

Ally Financial Inc. Resolution Plan

**Public Section
December 20, 2013**

Public Section Table of Contents

Public Section

<i>I. Introduction</i>	3
<i>II. Overview of Ally</i>	4
A. Names of Material Entities	7
B. Description of Core Business Lines	8
C. Summary of Financial Information Regarding Assets, Liabilities, Capital and Liquidity ..	11
D. Description of Derivative and Hedging Activities	19
E. Memberships in Material Payment, Clearing and Settlement Systems	21
F. Description of Non-U.S. Operations	21
G. Material Supervisory Authorities	22
H. Principal Officers	23
I. Resolution Planning Corporate Governance Structure and Processes Related to Resolution Planning	25
J. Description of Material Management Information Systems	28
K. High-Level Description of Resolution Strategy	28

I. Introduction

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") and regulations adopted by the Board of Governors of the Federal Reserve System ("Federal Reserve") and the Federal Deposit Insurance Corporation ("FDIC") require Ally Financial Inc. ("AFI") and, together with its consolidated subsidiaries, ("Ally") and its wholly owned FDIC-insured depository institution subsidiary, Ally Bank, to prepare and maintain plans for a rapid and orderly resolution in the event of material financial distress or failure.

Under Section 165(d) of the Dodd-Frank Act and regulations jointly issued by the Federal Reserve and the FDIC ("Section 165 Rule") AFI, as a bank holding company with assets of \$50.0 billion or more, must submit to the Federal Reserve and the FDIC a plan ("Section 165 Plan") for Ally's rapid and orderly resolution in the event of material financial distress or failure. Ally's Section 165 Plan must consider and address how a hypothetical resolution of Ally under the U.S. Bankruptcy Code ("Bankruptcy Code") could be accomplished - without reliance on the provision of extraordinary support by the United States - in a reasonable period of time and in a manner that substantially mitigates the risk that Ally's failure would have serious adverse effects on the financial stability of the United States. Ally's Section 165 Plan must also describe Ally's strategy for ensuring that Ally Bank would be adequately protected from risks arising from the activities of AFI and its non-bank subsidiaries (other than those that are subsidiaries of Ally Bank). Finally, Ally must update its Section 165 Plan at least annually, and Ally must provide notice to the Federal Reserve and the FDIC of any event, occurrence, change in conditions or circumstances, or other change that results in or could reasonably be foreseen to have a material effect on Ally's resolution.

A separate regulation issued by the FDIC ("IDI Rule") and, together with the Section 165 Rule, the ("Rules") requires Ally Bank, as an FDIC-insured depository institution with assets of \$50.0 billion or more, to submit to the FDIC a plan ("IDI Plan") and, together with the Section 165 Plan, the ("Plans") demonstrating how Ally Bank could be resolved in an orderly and timely manner in the event of receivership. The IDI Rule is intended to complement the resolution plan requirements of the Dodd-Frank Act. The IDI Plan must ensure that depositors receive access to their insured deposits within one business day of Ally Bank's failure (two business days if the failure occurs on a day other than Friday), must maximize the net present value return from the sale or disposition of its assets, and must minimize the amount of any loss to be realized by Ally Bank's creditors. The IDI Plan must also describe a strategy for separating Ally Bank from the AFI organization and for the sale of Ally Bank's deposit franchise, Core Business Lines, and major assets that, in turn, can be demonstrated to be the least costly to the Deposit Insurance Fund of all possible methods for resolving Ally Bank. Finally, Ally Bank must update its IDI Plan at least annually, and Ally Bank must provide notice to the FDIC of any event, occurrence, change in conditions or circumstances, or other change that results in or could reasonably be foreseen to have a material effect on Ally Bank's resolution.

As required by supervisory guidance, the Plans consider strategies for the resolution of Ally and Ally Bank in the event of an idiosyncratic event involving an unforeseen financial loss or liquidity crisis. Further, the Plans assume that this idiosyncratic event occurs at a time when other U.S. financial institutions and markets are not experiencing system-wide stress or panic.

Ally supports the regulatory changes that have been made since the financial crisis in 2008 to mitigate systemic risk and improve financial stability. Ally believes that resolution planning is a key element of those changes. Ally has developed this Public Section to comply with the requirements applicable to Ally and Ally Bank under the Rules.

II. Overview of Ally

Ally is a leading, independent, financial services firm with \$166.2 billion in assets as of March 31, 2013. Founded in 1919 as General Motors Acceptance Corporation ("GMAC"), Ally is a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. On December 24, 2008, Ally received approval from the Federal Reserve to become a bank holding company under the Bank Holding Company Act of 1956 ("BHC Act"). Ally's banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of AFI and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market, with \$49.5 billion of external deposits as of March 31, 2013.

Ally's Business

Ally's primary line of business involves providing "Dealer Financial Services" to the U.S. automotive industry (which includes automotive finance and insurance operations). The Dealer Financial Services business is centered on Ally's relationships with automotive dealers and supports manufacturers with which Ally has marketing relationships and those manufacturers' marketing programs. The Dealer Financial Services business serves the financial needs of almost 16,000 dealers with a wide range of financial services and insurance products for both new and used vehicles. Ally believes its dealer-focused business model makes it the preferred automotive finance company for thousands of its automotive dealer customers and, ultimately, millions of their retail customers. Ally has developed strong relationships with thousands of dealers, especially dealers authorized to sell vehicles manufactured by General Motors Company ("GM") and Chrysler Group LLC ("Chrysler"), providing Ally with an extensive understanding of the operating needs of these dealers relative to other automotive finance companies. Through specialized incentive programs, Ally encourages dealers to direct more of their business to Ally.

