consumer automotive	5,617	$ 69	$ 39	4,822	$ 58	$ 33
Consumer mortgage						
Mortgage Finance	—	—	—	—	—	—
Mortgage — Legacy	4	—	—	9	1	—
Total consumer finance receivables and loans	5,621	$ 69	$ 39	4,831	$ 59	$ 33

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	September 30, 2016	December 31, 2015
Vehicles	$ 16,086	$ 20,211
Accumulated depreciation	(3,397)	(3,940)
Investment in operating leases, net	$ 12,689	$ 16,271

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 September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Depreciation expense on operating lease assets (excluding remarketing gains)	$470	$633	$1,555	$1,995
Remarketing gains	(62)	(105)	(203)	(282)
Net depreciation expense on operating lease assets	$408	$528	$1,352	$1,713

9. Securitizations and Variable Interest Entities

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 by securitizing certain of our financial assets and operating lease assets.

The transaction-specific SPEs involved in our securitization and other financing transactions are often considered VIEs. VIEs are entities that have either a total equity investment at risk that is insufficient to permit the entity to

finance its activities without additional subordinated financial support or whose equity investors at risk lack the ability to control the entity's activities.

We provide a wide range of consumer and commercial automotive loans, operating leases, and commercial loans to a diverse customer base. We securitize consumer and commercial automotive loans, and operating leases through private-label securitizations. We often securitize these loans and notes secured by operating leases (collectively referred to as financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet.

We 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.

We have involvement with various other nonconsolidated equity investments, including affordable housing entities and venture capital funds and loan funds. We do not consolidate these entities and our involvement is limited to our outstanding investment, additional capital committed to these funds plus any previously recognized low income housing tax credits that are subject to recapture.

Refer to Note 10 to the Annual Consolidated Financial Statements for further description of our securitization activities and our involvement with VIEs.

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

($ in millions)	Involvement with VIEs		Assets of nonconsolidated VIEs (a)		Maximum exposure to loss in nonconsolidated VIEs	
September 30, 2016						
On-balance sheet variable interest entities						
Consumer automotive	$ 23,608	(b)				
Commercial automotive	15,746					
Off-balance sheet variable interest entities						
Consumer automotive	24		$ 3,240	(c)	$ 3,264	(d)
Commercial other	268	(e)	—	(c)	556	(f)
Total	$ 39,646		$ 3,240		$ 3,820	
December 31, 2015						
On-balance sheet variable interest entities						
Consumer automotive	$ 27,967	(b)				
Commercial automotive	16,763					
Off-balance sheet variable interest entities						
Consumer automotive	—		$ 3,034		$ 3,034	(d)
Commercial other	210	(e)	—	(c)	493	(f)
Total	$ 44,940		$ 3,034		$ 3,527	

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

(b) Includes $10.0 billion and $10.6 billion of assets that are not encumbered by VIE beneficial interests held by third parties at September 30, 2016, and December 31, 2015, respectively. Ally or consolidated affiliates hold the interests in these assets which eliminate in consolidation.

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

(d) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions and certain noncertificated interests retained from the sale of automotive finance receivables. 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.

(e) Includes $276 million and $222 million classified as other assets, offset by $8 million and $12 million classified as accrued expenses and other liabilities at September 30, 2016, and December 31, 2015, respectively.

(f) For certain nonconsolidated affordable housing entities, maximum exposure to loss represents the yield we guaranteed investors through long term guarantee contracts. The amount disclosed is based on the unlikely event

that the underlying properties cease generating yield to investors and the yield delivered to investors in the form of low income tax housing credits is recaptured. For nonconsolidated equity investments, maximum exposure to loss represents our outstanding investment, additional committed capital, and low income housing tax credits subject to recapture. The amount disclosed is based on the unlikely event that our committed capital is funded, our investments become worthless, and the tax credits previously delivered to us are recaptured. This required disclosure is not an indication of our expected loss.

Cash Flows with Off-balance Sheet Securitization Entities

The following table summarizes cash flows received and paid related to securitization entities and asset-backed financings 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 nine months ended September 30, 2016, and 2015. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Nine months ended September 30, ($ in millions)	Consumer automotive
2016	
Cash proceeds from transfers completed during the period	$ 1,659
Servicing fees	27
Other cash flows	6
2015	
Cash proceeds from transfers completed during the period	$ 1,044
Servicing fees	21

Delinquencies and Net Credit Losses

The following tables represent on-balance sheet loans held-for-sale and finance receivable and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The tables present quantitative information about delinquencies and net credit losses.

	Total Amount		Amount 60 days or more past due	
($ in millions)	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
On-balance sheet loans				
Consumer automotive	$64,816	$ 64,292	$ 603	$ 591
Consumer mortgage	10,857	9,773	80	108
Commercial automotive	36,036	34,895	—	—
Commercial other	3,306	2,745	—	—
Total on-balance sheet loans	115,015	111,705	683	699
Off-balance sheet securitization entities				
Consumer automotive	2,734	2,529	11	9
Total off-balance sheet securitization entities	2,734	2,529	11	9
Whole-loan sales (a)	3,556	2,252	6	13
Total	$121,305	$ 116,486	$ 700	$ 721

(a) Whole-loan sales are not part of a securitization transaction, but represent consumer automotive pools of loans sold to third-party investors.

	Net credit losses			
	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
On-balance sheet loans				
Consumer automotive	$219	$156	$540	$384
Consumer mortgage	(6)	6	4	29
Commercial automotive	—	—	—	—
Commercial other	—	(1)	—	(2)
Total on-balance sheet loans	213	161	544	411
Off-balance sheet securitization entities				
Consumer automotive	2	1	6	3
Total off-balance sheet securitization entities	2	1	6	3
Whole-loan sales	1	—	2	—
Total	$216	$162	$552	$414

10. Servicing Activities

Automotive Finance Servicing Activities

We service consumer automotive contracts. Historically, we have sold a portion of our consumer automotive contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. We have concluded that the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automotive servicing fee income of $18 million and $49 million during the three months and nine months ended September 30, 2016, respectively, compared to $12 million and $32 million during the three months and nine months ended September 30, 2015.

Automotive Finance Serviced Assets

The current unpaid principal balance and any related unamortized deferred fees and costs of total serviced automotive finance loans and leases outstanding were as follows.

($ in millions)	September 30, 2016	December 31, 2015
On-balance sheet automotive finance loans and leases		
Consumer automotive	$ 64,672	$ 64,067
Commercial automotive	36,036	34,895
Operating leases	12,497	15,965
Other	68	72
Off-balance sheet automotive finance loans		
Securitizations	2,760	2,550
Whole-loan	3,592	2,259
Total serviced automotive finance loans and leases	$ 119,625	$ 119,808

11. Other Assets

The components of other assets were as follows.

($ in millions)	September 30, 2016	December 31, 2015
Property and equipment at cost	$ 838	$ 691
Accumulated depreciation	(507)	(456)
Net property and equipment	331	235
Restricted cash collections for securitization trusts (a)	1,473	2,010
Net deferred tax assets	967	1,369
Nonmarketable equity investments (b)	818	418
Other accounts receivable	447	158
Accrued interest and rent receivables	408	402
Goodwill (c)	240	27
Cash reserve deposits held-for-securitization trusts (d)	188	252
Fair value of derivative contracts in receivable position (e)	141	233
Restricted cash and cash equivalents	98	120
Cash collateral placed with counterparties	78	125
Other assets	1,118	972
Total other assets	$ 6,307	$ 6,321

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

(b) Includes investments in FHLB stock of $352 million and $391 million and FRB stock of $435 million and $0 million at September 30, 2016, and December 31, 2015, respectively.