Ally Bank, Ally's direct banking platform, is focused on building a stable deposit base driven by Ally's compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through the direct banking channel via the internet, over the telephone, through mobile applications, and physical mail. Ally Bank offers a variety of traditional deposit product offerings, including certificates of deposit, savings accounts, money market accounts, interest checking, individual retirement account ("IRA") deposit products, as well as an online checking product. Ally Bank provides Ally with a stable, diversified, and cost-effective funding source.

Ally's strategy is to extend its leading position in automotive finance in the United States by continuing to provide automotive dealers and their retail customers with premium service, a comprehensive product suite, consistent funding, and competitive pricing, reflecting Ally's commitment to the automotive industry. Ally is focused on expanding profitable dealer relationships, prudent earning asset growth, and higher risk-adjusted returns. Ally's growth strategy continues to focus on diversifying the franchise by expanding into different products as well as broadening its network of dealer relationships. Ally also seeks to broaden and deepen the Ally Bank franchise, prudently growing stable, quality deposits while extending Ally Bank's foundation of products and providing a high level of customer service.

Strategic Actions in 2012-2013

a. Subsidiaries' Bankruptcy Filings

On May 14, 2012, Residential Capital, LLC ("ResCap") and certain of its wholly owned direct and indirect subsidiaries (collectively, the "ResCap Debtors") filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the bankruptcy filing, effective May 14, 2012, the ResCap Debtors were deconsolidated from Ally's financial statements. A comprehensive plan support agreement with ResCap and its creditors was reached and subsequently approved by the U.S. Bankruptcy Court on June 26, 2013, and ResCap's plan of reorganization was confirmed on December 11, 2013 and became effective on December 17, 2013.

For further details with respect to the bankruptcy and the deconsolidation of ResCap Debtors, refer to Item 1A. Risk Factors and Note 1 to the Consolidated Financial Statements in AFI's Annual Report on Form 10-K for the year ended December 31, 2012 ("2012 Form 10-K"), and Item 1A. Risk Factors and Note 1 in each of AFI's Quarterly Report on Form 10-Q for the three months ended March 31, 2013 ("1Q 2013 Form 10-Q"), June 30, 2013 ("2Q 2013 Form 10-Q"), and September 30, 2013 ("3Q 2013 Form 10-Q"). For a discussion of the plan support agreement that AFI, the ResCap Debtors, and certain other parties entered into in connection with the bankruptcy, refer to AFI's Current Report on Form 8-K filed on May 23, 2013, as updated in Note 1 to the 2Q 2013 Form 10-Q, and Note 1 to the 3Q 2013 Form 10-Q.

b. Sale of International Businesses

During 2012, Ally decided to sell substantially all of its international businesses, which include automotive finance, insurance, and banking and deposit operations. On February 1, 2013, Ally completed the sale of its Canadian automotive finance operation to Royal Bank of Canada. On February 28, 2013, Ally completed the sale of Car Care Plan (Holdings) Ltd., which held its remaining insurance operations in Europe and Latin America, to Amtrust Financial Services. On April 1, 2013, Ally completed the sale of the majority of its automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. ("GM Financial"), a wholly owned subsidiary of GM. On May 2, 2013, Ally completed the sale of its Mexican insurance company, Aba Seguros, S.A. de C.V., to ACE Ltd. On June 1, 2013, Ally completed the sale of the remainder of its automotive finance operations in Europe to GM Financial. On October 1, 2013, Ally completed the sale of the remainder of its automotive finance operations in Latin America to GM Financial. Finally, Ally anticipates closing the sale of its share in a joint venture in China to GM Financial during 2014. As a result of these sales, for all periods presented in this Public Section, the operating results for these operations have been removed from continuing operations.

For further details with respect to Ally's sales of international operations, refer to Notes 2 and 31 to the Consolidated Financial Statements in the 2012 Form 10-K, to Notes 2 and 27 to the 1Q 2013 Form 10-Q, Note 2 to the 2Q 2013 Form 10-Q, Notes 2 and 27 to the 3Q 2013 Form 10-Q, and to AFI's Current Report on Form 8-K filed on July 9, 2013. For further details with respect to sales that have been completed, refer to AFI's Current Reports on Form 8-K filed February 5, 2013, April 2, 2013, May 2, 2013, June 3, 2013, and October 2, 2013.

c. Mortgage

In July 2012, Ally Bank announced its intention to shut down its U.S. warehouse lending business. As of December 31, 2012, Ally Bank had successfully managed its warehouse receivables down to \$0 with no commitments outstanding. On October 26, 2012, Ally Bank announced that it had begun to explore strategic alternatives for its agency mortgage servicing rights ("MSRs") portfolios and its business lending operations. Subsequently, on February 28, 2013, Ally Bank sold its business lending operations to Walter Investment Management Corp. On April 16, 2013, Ally Bank completed sales of agency MSRs to Ocwen Financial Corp. and Quicken Loans. Ally Bank's remaining MSRs were sold in a series of monthly closings, the last of which closed in September 2013. Finally, on April 17, 2013, Ally Bank announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

The information contained in the Plans has been prepared in accordance with applicable regulatory requirements and guidance. Any differences in the presentation of information concerning Ally or Ally Bank's businesses and operations relative to how Ally presents such information for other purposes is solely due to Ally's efforts to comply with the Rules. The information presented in these Plans, including the designation of "material entities," "core business lines" and "critical operations," does not, in any way, reflect changes to Ally or Ally Bank's organizational structure, business practices or strategy.

In addition, the information in this Public Section concerning Ally's assets, liabilities, capital and funding sources has been extracted from Ally's 1Q 2013 Form 10-Q. Unless otherwise indicated, such information speaks only as of the date of the periods presented in the 1Q 2013 Form 10-Q. Additional information related to Ally, including information about Ally's business and strategic actions, can be found in AFI's reports filed with the Securities and Exchange Commission ("SEC"), including the 2012 Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (each a "'34 Act Report"). Current and future '34 Act Reports can be viewed, as they become available, on the SEC's website at www.sec.gov and at www.ally.com/about/investor/sec-filings. Information contained in '34 Act Reports that Ally files with the SEC subsequent to the date of the 2012 Form 10-K and the 1Q 2013 Form 10-Q may modify, update, and supersede information contained in the 2012 Form 10-K, the 1Q 2013 Form 10-Q, and information provided in this Public Section.

This Public Section and Ally's '34 Act Reports use forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "explore," "positions," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of those words or similar expressions, are intended to identify forward-looking statements. All statements in this Public Section and AFI's '34 Act Reports, other than statements of historical fact, including statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

While these statements represent Ally's current judgment on what the future may hold, and Ally believes these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in Ally's '34 Act Reports, each of which may be revised or supplemented in future '34 Act Reports filed with the SEC. Factors that could cause Ally's actual results to differ materially

from those described in the forward-looking statements can be found in the “Risk Factors” section of the 2012 Form 10-K, the 1Q 2013 Form 10-Q, and other Quarterly Reports on Form 10-Q or Current Reports on Form 8-K filed with the SEC.

All forward-looking statements speak only as of the date on which such statements are made, and Ally undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other such factors that affect the subject of these statements, except where expressly required by law.

A. Names of Material Entities

Under the Section 165 Rule, a “Material Entity” is any Ally subsidiary or foreign office that is significant to the activities of a “Critical Operation” or “Core Business Line.” See 12 C.F.R. §§ 243.2 (l); 381.2(l) (2013). For these purposes, a Critical Operation is an operation, including associated services, functions, and support, the failure or discontinuance of which, in Ally's view or the view of the Federal Reserve and the FDIC, would pose a threat to the financial stability of the United States. See *id.* §§ 243.2(g); 381.2(g). A Core Business Line is a business line, including associated operations, services, functions and support, the failure of which, in Ally's view, would result in a material loss of revenue, profit, or franchise value. See *id.* §§ 243.2(d); 381.2(d).

Under the IDI Rule, a “Material Entity” is any company that is significant to the activities of a “Critical Service” or “Core Business Line.” See *id.* § 360.10(b)(8). For these purposes, a Critical Service is a service or operation of Ally Bank, such as servicing, information technology support and operations, and human resources and personnel, that is necessary to continue Ally Bank's day-to-day operations. See *id.* § 360.10(b)(5). The FDIC's definition of the term “Core Business Line” for purposes of the IDI Rule is essentially identical to the definition of that term in the Section 165 Rule: a business line, including associated operations, services, functions, and support, the failure of which, in Ally's view, would result in a material loss of revenue, profit, or franchise value. See *id.* § 360.10(b)(3).

Based on the criteria set forth in the definitions of these terms, Ally performed a multi-factor analysis to identify Material Entities using a number of metrics, including assets, liabilities, and capital; revenues and expenses; organizational significance; and staffing levels. Through this analysis, Ally identified five Material Entities.

The following table lists Ally's Material Entities under the headings of “Operating Entities” and “Staffing Entities.”

Operating Entities	Staffing Entities
<p>Ally Financial Inc. (Automotive finance)</p> <p>Ally Bank (FDIC-insured U.S. bank)</p> <p>Motors Insurance Corporation (Insurance company)</p> <p>Ally Servicing LLC (Auto accounts servicer)</p>	<p>AFI US LLC (Staffing entity for AFI)</p> <p>GMAC Wholesale Mortgage Corp. (Staffing entity for Ally Bank)</p>

B. Description of Core Business Lines

Ally's primary business involves providing "Dealer Financial Services" to the U.S. auto industry. Ally's primary customers are automotive dealers, which are independently owned businesses. Ally offers a wide range of financial services and insurance products to approximately 16,000 automotive dealerships and approximately 4 million of their retail customers. Ally's automotive finance services include acquiring retail installment sale contracts and leases from dealers, offering term loans to dealers (including real estate and construction loans), financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. Through its insurance affiliates, Ally also offers retail vehicle service contracts, commercial insurance primarily covering dealers' wholesale vehicle inventories, and maintenance coverage.

For Section 165 Plan purposes, AFI has identified three Core Business Lines: Automotive Finance, Insurance, and Direct Banking. Similarly, for IDI Plan purposes, Ally Bank has identified two Core Business Lines: Automotive Finance and Direct Banking. Other Ally business lines did not meet the criteria necessary to be classified as a Core Business Line.