(c) Includes goodwill of $27 million at our Insurance operations at both September 30, 2016, and December 31, 2015, $193 million and $0 million within Corporate and Other at September 30, 2016, and December 31, 2015, respectively, and $20 million and $0 million within Automotive Finance operations at September 30, 2016, and December 31, 2015, respectively. As a result of our acquisition of TradeKing, we recognized $193 million of goodwill within Corporate and Other on June 1, 2016. On August 1, 2016, we purchased assets from Blue Yield. As a result of this purchase, we recognized $20 million of goodwill within Automotive Finance operations. No other changes in the carrying amount of goodwill were recorded during the nine months ended September 30, 2016.

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

(e) For additional information on derivative instruments and hedging activities, refer to Note 20.

12. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	September 30, 2016	December 31, 2015
Noninterest-bearing deposits	$ 101	$ 89
Interest-bearing deposits		
Savings and money market checking accounts	44,846	36,386
Certificates of deposit	30,604	29,774
Dealer deposits	193	229
Total deposit liabilities	$ 75,744	$ 66,478

At September 30, 2016, and December 31, 2015, certificates of deposit included $11.5 billion of certificates of deposit in denominations of $100 thousand or more. At September 30, 2016, and December 31, 2015, certificates of deposit included $3.1 billion and $3.2 billion, respectively, in denominations in excess of $250 thousand federal insurance

limits.

Table of Contents

13. Short-term Borrowings

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

	September 30, 2016			December 31, 2015		
($ in millions)	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$3,525	$—	$3,525	$3,369	$—	$3,369
Federal Home Loan Bank	—	2,250	2,250	—	4,000	4,000
Securities sold under agreements to repurchase	—	659	659	—	648	648
Other	—	—	—	84	—	84
Total short-term borrowings	$3,525	$2,909	$6,434	$3,453	$4,648	$8,101

(a) Refer to Note 14 for further details on assets restricted as collateral for payment of the related debt.

We periodically enter into term repurchase agreements, short-term borrowing agreements in which we sell financial instruments to one or more investors while simultaneously committing to repurchase them at a specified future date, at the stated price plus accrued interest. As of September 30, 2016, the financial instruments sold under agreement to repurchase consisted of mortgage-backed residential securities with the following maturities: $304 million within the next 30 days and $355 million within 31 to 60 days. Refer to Note 6 and Note 23 for further details on investment securities sold under agreements to repurchase.

The primary risk associated with these repurchase agreements is that the counterparty will be unable to perform under the terms of the contract. As the borrower, we are exposed to the excess market value of the securities pledged over the amount borrowed. Daily mark-to-market collateral management is designed to limit this risk to the initial margin. However, should a counterparty declare bankruptcy or become insolvent, we may incur additional delays and costs. As of September 30, 2016, we placed cash collateral totaling $7 million with counterparties under these collateral arrangements associated with our repurchase agreements.

14. Long-term Debt

The following table presents the composition of our long-term debt portfolio.

	September 30, 2016			December 31, 2015		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	$3,279	$11,805	$15,084	$1,829	$9,427	$11,256
Due after one year (a)	16,410	24,861	41,271	18,803	35,844	54,647
Fair value adjustment (b)	471	10	481	334	(3)	331
Total long-term debt (c)	$20,160	$36,676	$56,836	$20,966	$45,268	$66,234

(a) Includes $2.6 billion of trust preferred securities at both September 30, 2016, and December 31, 2015.

(b) Represents the fair value adjustment associated with the application of hedge accounting on certain of our long-term debt positions. Refer to Note 20 for additional information.

(c) Includes advances from the Federal Home Loan Bank of Pittsburgh of $6.1 billion and $5.4 billion at September 30, 2016, and December 31, 2015, respectively.

The following table presents the scheduled remaining maturity of long-term debt at September 30, 2016, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

($ in millions)	2016	2017	2018	2019	2020	2021 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$19	$4,365	$3,700	$1,662	$2,212	$9,078	$ 471	$21,507
Original issue discount	(21)	(91)	(101)	(39)	(39)	(1,056)	—	(1,347)

Total unsecured	(2)	4,274	3,599	1,623	2,173	8,022	471	20,160
Secured								
Long-term debt	2,118	11,855	7,512	7,197	4,155	3,829	10	36,676
Total long-term debt	$2,116	$16,129	$11,111	$8,820	$6,328	$11,851	$ 481	$56,836

30

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.

	September 30, 2016		December 31, 2015	
($ in millions)	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities (b)	$586	$ —	$2,420	$ 1,761
Mortgage assets held-for-investment and lending receivables	10,770	10,770	9,743	9,743
Consumer automotive finance receivables	28,870	5,485	34,324	9,167
Commercial automotive finance receivables	19,275	19,020	19,623	19,177
Investment in operating leases, net	2,706	1,290	5,539	3,205
Other assets (b)	93	—	—	—
Total assets restricted as collateral (c) (d)	$62,300	$ 36,565	$71,649	$ 43,053
Secured debt	$39,585(e)	$ 17,736	$49,916(e)	$ 24,787

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

(b) Certain investment securities and other assets are restricted under repurchase agreements. Refer to Note 13 for information on the repurchase agreements.

(c) Ally Bank has an advance agreement with the FHLB, and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling $14.5 billion and $14.9 billion at September 30, 2016, and December 31, 2015, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans, net and investment securities. 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 $2.4 billion and $2.9 billion at September 30, 2016, and December 31, 2015, respectively. These assets were composed of consumer automotive finance receivables and loans, net and investment in operating leases, net. 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.

(d) Excludes restricted cash and cash reserves for securitization trusts recorded within other assets on the Condensed Consolidated Balance Sheet. Refer to Note 11 for additional information.

(e) Includes $2.9 billion and $4.6 billion of short-term borrowings at September 30, 2016, and December 31, 2015, respectively.

Trust Preferred Securities

At September 30, 2016, we have issued and outstanding approximately $2.6 billion in aggregate liquidation preference of 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series 2 (Series 2 TRUPS) net of original issue discount and debt issuance costs. 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 were payable at an annual rate of 8.125% payable quarterly in arrears, through 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. Ally at any time on or after February 15, 2016 may redeem the Series 2 TRUPS at a redemption price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest through the date of redemption. 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.

Funding Facilities

We utilize both committed credit facilities and other collateralized funding vehicles. The debt outstanding under our various funding facilities is included on our Condensed Consolidated Balance Sheet.

As of September 30, 2016, Ally Bank had exclusive access to $3.6 billion of funding capacity from committed credit facilities. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank’s private collateralized funding vehicles.

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 September 30, 2016, all of our $18.1 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of September 30, 2016, we had $14.1 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

($ in millions)	Outstanding		Unused capacity (a)		Total capacity	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Bank funding						
Secured (b)	$2,950	$ 3,250	$650	$ —	$3,600	$ 3,250
Parent funding						
Secured	11,725	16,914	2,800	251	14,525	17,165
Total committed facilities	$14,675	$ 20,164	$3,450	$ 251	$18,125	$ 20,415

(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) Excludes off-balance sheet credit facility amounts.

15. Accrued Expenses and Other Liabilities

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

($ in millions)	September 30, 2016	December 31, 2015
Accounts payable	$ 781	$ 391
Employee compensation and benefits	218	242
Reserves for insurance losses and loss adjustment expenses	150	169
Cash collateral received from counterparties	113	82
Deferred revenue	66	108
Fair value of derivative contracts in payable position (a)	46	145
Other liabilities	424	408
Total accrued expenses and other liabilities	$ 1,798	$ 1,545

(a) For additional information on derivative instruments and hedging activities, refer to Note 20.

16. Preferred Stock

The following table summarizes information about our Series A Preferred Stock.