Each Core Business Line is conducted through one or more of the Material Entities identified in Section II.A of this Public Section - Names of Material Entities. As part of Ally's ongoing resolution planning process, the list of Ally's and Ally Bank's Core Business Lines will be subject to ongoing evaluation and updates.

1. Automotive Finance Core Business Line

Ally's Automotive Finance Core Business Line consists of automotive finance business operated in the United States. The Automotive Finance Core Business Line had \$118.9 billion of assets as of March 31, 2013, of which \$102.2 billion related to U.S. operations. In the first quarter of 2013, the Automotive Core Business Line generated \$856.8 million of net revenue in its U.S. operations, and \$855 million of total net revenue. Ally has approximately 1,700 automotive finance and 600 insurance employees across the United States, focused on serving the needs of Ally's dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting Ally's dealer financing and underwriting functions.

In addition, Ally has over 1,600 employees that support its servicing operations. Ally manages commercial account servicing for approximately 5,000 dealers that utilize its floorplan inventory lending or other commercial loans. Ally also provided consumer asset servicing for a \$76.5 billion portfolio as of March 31, 2013. The extensive infrastructure and experience of Ally's servicing operations are important to its ability to minimize credit losses and enable Ally to deliver a favorable customer experience to both dealers and their retail customers.

The Automotive Finance Core Business Line's primary customers are automotive dealers. Automotive dealers are independently owned businesses and are Ally's primary customers. Ally's success as an automotive-finance provider is driven by the consistent and broad range of products and services it offers to dealers who enter into retail installment sale contracts and leases with their retail customers who are acquiring new and used vehicles. Ally's growth strategy continues to focus on diversifying by expanding into different products as well as broadening its network of dealer relationships.

a. Commercial Automotive Financing

Ally's commercial automotive financing operations primarily fund dealer inventory purchases of new and used vehicles, commonly referred to as wholesale or floorplan financing. Ally also extends lines of credit and other loans to individual dealers. In general, each floorplan credit line is secured by all vehicles financed and, in most cases, by other assets owned by the dealer or by a personal guaranty. The amount Ally advances to dealers is equal to 100% of the wholesale invoice price of new vehicles; the amount Ally advances on used vehicles is based on either the dealer cost or appraised wholesale value, depending on the transaction. Interest on floorplan automotive financing is generally payable monthly and is usually indexed to a floating-rate benchmark. The rate for a particular dealer is based on, among other factors, the dealer's creditworthiness and eligibility for various incentive programs. During the first quarter of 2013, Ally financed an average of \$29.1 billion of dealer vehicle inventory through floorplan financings.

b. Consumer Automotive Financing

Ally's consumer automotive financing business focuses on the acquisition and servicing of retail installment sale contracts for new and used vehicles and leases for new vehicles. During the first quarter of 2013, Ally originated a total of 367,000 retail installment sale contracts and leases totaling approximately \$9.7 billion.

Ally's consumer automotive financing operations generate revenue through financing and leasing payments by customers on retail installment sale contracts and leases. Ally also recognizes a gain or loss on the remarketing of leased vehicles at the end of the lease. When a lease contract is originated, Ally estimates the residual value of the leased vehicle at lease termination. Ally's actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value.

Automotive manufacturers may elect, as a marketing incentive, to sponsor special financing programs for retail sales of their vehicles. The manufacturer can lower the financing rate paid by the customer on either a retail installment sale contract or a lease by paying Ally the present value of the difference between the customer rate and Ally's standard market rates at contract inception. These marketing incentives are referred to as rate support or subvention. Automotive manufacturers may also, from time to time, offer lease pull-ahead programs, which encourage consumers to terminate existing leases early if they acquire a new vehicle. As part of these programs, Ally waives all or a portion of the customer's remaining payment obligation. In most cases, the automotive manufacturer compensates Ally for a portion of the foregone revenue from those waived payments after consideration of the extent to which Ally's remarketing sale proceeds are higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity. Automotive manufacturers may also elect to lower a customer's lease payments through residual support incentive programs. In these instances, Ally agrees at the time the lease is signed to increase the residual value of the vehicle on which the lease payments are based in exchange for a payment from the manufacturer.

c. Automotive Remarketing Services

Ally provides comprehensive automotive remarketing services, including the use of SmartAuction, its online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions. In the first quarter of 2013, Ally and others, including dealers, fleet rental companies, financial institutions, and GM, utilized SmartAuction to sell 67,000 vehicles to

dealers and other commercial customers. SmartAuction served as the remarketing channel for approximately 35% of Ally's off-lease vehicles during 2012.

2. Insurance Core Business Line

Ally's Insurance Core Business Line offers both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of its focus on offering dealers a broad range of consumer-finance and insurance products, Ally offers vehicle service contracts ("VSCs"), guaranteed automotive protection ("GAP") products (which allow the recovery of a specified economic loss beyond the covered vehicle's value in the event the vehicle is damaged and declared a total loss), and maintenance coverage. Ally also underwrites selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory in the United States. The Insurance Core Business Line had \$8.3 billion of assets as of March 31, 2013, and generated \$320 million of total net revenue in the first quarter of 2013.

Ally's VSCs for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle warranty. These VSCs cover virtually all makes and models and are marketed to the public through automotive dealerships and on a direct response basis. Ally also offers GAP products in connection with retail installment sale financing. Typically, the customer finances the cost of these products, together with the cost of the underlying vehicle, under the retail installment sale contract.

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers' floorplan vehicles. Dealers are generally required to maintain such insurance by their floorplan-finance provider. Ally sells this insurance to approximately 4,000 dealers. Among franchised dealers in the United States to whom Ally provides floorplan financing, its wholesale insurance product penetration rate is approximately 80%. Dealers who receive floorplan financing from Ally are eligible to participate in the Ally wholesale insurance program.

As typical for the insurance business, a significant aspect of Ally's Insurance Core Business Line involves the investment of proceeds from premiums and other revenue sources. Ally uses these investments to satisfy its obligations when future claims are settled. The Insurance Core Business Line is guided by an Investment Committee, which develops investment guidelines and strategies. The guidelines established by this committee reflect Ally's risk tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

3. Direct Banking Core Business Line

Ally Bank's Direct Banking Core Business Line raises deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. Ally Bank has established a strong and growing retail banking franchise that is based on a promise of being straightforward, easy to use, and customer-service oriented. Ally Bank's products and services are designed to develop long-term customer relationships and capitalize on the shift in consumer preference away from branch banking in favor of direct banking. On March 31, 2013, Ally Bank had \$49.5 billion of external deposits, including \$38.8 billion of retail deposits, \$9.9 billion of brokered deposits, and \$0.8 billion of mortgage escrow and other deposits.

Additional information related to Ally's business and strategic actions can be found in AFI's '34 Act Reports, including the 2012 Form 10-K, the 1Q 2013 Form 10-Q, the 2Q 2013 Form 10-Q, and the 3Q 2013 Form 10-Q, which are available at www.sec.gov and at www.ally.com/about/investor/sec-filings.

C. Summary of Financial Information Regarding Assets, Liabilities, Capital and Liquidity

AFI's 2012 Form 10-K, 1Q 2013 Form 10-Q, 2Q 2013 Form 10-Q, and 3Q 2013 Form 10-Q include detailed financial reporting. Unless noted to the contrary, the following unaudited financial statements were extracted from the 1Q 2013 Form 10-Q. Please see the 1Q 2013 Form 10-Q for the notes to these unaudited financial statements. The notes are an integral part of Ally's unaudited consolidated financial statements.

Remainder of this page left blank intentionally

Condensed Consolidated Balance Sheet (unaudited)

The following table presents Ally's condensed consolidated balance sheet (unaudited) from the 1Q 2013 Form 10-Q for the periods ended March 31, 2013 and December 31, 2012:

(\$ in millions)	March 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,043	\$ 1,073
Interest-bearing	6,394	6,440
Total cash and cash equivalents	7,437	7,513
Investment securities	15,752	14,178
Loans held-for-sale, net (\$701 and \$2,490 fair value-elected)	718	2,576
Finance receivables and loans, net		
Finance receivables and loans, net	99,123	99,055
Allowance for loan losses	(1,197)	(1,170)
Total finance receivables and loans, net	97,926	97,885
Investment in operating leases, net	14,828	13,550
Mortgage servicing rights	917	952
Premiums receivable and other insurance assets	1,608	1,609
Other assets	7,950	11,908
Assets of operations held-for-sale	19,063	32,176
Total assets	\$ 166,199	\$ 182,347
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 844	\$ 1,977
Interest-bearing	49,482	45,938
Total deposit liabilities	50,326	47,915
Short-term borrowings	7,618	7,461
Long-term debt	67,621	74,561
Interest payable	972	932
Unearned insurance premiums and service revenue	2,286	2,296
Accrued expenses and other liabilities	3,669	6,585
Liabilities of operations held-for-sale	13,233	22,699
Total liabilities	145,725	162,449
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(6,128)	(7,021)
Accumulated other comprehensive (loss) income	(6)	311
Total equity	20,474	19,898
Total liabilities and equity	\$ 166,199	\$ 182,347

The Notes to Condensed Consolidated Financial Statements (unaudited) accompanying Ally's unaudited condensed consolidated balance sheet in this Resolution Plan and its 1Q 2013 Form 10-Q are an integral part of Ally's unaudited consolidated financial statements.

Condensed Consolidated Statement of Income (unaudited)

The following table presents Ally's consolidated statement of income (unaudited) from the 1Q 2013 Form 10-Q for the three months ended March 31, 2013:

(\$ in millions)	Three months ended March 31,	
	2013	2012
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	\$ 1,135	\$ 1,093
Interest on loans held-for-sale	16	31
Interest on trading assets	—	9
Interest and dividends on available-for-sale investment securities	68	74
Interest-bearing cash	3	2
Operating leases	734	507
Total financing revenue and other interest income	1,956	1,716
Interest expense		
Interest on deposits	164	163
Interest on short-term borrowings	16	17
Interest on long-term debt	701	880
Total interest expense	881	1,060
Depreciation expense on operating lease assets	435	305
Net financing revenue	640	351
Other revenue		
Servicing fees	82	122
Servicing asset valuation and hedge activities, net	(201)	(106)
Total servicing income, net	(119)	16
Insurance premiums and service revenue earned	259	270
Gain on mortgage and automotive loans, net	38	20
Other gain on investments, net	51	89
Other income, net of losses	157	210
Total other revenue	386	605
Total net revenue	1,026	956
Provision for loan losses	131	98
Noninterest expense		
Compensation and benefits expense	285	303
Insurance losses and loss adjustment expenses	115	98
Other operating expenses	558	454
Total noninterest expense	958	855
(Loss) income from continuing operations before income tax expense	(63)	3
Income tax (benefit) expense from continuing operations	(123)	1
Net income from continuing operations	60	2
Income from discontinued operations, net of tax	1,033	308
Net income	1,093	310
Other comprehensive (loss) income, net of tax	(317)	187
Comprehensive income	\$ 776	\$ 497