	September 30, 2016	December 31, 2015
Series A preferred stock		
Carrying value ($ in millions)	$ —	$ 696
Par value (per share)	—	0.01
Liquidation preference (per share)	—	25
Number of shares authorized	—	40,870,560
Number of shares issued and outstanding	—	27,870,560
Dividend/coupon		
Prior to May 15, 2016	— %	8.5 %
On and after May 15, 2016	— %	Three month LIBOR + 6.243%

Series A Preferred Stock

On April 14, 2016, we issued a Notice of Redemption to the holders of the outstanding Series A Preferred Stock to redeem the remaining 27,870,560 shares at a redemption price of $25 per share, plus approximately $0.53 per share of accrued and unpaid dividends through the redemption date. On May 16, 2016, we redeemed the 27,870,560 outstanding shares of Series A Preferred Stock, with an aggregate liquidation preference of $697 million for $712 million in cash, which included $15 million in accrued and unpaid dividends through the redemption date. Upon redemption of the shares of Series A Preferred Stock, we derecognized the carrying value of $696 million. Effective

May 16, 2016, the Series A Preferred Stock was retired.

Table of Contents

17. Accumulated Other Comprehensive (Loss) Income

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

($ in millions)	Unrealized (losses) gains on investment securities (a)	Translation adjustments and net investment hedges (b)	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive (loss) income
Balance at December 31, 2014	$ (21)	$ 36	$ 7	$ (88)	$ (66)
2015 net change	(35)	(21)	—	—	(56)
Balance at September 30, 2015	$ (56)	$ 15	$ 7	$ (88)	$ (122)
Balance at December 31, 2015	$ (159)	$ 9	$ 8	$ (89)	$ (231)
2016 net change	258	5	—	(1)	262
Balance at September 30, 2016	$ 99	$ 14	$ 8	$ (90)	$ 31

(a) Represents the after-tax difference between the fair value and amortized cost of our available-for-sale securities portfolio.

(b) For additional information on derivative instruments and hedging activities, refer to Note 20.

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

Three months ended September 30, 2016 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$ 41	$ (4)	$ 37
Less: Net realized gains reclassified to income from continuing operations	52 (a)	(11) (b)	41
Net change	(11)	7	(4)
Translation adjustments			
Net unrealized losses arising during the period	(2)	1	(1)
Net investment hedges			
Net unrealized gains arising during the period	2	(1)	1
Other comprehensive loss	$ (11)	$ 7	$ (4)

(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 expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.

Three months ended September 30, 2015 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$ 106	$ (41)	$ 65
Less: Net realized gains reclassified to income from continuing operations	6 (a)	(3) (b)	3
Net change	100	(38)	62
Translation adjustments			
Net unrealized losses arising during the period	(17)	5	(12)
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(1)	—	(1)
Net change	(16)	5	(11)
Net investment hedges			

Net unrealized gains arising during the period	15	(5)	10
Other comprehensive income	$99	$(38)	$61

(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 expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.

Nine months ended September 30, 2016 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$ 506	$ (133)	$ 373
Less: Net realized gains reclassified to income from continuing operations	145 (a)	(30) (b)	115
Net change	361	(103)	258
Translation adjustments			
Net unrealized gains arising during the period	10	(4)	6
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(1)	—	(1)
Net change	11	(4)	7
Net investment hedges			
Net unrealized losses arising during the period	(4)	2	(2)
Defined benefit pension plans			
Net unrealized losses arising during the period	(1)	—	(1)
Other comprehensive income	$ 367	$ (105)	$ 262

(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 expense (benefit) from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.

Nine months ended September 30, 2015 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$ 53	$ (21)	$ 32
Less: Net realized gains reclassified to income from continuing operations	106 (a)	(39) (b)	67
Net change	(53)	18	(35)
Translation adjustments			
Net unrealized losses arising during the period	(33)	11	(22)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	42	(20)	22
Net change	(75)	31	(44)
Net investment hedges			
Net unrealized gains arising during the period	31	(11)	20
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(4)	1	(3)
Net change	35	(12)	23
Other comprehensive loss	$ (93)	$ 37	$ (56)

(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 expense (benefit) 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

18. Earnings per Common Share

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions, except share data) (a)	2016	2015	2016	2015
Net income from continuing operations	$261	$ 273	$865	$ 621
Preferred stock dividends (b)	—	(38)	(30)	(1,356)
Net income (loss) from continuing operations attributable to common shareholders	261	235	835	(735)
(Loss) income from discontinued operations, net of tax	(52)	(5)	(46)	405
Net income (loss) attributable to common shareholders	$209	$ 230	$789	$ (330)
Basic weighted-average common shares outstanding (c)	482,392,[illegible]	481,073,329	483,992,[illegible]	48[illegible],725,342
Diluted weighted-average common shares outstanding (c) (d)	483,575,[illegible]	48[illegible],399,091	484,762,[illegible]	48[illegible],725,342
Basic earnings per common share				
Net income (loss) from continuing operations	$0.54	$ 0.49	$1.73	$ (1.52)
(Loss) income from discontinued operations, net of tax	(0.11)	(0.01)	(0.10)	0.84
Net income (loss)	$0.43	$ 0.48	$1.63	$ (0.68)
Diluted earnings per common share				
Net income (loss) from continuing operations	$0.54	$ 0.49	$1.72	$ (1.52)
(Loss) income from discontinued operations, net of tax	(0.11)	(0.01)	(0.10)	0.84
Net income (loss)	$0.43	$ 0.47	$1.63	$ (0.68)

(a) Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers.

(b) Preferred stock dividends for the three months and nine months ended September 30, 2015, include $1,193 million recognized in connection with the partial redemption of the Series G Preferred Stock and the repurchase of the Series A Preferred Stock. These dividends represent an additional return to preferred shareholders calculated as the excess consideration paid over the carrying amount derecognized.

(c) Includes shares related to share-based compensation that vested but were not yet issued for the three months and nine months ended September 30, 2016, and 2015, respectively.

(d) Due to the antidilutive effect of the net loss from continuing operations attributable to common shareholders for the nine months ended September 30, 2015, basic weighted-average common shares outstanding was used to calculate basic and diluted earnings per share.

19. Regulatory Capital and Other Regulatory Matters

As a BHC, we and our wholly-owned state-chartered banking subsidiary, Ally Bank, are subject to capital requirements issued by U.S. banking regulators that require us to maintain risk-based and leverage capital ratios above minimum levels. A risk-based capital ratio is a ratio of a banking organization's regulatory capital to its risk-weighted assets. A leverage capital ratio is a ratio of a banking organization's regulatory capital to a measure of assets or exposures that is not risk-weighted. As of January 1, 2015, Ally and Ally Bank became subject to the rules implementing the 2010 Basel III capital framework in the United States (U.S. Basel III), which reflect new and higher capital requirements, capital buffers, and new regulatory capital definitions, deductions and adjustments. Certain aspects of U.S. Basel III, including the new capital buffers and regulatory capital deductions, will be phased in over several years.

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 Condensed 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 and Ally Bank must meet specific capital guidelines that involve quantitative measures of capital, assets and certain off-balance sheet items. These measures and related classifications, which are used in the calculation of our risk-based and leverage capital ratios and those of Ally Bank, are also subject to qualitative judgments by the regulators about the components of capital, the risk-weightings of assets and other exposures, and other factors. The U.S. banking regulators also use these ratios and guidelines as part of the capital planning and stress testing processes. In addition, in order for Ally to maintain its status as a FHC, Ally and its bank subsidiary, Ally Bank, must remain "well-capitalized" and "well-managed," as defined under applicable law. Effective January 1, 2015, the "well-capitalized" standard for insured depository institutions, such as Ally Bank, was revised to reflect the new and higher capital requirements under U.S. Basel III.
Under U.S. Basel III, Ally must maintain a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum Total risk-based capital ratio of 8%. In addition to these minimum requirements, Ally is also subject to a Common Equity Tier 1 capital conservation buffer of more than 2.5%, subject to a phase-in from January 1, 2016 through December 31, 2018. Failure to maintain the full amount of the buffer will result in restrictions on Ally's ability to make capital distributions, including dividend payment and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. In addition to these new risk-based capital standards, U.S. Basel III subjects all U.S. banking organizations, including Ally, to a minimum Tier 1 leverage ratio of 4%, the denominator of which takes into account only on-balance sheet assets.

In addition to introducing new capital ratios, U.S. Basel III revises the eligibility criteria for regulatory capital instruments and provides for the phase-out of instruments that had previously been recognized as capital but that do not satisfy the new criteria. Subject to certain exceptions (e.g., for certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other “hybrid” securities are no longer included in a BHC's Tier 1 capital as of January 1, 2016. Also, subject to a phase-in schedule, certain new items are deducted from Common Equity Tier 1 capital, and certain other deductions from regulatory capital have been modified. Among other things, U.S. Basel III requires significant investments in the common shares of unconsolidated financial institutions, mortgage servicing rights, and certain deferred tax assets that exceed specified individual and aggregate thresholds to be deducted from Common Equity Tier 1 capital. U.S. Basel III also revises the standardized approach for calculating risk-weighted assets by, among other things, modifying certain risk weights and introducing new methods for calculating risk-weighted assets for certain types of assets and exposures.
Ally is subject to the U.S. Basel III standardized approach for credit risk. It is not subject to the U.S. Basel III advanced approaches for credit risk. Ally is currently not subject to the U.S. market risk capital rule, which applies only to banking organizations with significant trading assets and liabilities.
On March 7, 2016, Ally Bank received approval from the Federal Reserve to become a state member bank. Ally Bank is now regulated by the FRB through the Federal Reserve Bank of Chicago, as well as the Utah Department of Financial Institutions. In addition, in connection with the application for membership in the Federal Reserve System, Ally Bank made commitments to the FRB relating to capital, liquidity, and business plan requirements. These commitments are consistent with the prior requirements under the now-terminated Capital and Liquidity Maintenance Agreement with the Federal Deposit Insurance Corporation (FDIC), including the requirement to maintain capital at a level such that Ally Bank’s Tier 1 leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FRB's regulations related to capital maintenance. As a requirement of Federal Reserve membership, on March 21, 2016, Ally Bank purchased $435 million of FRB stock.
Compliance with capital requirements is a strategic priority for Ally. We expect to be in compliance with all applicable requirements within the established timeframes.
The following table summarizes our capital ratios under the U.S. Basel III capital framework.

($ in millions)	September 30, 2016 Amount	September 30, 2016 Ratio	December 31, 2015 Amount	December 31, 2015 Ratio	Required minimum	Well-capitalized minimum
Capital ratios						
Common Equity Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	$12,913	9.53 %	$12,507	9.21 %	4.50 %	(a)
Ally Bank	17,537	17.21	16,594	17.05	4.50	6.50 %
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	$15,087	11.13%	$15,077	11.10%	6.00 %	6.00 %
Ally Bank	17,537	17.21	16,594	17.05	6.00	8.00
Total (to risk-weighted assets)						
Ally Financial Inc.	$17,343	12.80%	$17,005	12.52%	8.00 %	10.00 %
Ally Bank	18,069	17.73	17,043	17.51	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (b)						
Ally Financial Inc.	$15,087	9.73 %	$15,077	9.73 %	4.00 %	(a)
Ally Bank	17,537	15.45	16,594	15.38	15.00 (c)	5.00 %

(a) Currently, there is no ratio component for determining whether a BHC is "well-capitalized."
(b) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.

(c) Ally Bank has committed to the FRB to maintain a Tier 1 leverage ratio of at least 15%.

At September 30, 2016, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

Capital Planning and Stress Tests

As a BHC with $50 billion or more of consolidated assets, Ally is required to conduct periodic company-run stress tests, is subject to an annual supervisory stress test conducted by the FRB, and must submit an annual capital plan to the FRB.

Ally’s capital plan must include a description of all planned capital actions over a nine-quarter planning horizon. The capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios under baseline, adverse, and severely adverse economic scenarios, and serve as a source of strength to Ally Bank. The FRB must approve Ally's capital plan before Ally may take any capital action. Even with an approved capital plan, Ally must seek the approval of the FRB before making a capital distribution if, among other factors, Ally would not meet its regulatory capital requirements after making the proposed capital distribution.

On April 5, 2016, we submitted the results of our semi-annual stress test and our annual capital plan to the FRB. On June 23, 2016, we publicly disclosed summary results of the stress test under the most severe scenario in accordance with regulatory requirements. On June 29, 2016, we received a non-objection to our capital plan from the FRB, including the proposed capital actions contained in our submission. The proposed capital actions include a quarterly cash dividend of $0.08 per share of our common stock, subject to quarterly approval by the Board of Directors, and the ability to repurchase up to $700 million of our common stock from time to time through the second quarter of 2017. In addition, we submitted to the FRB the results of our company-run mid-year stress test conducted under multiple macroeconomic scenarios and disclosed the results of this stress test under the most severe scenario on October 5, 2016, in accordance with regulatory requirements.

On July 18, 2016, the Ally Board of Directors declared a quarterly cash dividend payment of $0.08 per share on all common stock. The dividend was paid on August 15, 2016, to shareholders of record at the close of business on August 1, 2016. On October 18, 2016, the Ally Board of Directors declared a second quarterly cash dividend payment of $0.08 per share on all common stock. Refer to Note 27 to the Condensed Consolidated Financial Statements for further information regarding this common share dividend. Additionally, the Ally Board of Directors authorized a common stock repurchase program of up to $700 million beginning in the third quarter of 2016 and continuing through the second quarter of 2017. During the third quarter of 2016, we repurchased $159 million, or 8,297,653 shares of common stock under this program which reduced total shares outstanding by approximately 1.7%. We had 475,469,882 shares of common stock outstanding at September 30, 2016.

In September 2016, the FRB proposed a rule that would, among other things, revise the capital plan rule to no longer subject large and noncomplex firms, including Ally, to the provisions of the existing rule whereby the FRB may object to a capital plan on the basis of qualitative deficiencies in the firm's capital planning process. Under the proposed rule, the qualitative assessment of Ally's capital plan would be conducted outside of the Comprehensive Capital Analysis and Review (CCAR) process, through the supervisory review process, and Ally's reporting requirements would be modified to reduce certain reporting burdens related to capital planning and stress testing. The proposed rule would take effect for the 2017 capital planning cycle.

20. Derivative Instruments and Hedging Activities

We enter into interest rate, foreign-currency, and equity 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 automotive loan assets and debt. 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. In addition, we also enter into equity option contracts to manage our exposure to the equity markets. Our primary objective for utilizing derivative financial instruments is to manage interest rate risk associated with our fixed- and variable-rate assets and liabilities, foreign exchange risks related to our foreign-currency denominated assets and liabilities, and market risks related to our investment portfolio and certain of our executive share-based compensation plans.

Interest Rate Risk

We monitor our mix of fixed- and variable-rate assets and liabilities. When it is cost-effective to do so, we may enter into interest rate swaps, forwards, futures, options, and swaptions to achieve our desired mix of fixed- and variable-rate assets and liabilities. We execute interest rate swaps, forwards, futures, options, and swaptions 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 use a mix of both derivatives that qualify for hedge accounting treatment and economic hedges.

Derivatives qualifying for hedge accounting consist of receive-fixed swaps designated as fair value hedges of specific fixed-rate unsecured debt obligations, receive-fixed swaps designated as fair value hedges of specific fixed-rate FHLB advances and pay-fixed swaps designated as fair value hedges of specific portfolios of fixed-rate held-for-investment retail automotive loan assets. In 2015, we also had pay-fixed swaps designated as cash flow hedges of the expected

future cash flows in the form of interest payments on certain outstanding variable-rate borrowings associated with our secured debt.