[Statement continues on next page]

(\$ in millions)	Three months ended March 31,	
	2013	2012
Net income attributable to common shareholders		
Net income from continuing operations	\$ 60	\$ 2
Preferred stock dividends - U.S. Department of Treasury	(133)	(134)
Preferred stock dividends	(67)	(67)
Net loss from continuing operations attributable to common shareholders	(140)	(199)
Income from discontinued operations, net of tax	1,033	308
Net income attributable to common shareholders	\$ 893	\$ 109
Basic weighted-average common shares outstanding	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970
Basic earnings per common share		
Net loss from continuing operations	\$ (105)	\$ (149)
Income from discontinued operations, net of tax	776	231
Net income	\$ 671	\$ 82
Diluted earnings per common share (a)		
Net loss from continuing operations	\$ (105)	\$ (149)
Income from discontinued operations, net of tax	776	231
Net income	\$ 671	\$ 82

(a) Due to the anti-dilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for the three months ended March 31, 2013 and 2012, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share

The Notes to Condensed Consolidated Financial Statements accompanying Ally's consolidated statement of income (unaudited) in this Resolution Plan and its 1Q 2013 Form 10-Q are an integral part of Ally's unaudited consolidated financial statements.

1. Capital

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

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the capital adequacy guidelines, Total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed-rate cumulative preferred stock sold to the U.S. Treasury under the Troubled Asset Relief Program, less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt, and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital. Finally, Total capital is the sum of Tier 1 and Tier 2 capital.

Under the capital adequacy guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (Total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio (Tier 1 capital to risk-weighted assets) of 4%. The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted quarterly average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4%, depending on factors specified in the regulations.

A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for an insured depository institution, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

The banking regulators also have developed a measure of capital called Tier 1 common, defined as Tier 1 capital less non-common elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors, and analysts to assess and compare the quality and composition of Ally's capital with the capital of other financial services companies. In addition, bank holding companies with assets of \$50.0 billion or more, such as AFI, must develop and maintain a capital plan annually and, among other elements, the capital plan must include a discussion of how AFI will maintain a *pro forma* Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

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

The following table summarizes AFI and Ally Bank's capital ratios as of March 31, 2013 and December 31, 2012:

(\$ in millions)	March 31, 2013		December 31, 2012		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Risk-based capital						
Tier 1 (to risk-weighted assets)						
AFI	\$ 20,663	14.59 %	\$ 20,232	13.13 %	4.00 %	6%
Ally Bank	14,380	16.68	14,136	16.26	4.00	6.00
Total (to risk-weighted assets)						
AFI	\$ 22,084	15.59 %	\$ 21,669	14.07 %	8.00 %	10%
Ally Bank	15,073	17.48	14,827	17.06	8.00	10.00

[Table continues on the next page.]

(\$ in millions)	March 31, 2013		December 31, 2012		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Tier 1 leverage (to adjusted quarterly average assets) (a)						
AFI	\$ 20,663	12.01 %	\$ 20,232	11.16 %	3.00-4.00%	(b)
Ally Bank	14,380	15.59	14,136	15.30	15.00	(c) 5%
Tier 1 common (to risk-weighted assets)						
AFI	\$ 11,180	7.89 %	\$ 10,749	6.98 %	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

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

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

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

On March 31, 2013, AFI and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

2. Basel Capital Accord

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord (“Capital Accord” or “Basel I”) of the Bank for International Settlements' Basel Committee on Banking Supervision (“Basel Committee”). The Capital Accord was published in 1988 and generally applies to depository institutions and their holding companies in the United States. In 2004, the Basel Committee published a revision to the Capital Accord (“Basel II”). The goal of the Basel II capital rules is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk-management practices among large, internationally active banking organizations. U.S. banking regulators published final Basel II rules in December 2007. Basel II contemplated a three-year transition period during which a bank holding company or bank could gradually lower its capital level below the levels required by Basel I. However, under a final capital rule that implements a provision of the Dodd-Frank Act, AFI and Ally Bank must continue to calculate their risk-based capital requirements under Basel I, and the capital requirements that each computes under Basel I will serve as a floor for its risk-based capital requirement computed under Basel II. As of December 31, 2013, Ally is not required to comply with the Basel II rules as implemented by the U.S. banking regulators.

In addition to Basel II, the Basel Committee adopted new capital, leverage, and liquidity guidelines under the Capital Accord in December 2010 (“Basel III”), which when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III calls for an increase of the minimum Tier 1 common equity ratio to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets, raising the target minimum common equity ratio to 7.0%. Basel III increases the minimum Tier 1 capital ratio to 8.5% (inclusive of the capital conservation buffer), increases the minimum Total capital ratio to 10.5% (inclusive of the capital conservation buffer), and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a non-risk adjusted Tier 1 leverage ratio of 3%, based on a measure of the total exposure rather than total assets, and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multi-year period. The Basel III rules also call for a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, MSRs, and deferred tax assets through timing

differences. In addition, under the Basel III rules, after a ten-year phase-out period beginning in January 2013, trust preferred and other "hybrid" securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions (e.g., for debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other "hybrid" securities are phased out from Tier 1 capital over a three-year period starting January 2013.