We also execute economic hedges, which consist of interest rate swaps and interest rate caps held to mitigate interest rate risk associated with our debt portfolio. We also use interest rate swaps to economically hedge our net fixed-versus-variable interest rate exposure. We enter into economic hedges in the form of short-dated, exchange-traded Eurodollar futures to hedge the interest rate exposure of our fixed-rate automotive loans, as well as forwards, options, and swaptions to economically hedge our net fixed-versus-variable interest rate exposure.

Foreign Exchange Risk

We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to our various foreign-currency exposures.

We enter into foreign-currency forwards with external counterparties as net investment hedges of foreign exchange exposure on our investments in foreign subsidiaries. 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 (loss) income. We also enter into foreign-currency forwards to economically hedge our foreign-denominated debt, our centralized lending program, and foreign-denominated third party loans. These forward currency forwards that are used as economic hedges are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

We utilized a cross-currency swap to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to our functional currency. This swap matured during the second quarter of 2015.

Market Risk

We enter into equity options to economically hedge our exposure to the equity markets. We purchase options to assume a long position on certain equities and write options to assume a short position.

We also enter into prepaid equity forward contracts to economically hedge the price risk associated with certain of our executive share-based compensation plans. The prepaid equity forward contracts are hybrid instruments containing an embedded forward contract, which is considered a derivative instrument. The embedded derivative instrument is bifurcated from the host contract and is recorded at fair value with changes in fair value recorded in compensation and benefits expense. The balance of the prepaid component of these equity forward contracts was $17 million as of September 30, 2016, and was recorded within other assets on the Condensed Consolidated Balance Sheet.

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 post collateral in the event the fair values of the derivative financial instruments meet posting thresholds established under the agreements. 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.

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. No such specified credit risk related events occurred during the third quarter of 2016.

We placed cash collateral totaling $70 million and securities collateral totaling $49 million at September 30, 2016, and $103 million and $86 million at December 31, 2015, respectively, in accounts maintained by counterparties. This amount primarily relates to collateral posted to support our derivative positions. This amount also excludes cash and securities pledged as collateral under repurchase agreements. At September 30, 2016, and December 31, 2015, we placed cash collateral totaling $7 million and $21 million, respectively, with counterparties under collateral arrangements associated with repurchase agreements. Refer to Note 13 for details on the repurchase agreements. The receivables for cash collateral placed are included in our Condensed Consolidated Balance Sheet in other assets.

We received cash collateral from counterparties totaling $113 million at September 30, 2016, primarily to support these derivative positions. We received cash collateral from counterparties totaling $82 million at December 31, 2015. This amount also excludes cash and securities pledged as collateral under repurchase agreements. Refer to Note 13 for details on the repurchase agreements. The payables for cash collateral received are included on our Condensed Consolidated Balance Sheet in accrued expenses and other liabilities. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At September 30, 2016, and December 31, 2015, we received noncash collateral of $2 million and $7 million, respectively. Included in these amounts is noncash collateral where we have been granted the right to sell or pledge the underlying assets. We have not sold or pledged any of the noncash collateral received under these agreements.

38

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. Notional amounts are reference amounts from which contractual obligations are derived and are not recorded on the balance sheet. In our view, derivative notional is not an accurate measure of our derivative exposure when viewed in isolation from other factors, such as market rate fluctuations and counterparty credit risk.

	September 30, 2016			December 31, 2015		
	Derivative contracts in a			Derivative contracts in a		
($ in millions)	receivable position (a)	payable position (b)	Notional amount	receivable position (a)	payable position (b)	Notional amount
Derivatives designated as accounting hedges						
Interest rate contracts						
Swaps (c) (d) (e)	$ 114	$ 7	$ 6,754	$ 126	$ 9	$ 14,151
Foreign exchange contracts						
Forwards	—	—	221	—	1	189
Total derivatives designated as accounting hedges	114	7	6,975	126	10	14,340
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	5	15	864	30	51	6,101
Futures and forwards	—	—	—	2	2	1,905
Written options	—	20	15,206	—	72	18,220
Purchased options	21	—	15,206	73	—	18,240
Total interest rate risk	26	35	31,276	105	125	44,466
Foreign exchange contracts						
Futures and forwards	1	—	111	—	—	278
Total foreign exchange risk	1	—	111	—	—	278
Equity contracts						
Forwards	—	4	17	—	9	32
Written options	—	—	—	—	1	—
Purchased options	—	—	—	2	—	—
Total equity risk	—	4	17	2	10	32
Total derivatives not designated as accounting hedges	27	39	31,404	107	135	44,776
Total derivatives	$ 141	$ 46	$ 38,379	$ 233	$ 145	$ 59,116

(a) Derivative contracts in a receivable position are classified as other assets on the Condensed Consolidated Balance Sheet, and includes accrued interest of $7 million and $46 million at September 30, 2016, and December 31, 2015, respectively.

(b) Derivative contracts in a liability position are classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet, and includes accrued interest of $1 million and $12 million at September 30, 2016, and December 31, 2015, respectively.

(c) Includes fair value hedges consisting of receive-fixed swaps on fixed-rate unsecured debt obligations with $104 million and $112 million in a receivable position, $0 million and $3 million in a payable position, and a $2.3 billion and $6.8 billion notional amount at September 30, 2016, and December 31, 2015, respectively. The hedge notional amount of $2.3 billion at September 30, 2016, is associated with debt maturing in five or more years.

(d) Includes fair value hedges consisting of receive-fixed swaps on fixed-rate secured debt obligations (FHLB Advances) with $10 million and $1 million in a receivable position, $0 million and $2 million in a payable position, and a $898 million and $500 million notional amount at September 30, 2016, and December 31, 2015, respectively.

(e) Other fair value hedges include pay-fixed swaps on portfolios of held-for-investment automotive loan assets with $0 million and $13 million in a receivable position, $7 million and $3 million in a payable position, and a $3.5 billion and $6.8 billion notional amount at September 30, 2016, and December 31, 2015, respectively.

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 September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Derivatives qualifying for hedge accounting				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Interest and fees on finance receivables and loans (a)	$16	$(34)	$(18)	$(50)
Interest on long-term debt (b) (c)	(31)	132	211	121
(Loss) gain recognized in earnings on hedged items				
Interest rate contracts				
Interest and fees on finance receivables and loans (d)	(17)	38	16	73
Interest on long-term debt (e)	32	(135)	(214)	(128)
Total derivatives qualifying for hedge accounting	—	1	(5)	16
Derivatives not designated as accounting hedges				
Loss recognized in earnings on derivatives				
Interest rate contracts				
Loss on mortgage and automotive loans, net	—	(2)	—	(2)
Other income, net of losses	(5)	—	(2)	(9)
Total interest rate contracts	(5)	(2)	(2)	(11)
Foreign exchange contracts (f)				
Interest on long-term debt	—	(1)	(2)	(139)
Other income, net of losses	(1)	1	(4)	9
Total foreign exchange contracts	(1)	—	(6)	(130)
Equity contracts				
Compensation and benefits expense	2	(4)	—	(7)
Total equity contracts	2	(4)	—	(7)
Loss recognized in earnings on derivatives	$(4)	$(5)	$(13)	$(132)

(a) Amounts exclude losses related to interest for qualifying accounting hedges of retail automotive loans held-for-investment, which are primarily offset by the fixed coupon payments of the loans. The losses were $4 million and $18 million for the three months ended September 30, 2016, and 2015, respectively, and $16 million and $50 million for the nine months ended September 30, 2016, and 2015, respectively.

(b) Amounts exclude gains related to interest for qualifying accounting hedges of unsecured debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $7 million and $24 million for the three months ended September 30, 2016, and 2015, respectively, and $34 million and $71 million for the nine months ended September 30, 2016, and 2015, respectively.

(c) Amounts exclude gains related to interest for qualifying accounting hedges of secured debt (FHLB Advances), which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $1 million for the three months ended September 30, 2016, and $4 million for the nine months ended September 30, 2016.

(d) Amounts exclude losses related to amortization of deferred loan basis adjustments on the de-designated hedged item of $6 million and $1 million for the three months ended September 30, 2016, and 2015, respectively, and $15

million and $1 million for the nine months ended September 30, 2016, and 2015, respectively.

(e) Amounts exclude gains related to amortization of deferred debt basis adjustments on the de-designated hedged item of $23 million and $14 million for the three months ended September 30, 2016, and 2015, respectively, and $62 million and $59 million for the nine months ended September 30, 2016, and 2015, respectively.

(f) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of $1 million were recognized for the three months ended September 30, 2016, and 2015, and gains of $4 million and $134 million were recognized for the nine months ended September 30, 2016, and 2015, respectively.

Table of Contents

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2016	2015	2016	2015
Foreign exchange contracts				
Loss reclassified from accumulated other comprehensive loss to income from discontinued operations, net	$ —	$ —	$—	$(4)
Total loss from discontinued operations, net	$ —	$ —	$—	$(4)
Gain (loss) recognized in other comprehensive income (a)	$ 2	$ 15	$(4)	$35

(a) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income (loss) related to the revaluation of the related net investment in foreign operations, including the tax impacts of the hedge and related net investment, as disclosed separately in Note 17. There were losses of $2 million and $16 million for the three months ended September 30, 2016, and 2015, respectively. There were gains of $9 million and losses of $56 million for the nine months ended September 30, 2016, and 2015, respectively.

21. Income Taxes

We recognized total income tax expense from continuing operations of $130 million and $336 million for the three months and nine months ended September 30, 2016, compared to income tax expense of $144 million and $341 million for the same periods in 2015. The decrease in income tax expense for the three months ended September 30, 2016, compared to the same period in 2015, was primarily driven by lower pretax earnings. The decrease in income tax expense for the nine months ended September 30, 2016, compared to the same period in 2015, was primarily driven by a tax benefit that resulted from a U.S. tax reserve release related to a prior year federal return that reduced our liability for unrecognized tax benefits. This tax benefit was offset by increases in tax expense attributable to higher pretax earnings and the establishment of a valuation allowance on capital loss carryforwards.

As of each reporting date, we consider existing evidence, both positive and negative, 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 capital loss carryforwards, certain foreign tax credits and state net operating loss carryforwards will not be realized. In recognition of this risk, we continue to provide a full valuation allowance on capital loss carryforwards and a partial valuation allowance on the deferred tax assets relating to foreign tax credits and state net operating loss carryforwards.

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 under current market conditions. Fair value is based on the assumptions we believe 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 for the nine months ended September 30, 2016.

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 — All classes of 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).
- Interests retained in financial asset sales — Includes certain noncertificated interests retained from the sale of automotive finance receivables. 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, options of Eurodollar futures, and equity options. 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 (OTC) and centrally-cleared derivative contracts, such as interest rate swaps, a cross-currency swap, swaptions, foreign-currency denominated forward contracts, prepaid equity forward contracts, caps, floors, and agency to-be-announced securities. For OTC contracts, we utilize third-party-developed valuation models that are widely accepted in the market to value these OTC derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves, interpolated volatility assumptions, or equity pricing) are used in the model. We classified these OTC derivative contracts as Level 2 because all significant inputs into these models were market observable. For centrally-cleared contracts, we utilize unadjusted prices obtained from the clearing house as the basis for valuation, and they are also classified as Level 2. We did not have any derivative instruments classified as Level 3 as of September 30, 2016, or December 31, 2015.

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 the credit default swap 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			
September 30, 2016 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$321	$—	$ —	$321
U.S. States and political subdivisions	—	763	—	763
Foreign government	11	169	—	180
Mortgage-backed residential	—	12,143	—	12,143
Mortgage-backed commercial	—	524	—	524
Asset-backed	—	1,570	—	1,570
Corporate debt	—	1,630	—	1,630
Total debt securities	332	16,799	—	17,131
Equity securities (a)	570	—	—	570
Total available-for-sale securities	902	16,799	—	17,701
Other assets				
Interests retained in financial asset sales	—	—	32	32
Derivative contracts in a receivable position (b)				
Interest rate	—	140	—	140
Foreign currency	—	1	—	1
Total derivative contracts in a receivable position	—	141	—	141
Total assets	$902	$16,940	$ 32	$17,874
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position (b)				
Interest rate	$—	$(42)	$ —	$(42)
Other	—	(4)	—	(4)
Total derivative contracts in a payable position	—	(46)	—	(46)
Total liabilities	$—	$(46)	$ —	$(46)

(a) Our investment in any one industry did not exceed 14%.
(b) For additional information on derivative instruments and hedging activities, refer to Note 20.

	Recurring fair value measurements			
December 31, 2015 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$1,469	$272	$ —	$1,741
U.S. States and political subdivisions	—	716	—	716
Foreign government	10	167	—	177
Mortgage-backed residential	—	10,366	—	10,366
Mortgage-backed commercial	—	481	—	481
Asset-backed	—	1,755	—	1,755
Corporate debt	—	1,204	—	1,204
Total debt securities	1,479	14,961	—	16,440
Equity securities (a)	717	—	—	717
Total available-for-sale securities	2,196	14,961	—	17,157
Other assets				
Interests retained in financial asset sales	—	—	40	40
Derivative contracts in a receivable position (b)				
Interest rate	2	229	—	231
Other	2	—	—	2
Total derivative contracts in a receivable position	4	229	—	233
Total assets	$2,200	$15,190	$ 40	$17,430
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position (b)				
Interest rate	$(2)	$(133)	$ —	$(135)
Foreign currency	—	(1)	—	(1)
Other	(1)	(8)	—	(9)
Total derivative contracts in a payable position	(3)	(142)	—	(145)
Total liabilities	$(3)	$(142)	$ —	$(145)

(a) Our investment in any one industry did not exceed 14%.
(b) For additional information on derivative instruments and hedging activities, refer to Note 20.

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								
		Net realized/unrealized gains							
($ in millions)	Fair value at July 1, 2016	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2016	Net unrealized gains included in earnings still held at September 30, 2016
Assets									
Other assets									
Interests retained in financial asset sales	$31	$ 1 (a)	$ —	$ —	$ 2	$ —	$ (2)	$ 32	$ —
Total assets	$31	$ 1	$ —	$ —	$ 2	$ —	$ (2)	$ 32	$ —

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

	Level 3 recurring fair value measurements								
		Net realized/unrealized gains							
($ in millions)	Fair value at July 1, 2015	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2015	Net unrealized gains included in earnings still held at September 30, 2015
Assets									
Mortgage loans held-for-sale, net	$4	$ — (a)	$ —	$ —	$ (4)	$ —	$ —	$ —	$ —
Other assets									
Interests retained in financial asset sales	32	1 (a)	—	—	—	1	(5)	29	—
Total assets	$36	$ 1	$ —	$ —	$ (4)	$ 1	$ (5)	$ 29	$ —

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

	Level 3 recurring fair value measurements		
	Net realized/unrealized gains	Fair value at September	Net unrealized gains

($ in millions)	Fair value at Jan. 1, 2016	included in earnings		included in OCI	Purchases	Sales	Issuances	Settlements	30, 2016	included in earnings still held at September 30, 2016
Assets										
Other assets										
Interests retained in financial asset sales	$40	$ 4	(a)	$ —	$ —	$ 8	$ —	$ (20)	$ 32	$ —
Total assets	$40	$ 4		$ —	$ —	$ 8	$ —	$ (20)	$ 32	$ —

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

	Level 3 recurring fair value measurements									
		Net realized/unrealized gains								Net unrealized gains included in earnings still held at September 30, 2015
($ in millions)	Fair value at Jan. 1, 2015	included in earnings		included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2015	
Assets										
Mortgage loans held-for-sale, net	$3	$ 1		$ —	$ —	$(4)	$ —	$ —	$ —	$ —
Other assets										
Interests retained in financial asset sales	47	8	(a)	—	—	—	2	(28)	29	—
Total assets	$50	$ 9		$ —	$ —	$(4)	$ 2	$ (28)	$ 29	$ —

(a) Reported as other income, net of losses, 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.