In July 2013, the U.S. federal banking agencies finalized rules implementing the Basel III regulatory capital framework and related Dodd-Frank Act changes. The final rules represent substantial revisions to the regulatory capital rules for banking organizations. Highlights of the final rules include a revised definition of capital in order to implement the Basel III reforms as well as higher minimum capital ratios that will apply to most banking organizations. The final rules remove the use of credit ratings from both the standardized and advanced approaches, as required by the Dodd-Frank Act. In addition, the standards in the existing Basel I risk-based capital rules, which are referred to as the "general risk-based capital requirements," have been revised to include a more risk-sensitive risk-weighting approach. The phase-in period applicable to Ally begins in January 2015.

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

3. Capital Planning and Stress Tests

In December 2011, the U.S. banking regulators imposed capital planning and stress test requirements on bank holding companies with \$50.0 billion or more of consolidated assets. The capital planning regime requires Ally to submit a proposed capital plan to the Federal Reserve every January, which the Federal Reserve must take action on by the following March. The proposed capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including issuance of any debt or equity capital instrument, any capital distribution and any similar action that the Federal Reserve determines could have an impact on Ally's consolidated capital. The proposed capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5%, and serve as a source of strength to Ally Bank. The Federal Reserve's capital plan rule requires that Ally receive no objection from the Federal Reserve before making a capital distribution. If the Federal Reserve objects to the capital plan, or if certain material events occur after approval of a plan, Ally must submit a revised capital plan within 30 days. In addition, even with an approved capital plan, Ally must seek the approval of the Federal Reserve before making a capital distribution if, among other factors, Ally would not meet its regulatory capital requirements after making the proposed capital distribution.

In October 2012, U.S. banking regulators issued final rules on stress testing. The Federal Reserve's final rule requires Ally to conduct semi-annual (annual and mid-cycle) stress tests under baseline, adverse, and severely adverse economic scenarios over a nine-quarter planning horizon. The FDIC's final rule requires Ally Bank to conduct an annual stress test under baseline, adverse, and severely adverse economic scenarios over a nine-quarter planning horizon. Under these rules, Ally and Ally Bank are required to submit the results of these stress tests to regulators and publicly disclose the results of the stress tests under the severely adverse economic scenario. Per the rules, the regulators will also publish, by March 31 of each calendar year, a summary of the supervisory stress test results for each company.

Stress tests are intended to provide supervisors with forward-looking information to help identify downside risk and the potential effect of adverse conditions on capital adequacy. Stress tests required under the Federal Reserve's final rule are integrated into the capital planning process under the Federal Reserve's capital plan rule. In January 2013, Ally submitted the required 2013 capital plan and stress tests as required by these regulations. In March 2013, the Federal Reserve objected to the capital plan both on quantitative and qualitative grounds. Ally submitted a revised capital plan on September 6, 2013. The Federal Reserve announced that it has not objected to Ally's revised capital plan on November 15, 2013. In connection with its reviews, the Federal Reserve continues to provide its approval for dividend and interest payments on preferred equity and debt instruments included in Ally's regulatory capital, including preferred stock, trust preferred securities, and subordinated debt.

4. Funding and Liquidity

Ally's funding strategy largely focuses on the development of diversified funding sources, which it manages across products, programs, markets, and investor groups. Ally funds its assets primarily with a mix of retail and brokered deposits, public and private asset-backed securitizations, asset sales, committed and uncommitted credit facilities, and public unsecured debt.

The diversity of Ally's funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. Throughout 2008 and 2009, the global credit markets experienced extraordinary levels of volatility and stress. As a result, access by market participants, including Ally, to the capital markets was significantly constrained and borrowing costs increased. In response, numerous government programs were established aimed at improving the liquidity position of U.S. financial services firms. After AFI converted to a bank holding company in late 2008, Ally participated in several of these programs, including the Temporary Liquidity Guaranty Program ("TLGP"), Term Auction Facility, and Term Asset-Backed Securities Loan Facility. Ally's diversification strategy and participation in these programs helped it maintain sufficient liquidity during this period of financial distress to meet all maturing unsecured debt obligations and to continue its lending and operating activities. During 2012, Ally repaid the TLGP debt; the other programs were discontinued prior to 2012.

As part of AFI's overall transformation from an independent financial services company to a bank holding company, Ally took actions to further diversify and develop more stable funding sources and, in particular, embarked upon initiatives to grow its consumer deposit-taking capabilities within Ally Bank. In addition, Ally began distinguishing its liquidity management strategies between bank funding and non-bank funding.

Maximizing bank funding continues to be the cornerstone of Ally's long-term liquidity strategy. Ally has made significant progress in migrating assets to Ally Bank and growing Ally Bank's retail deposit base since AFI became a bank holding company. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in Ally's credit ratings, than other funding sources. As of March 31, 2013, Ally Bank had \$49.5 billion of total external deposits, including \$38.8 billion of retail deposits, which constituted about 40% of Ally's total funding. This compares to just 14% on December 31, 2008.