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

September 30, 2016 ($ in millions)	Nonrecurring fair value measurements				Lower-of-cost or fair value or valuation reserve allowance	Total gain included in earnings for the three months ended	Total gain included in earnings for the nine months ended
	Level 1	Level 2	Level 3	Total			
Assets							
Loans held-for-sale, net	$—	$—	$ 56	$56	$ —	n/m (a)	n/m (a)
Commercial finance receivables and loans, net (b)							
Automotive	—	—	30	30	(7)	n/m (a)	n/m (a)
Other	—	—	45	45	(17)	n/m (a)	n/m (a)
Total commercial finance receivables and loans, net	—	—	75	75	(24)	n/m (a)	n/m (a)
Other assets							
Repossessed and foreclosed assets (c)	—	—	15	15	(4)	n/m (a)	n/m (a)
Other	—	—	7	7	—	n/m (a)	n/m (a)
Total assets	$—	$—	$ 153	$153	$ (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 2016. 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.

September 30, 2015 ($ in millions)	Nonrecurring fair value measurements				Lower-of-cost or fair value or valuation reserve allowance	Total gain included in earnings for the three months ended	Total gain included in earnings for the nine months ended
	Level 1	Level 2	Level 3	Total			
Assets							
Loans held-for-sale, net							
Other	$—	—	37	37	—	n/m (a)	n/m (a)
Total loans held-for-sale, net	—	—	37	37	—	n/m (a)	n/m (a)
Commercial finance receivables and loans, net (b)							
Automotive	—	—	13	13	(4)	n/m (a)	n/m (a)
Other	—	—	30	30	(15)	n/m (a)	n/m (a)
Total commercial finance receivables and loans, net	—	—	43	43	(19)	n/m (a)	n/m (a)
Other assets							

Repossessed and foreclosed assets (c)	—	—	9	9	(3)	n/m (a)	n/m (a)
Other	—	—	2	2	—	n/m (a)	n/m (a)
Total assets	$ —	$ —	$ 91	$ 91	$ (22)	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 2015. 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.

Table of Contents

Fair Value Option for Financial Assets

We elected the fair value option for an insignificant amount of conforming and government-insured mortgage loans held-for-sale. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges. Our intent in electing fair value measurement was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

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 current market data to develop the market assumptions and inputs necessary to estimate fair value. As such, the actual amount received to sell an asset or the amount paid to settle a liability could differ from our estimates. Fair value information presented herein was based on information available at September 30, 2016, and December 31, 2015.

		Estimated fair value			
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total
September 30, 2016					
Financial assets					
Held-to-maturity securities	$649	$—	$658	$—	$658
Loans held-for-sale, net	56	—	—	56	56
Finance receivables and loans, net	113,825	—	—	114,847	114,847
Nonmarketable equity investments	818	—	787	50	837
Financial liabilities					
Deposit liabilities	$75,744	$—	$—	$76,231	$76,231
Short-term borrowings	6,434	—	—	6,435	6,435
Long-term debt	56,836	—	22,405	36,790	59,195
December 31, 2015					
Financial assets					
Loans held-for-sale, net	$105	$—	$—	$105	$105
Finance receivables and loans, net	110,546	—	—	110,737	110,737
Nonmarketable equity investments	418	—	391	42	433
Financial liabilities					
Deposit liabilities	$66,478	$—	$—	$66,889	$66,889
Short-term borrowings	8,101	—	—	8,102	8,102
Long-term debt	66,234	—	23,018	45,157	68,175

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. 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.

- Cash and cash equivalents — Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. Classified as Level 1 under the fair value hierarchy, cash and cash equivalents generally expose us to limited credit risk and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, the carrying value approximates the fair value of these instruments.

Held-to-maturity securities — Held-to-maturity securities, which consist of residential mortgage-backed debt securities
• issued by government agencies, are carried at amortized cost. For fair value disclosure purposes, held-to-maturity securities are classified as Level 2, with fair value based on observable market prices, when available.
Finance receivables and loans, net — With the exception of mortgage loans held-for-investment, the fair value of finance receivables and loans was based on discounted future cash flows using applicable spreads to approximate
• current rates applicable to each category of finance receivables and loans (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.

The fair value of mortgage loans held-for-investment was based on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilized prepayment, default, and discount rate assumptions. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors.

- Nonmarketable equity investments — Nonmarketable equity investments primarily include investments in FHLB and FRB stock and other equity investments carried at cost. As a member of the FHLB and FRB, Ally Bank is required to hold FHLB and FRB stock. The stock can be sold only to the FHLB and FRB upon termination of membership, or redeemed at the sole discretion of the FHLB and FRB, respectively. The fair value of FHLB and FRB stock is equal to the stock's par value since the stock is bought, sold, and/or redeemed at par. FHLB and FRB stock is carried at cost, which generally represents the stock's par value.
- 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.
- Short-term borrowings and Long-term debt — Level 2 debt was valued using quoted market prices for similar instruments, when available, or other means for substantiation with observable inputs. Debt valued by discounting projected cash flows using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.
- Financial instruments for which carrying value approximates fair value — Certain financial instruments that are not carried at fair value on the consolidated balance sheet are carried at amounts that approximate fair value primarily due to their short term nature and limited credit risk. These instruments include restricted cash, cash collateral, accrued interest receivable, accrued interest payable, trade receivables and payables, and other short term receivables and payables.

23. Offsetting Assets and Liabilities

Our derivative contracts and repurchase/reverse repurchase transactions are supported by qualifying master netting and master repurchase agreements. These agreements are legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the agreement to the nondefaulting entity upon an event of default of the counterparty, including bankruptcy, insolvency, or similar proceeding, and (2) provide the nondefaulting 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.

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 nondefaulting party is covered in the event of counterparty default.

In certain instances as it relates to our derivative instruments, we have the option to report derivative assets and liabilities as well as assets and liabilities associated with cash collateral received or delivered that is governed by a master netting agreement on a net basis as long as certain qualifying criteria are met. Similarly, for our repurchase/reverse repurchase transactions, we have the option to report recognized assets and liabilities subject to a master netting agreement on a net basis if certain qualifying criteria are met. At September 30, 2016, these instruments

are reported as gross assets and gross liabilities on the Condensed Consolidated Balance Sheet.

Table of Contents

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

September 30, 2016 ($ 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		Net amount
				Financial instruments	Collateral (a) (b) (c)	
Assets						
Derivative assets in net asset positions	$ 140	$ —	$ 140	$(15)	$ (104)	$ 21
Derivative assets in net liability positions	1	—	1	(1)	—	—
Total assets (d)	$ 141	$ —	$ 141	$(16)	$ (104)	$ 21
Liabilities						
Derivative liabilities in net liability positions	$ (28)	$ —	$ (28)	$—	$ 7	$ (21)
Derivative liabilities in net asset positions	(15)	—	(15)	15	—	—
Derivative liabilities with no offsetting arrangements	(3)	—	(3)	—	—	(3)
Total derivative liabilities (d)	(46)	—	(46)	15	7	(24)
Securities sold under agreements to repurchase (e)	(659)	—	(659)	—	659	—
Total liabilities	$ (705)	$ —	$ (705)	$15	$ 666	$ (24)

(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.

(b) Amounts disclosed are limited to the financial asset or liability balance and, accordingly, exclude excess collateral received or pledged and noncash collateral received. $2 million of noncash derivative collateral pledged to us was excluded at September 30, 2016. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.

(c) Certain agreements grant us the right to sell or pledge the noncash assets we receive as collateral. Noncash collateral pledged to us where the agreement grants us the right to sell or pledge the underlying assets had a fair value of $2 million at September 30, 2016. We have not sold or pledged any of the noncash collateral received under these agreements as of September 30, 2016.

(d) For additional information on derivative instruments and hedging activities, refer to Note 20.

(e) For additional information on securities sold under agreements to repurchase, refer to Note 13.

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

December 31, 2015 ($ 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) (b) (c)	Net amount
Assets						
Derivative assets in net asset positions	$ 224	$ —	$ 224	$ (69)	$ (67)	$ 88
Derivative assets in net liability positions	9	—	9	(9)	—	—
Total assets (d)	$ 233	$ —	$ 233	$ (78)	$ (67)	$ 88
Liabilities						
Derivative liabilities in net liability positions	$ (68)	$ —	$ (68)	$ 9	$ 2	$ (57)
Derivative liabilities in net asset positions	(69)	—	(69)	69	—	—
Derivative liabilities with no offsetting arrangements	(8)	—	(8)	—	—	(8)
Total derivative liabilities (d)	(145)	—	(145)	78	2	(65)
Securities sold under agreements to repurchase (e)	(648)	—	(648)	—	648	—
Total liabilities	$ (793)	$ —	$ (793)	$ 78	$ 650	$ (65)

(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.

(b) Amounts disclosed are limited to the financial asset or liability balance and, accordingly, exclude excess collateral received or pledged and noncash collateral received. $7 million of noncash derivative collateral pledged to us was excluded at December 31, 2015. We do not record such collateral received on our Consolidated Balance Sheet unless certain conditions are met.

(c) Certain agreements grant us the right to sell or pledge the noncash assets we receive as collateral. Noncash collateral pledged to us where the agreement grants us the right to sell or pledge the underlying assets had a fair value of $7 million at December 31, 2015. We have not sold or pledged any of the noncash collateral received under these agreements as of December 31, 2015.

(d) For additional information on derivative instruments and hedging activities, refer to Note 20.

(e) For additional information on securities sold under agreements to repurchase, refer to Note 13.

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.

Change in Reportable Segments

As a result of a change in how management views and operates our business, during the first quarter of 2016, we made changes in the composition of our operating segments. Financial information related to our Corporate Finance business is presented as a separate reportable segment. Previously, all such activity was included in Corporate and Other. Additionally, only the activity of our ongoing bulk acquisitions of mortgage loans and other originations and refinancing is presented in Mortgage Finance operations. The activity related to the management of our legacy mortgage portfolio is included in Corporate and Other. Our other operating segments, Automotive Finance operations and Insurance operations, were unchanged. Amounts for 2015 have been adjusted to conform to the current

management view.

We report our results of operations on a line-of-business basis through four operating segments: Automotive Finance operations, Insurance operations, Mortgage Finance operations, and Corporate Finance 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. Our automotive financing 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 financing, and vehicle remarketing services.

Insurance operations — Offers both consumer finance protection 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 financial and insurance products, we provide vehicle service contracts, maintenance coverage, and guaranteed asset protection products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' vehicle inventories.

Mortgage Finance operations — Includes the management of a held-for-investment consumer mortgage finance loan portfolio and is primarily comprised of high-quality jumbo and low-to-moderate income mortgage loans purchased or originated after January 1, 2009.
Corporate Finance operations — Primarily provides senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle market companies. The loans are used to support leveraged buyouts, mergers and acquisitions, debt refinancing, restructurings, and working capital.
Corporate and Other primarily consists of activity related to centralized corporate treasury activities such as management of the cash and corporate investment securities and loan 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, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes certain equity investments, the management of our legacy mortgage portfolio, and reclassifications and eliminations between the reportable operating segments. Additionally, beginning in June 2016, financial information related to TradeKing is included within Corporate and Other.
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 benchmark rate 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.
Financial information for our reportable operating segments is summarized as follows.

Three months ended September 30, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2016						
Net financing revenue (loss)	$ 933	$ 14	$ 25	$ 30	$ (6)	$ 996
Other revenue	74	264	—	4	46	388
Total net revenue	1,007	278	25	34	40	1,384
Provision for loan losses	270	—	1	3	(16)	258
Total noninterest expense	418	222	16	16	63	735
Income (loss) from continuing operations before income tax expense	$ 319	$ 56	$ 8	$ 15	$ (7)	$ 391
Total assets	$ 113,669	$ 7,259	$ 7,933	$ 3,232	$ 25,304	$ 157,397
2015						
Net financing revenue	$ 870	$ 16	$ 17	$ 22	$ 45	$ 970
Other revenue	63	233	—	10	26	332
Total net revenue	933	249	17	32	71	1,302
Provision for loan losses	201	—	3	4	3	211
Total noninterest expense	409	209	10	14	32	674
Income from continuing operations before income tax expense	$ 323	$ 40	$ 4	$ 14	$ 36	$ 417
Total assets	$ 113,843	$ 6,997	$ 6,326	$ 2,269	$ 26,481	$ 155,916

(a) Net financing revenue after the provision for loan losses totaled $738 million and $759 million for the three months ended September 30, 2016, and 2015, respectively.

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

Nine months ended September 30, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2016						
Net financing revenue (loss)	$ 2,758	$ 44	$ 71	$ 87	$ (29)	$ 2,931
Other revenue	228	777	—	14	119	1,138
Total net revenue	2,986	821	71	101	90	4,069
Provision for loan losses	649	—	4	12	(15)	650
Total noninterest expense	1,255	733	48	49	133	2,218
Income (loss) from continuing operations before income tax expense	$ 1,082	$ 88	$ 19	$ 40	$ (28)	$ 1,201
Total assets	$ 113,669	$ 7,259	$ 7,933	$ 3,232	$ 25,304	$ 157,397
2015						
Net financing revenue	$ 2,529	$ 42	$ 39	$ 64	$ 62	$ 2,736
Other revenue (loss)	170	769	—	22	(175)	786
Total net revenue (loss)	2,699	811	39	86	(113)	3,522
Provision for loan losses	460	—	9	3	(5)	467
Total noninterest expense	1,237	678	28	42	108	2,093
Income (loss) from continuing operations before income tax expense	$ 1,002	$ 133	$ 2	$ 41	$ (216)	$ 962
Total assets	$ 113,843	$ 6,997	$ 6,326	$ 2,269	$ 26,481	$ 155,916

(a) Net financing revenue after the provision for loan losses totaled $2,281 million and $2,269 million for the nine months ended September 30, 2016, and 2015, respectively.

Information concerning principal geographic areas was as follows.

Three months ended September 30, ($ in millions)	Revenue (a)	Income from continuing operations before income tax expense	Net income (loss)
2016			
Canada	$ 22	$ 10	$ 9
Europe	—	—	(1)
Latin America	—	—	(1)
Total foreign (b)	22	10	7
Total domestic (c)	1,362	381	202
Total	$ 1,384	$ 391	$ 209
2015			
Canada	$ 24	$ 11	$ 9
Europe	—	1	—
Total foreign (b)	24	12	9
Total domestic (c)	1,278	405	259
Total	$ 1,302	$ 417	$ 268

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

(b) Our foreign operations as of September 30, 2016, and September 30, 2015, consist of our ongoing Insurance operations in Canada and our remaining international entities in wind-down.

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

Nine months ended September 30, ($ in millions)	Revenue (a)	Income from continuing operations before income tax expense	Net income (loss) (b)
2016			
Canada	$ 67	$ 32	$ 27
Europe	—	—	(4)
Latin America	—	—	(1)
Total foreign (c)	67	32	22
Total domestic (d)	4,002	1,169	797
Total	$ 4,069	$ 1,201	$ 819
2015			
Canada	$ 76	$ 35	$ 30
Europe	1		