In addition to building a larger deposit base, Ally continues to remain active in the securitization markets to finance Ally Bank's automotive financing portfolios. For example, during 2012, Ally issued \$11.8 billion in secured funding backed by automotive retail installment sale contracts and retail leases as well as dealer floorplan automotive loans of Ally Bank. Continued structural

efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. In addition, for retail installment sale contracts and retail leases, the term structure of the transaction locks in funding for a specified pool of retail installment sale contracts and leases for the life of the underlying assets. Once a pool of retail installment sale contracts is selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously, resulting in committed and matched funding for the life of the assets. Ally manages the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As Ally has shifted its focus to migrating assets to Ally Bank and growing its bank funding capabilities, Ally's reliance on parent company liquidity has consequently been reduced. Funding sources at AFI generally consist of longer-term unsecured debt, private credit facilities, and asset-backed securitizations. For example, in 2012, AFI issued over \$3.6 billion of unsecured debt globally through several issuances. On March 31, 2013, Ally had \$1.0 billion and \$5.6 billion of outstanding unsecured long-term debt with maturities in 2013 and 2014, respectively. To fund these maturities, Ally expects to use existing pre-issued liquidity combined with maintaining an opportunistic approach to new issuances.

The strategies previously outlined have allowed Ally to build and maintain a conservative liquidity position. On March 31, 2013, total available liquidity at AFI and Ally Bank was \$19.5 billion and \$10.4 billion, respectively. AFI liquidity is defined as Ally's consolidated operations, less Ally Bank and the subsidiaries of Ally Insurance Holdings, Inc. ("Ally Insurance Holdings"). At the same time, since the first quarter of 2011, these strategies have also resulted in a cost of funds improvement of approximately 95 basis points at December 31, 2012. Looking forward, given Ally's enhanced liquidity and capital position and generally improved credit ratings, Ally expects that its cost of funds will continue to improve over time.

5. Troubled Asset Relief Program

As part of the Automotive Industry Financing Program created under the Troubled Asset Relief Program ("TARP") established by the U.S. Department of Treasury ("Treasury") under the Emergency Economic Stabilization Act of 2008 ("EESA"), AFI has entered into agreements pursuant to which Treasury has made investments in AFI. As a result of these investments, subject to certain exceptions, AFI and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing, or acquiring any AFI common stock without the consent of Treasury. AFI has further agreed that while any obligation of AFI arising from financial assistance provided under TARP remains outstanding, AFI will comply with certain restrictions on executive perquisites and compensation. AFI must also take all necessary action to ensure that its benefit plans comply with Section 111(b) of the EESA as implemented by any guidance or regulation under the EESA, as amended by the American Recovery and Reinvestment Act of 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009, and any rulings, limitations, or restrictions implemented or issued by the Office of the Special Master for TARP Compensation.

D. Description of Derivative and Hedging Activities

Derivatives are instruments that derive their value from underlying asset prices, indices, reference rates, and other inputs, or a combination of these factors. Derivatives may be listed or traded on

an exchange or they may be privately negotiated contracts, which are usually referred to as over-the-counter derivatives.

Ally enters into derivative transactions, including interest-rate swaps, futures, forwards, options, and swaptions, in connection with its market risk management activities. Derivatives are used to manage interest-rate risk relating to specific groups of assets and liabilities, including automotive receivables and debt. Ally's primary objective for utilizing derivatives is to manage market risk volatility associated with interest-rate risks related to its assets and liabilities.

In addition, Ally uses foreign exchange contracts to mitigate foreign-currency risk associated with foreign currency-denominated investment securities, foreign currency-denominated debt, foreign exchange transactions, and Ally's net investment in foreign subsidiaries. Derivatives that were held for trading purposes were limited to those entered into by Ally's broker-dealer. Since the discontinuation of that business, Ally no longer has any derivatives classified as trading.

1. Interest Rate Risk

Ally executes interest-rate swaps to modify the exposure to interest-rate risk by converting certain fixed-rate instruments to a variable rate and certain variable-rate instruments to a fixed rate. Ally monitors the mix of fixed- and variable-rate assets and liabilities. When it is cost-effective to do so, Ally may enter into interest-rate swaps to achieve the desired mix of fixed- and variable-rate assets and debt. Some of these hedges may qualify for hedge accounting treatment. Economic hedges have also been entered into to mitigate exposure for the following categories: mortgage servicing rights, mortgage loan commitments, mortgage loans held-for-sale, debt, equity and other fixed versus variable rate exposure. Ally sold its agency MSR's during the second quarter of 2013. As of September 30, 2013, Ally had no mortgage loan commitments and an immaterial amount of held-for-sale mortgage loans. Thus, Ally no longer hedges these activities.

2. Foreign Currency Risk

Ally enters into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to foreign currency financial instruments. While Ally has reduced the foreign exchange exposure to net investments in foreign operations through the sales of discontinued international businesses, foreign-currency forwards and option-based contracts have been entered into with external counterparties to hedge foreign exchange exposure on our net investments. A centralized-lending program is also used to manage liquidity for the subsidiary businesses, but as of September 30, 2013, this activity is immaterial given the limited international operations.

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

3. Counterparty Credit Risk

Derivatives contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivatives is measured as the net replacement cost should the counterparties that owe Ally 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.

To mitigate the risk of counterparty default, Ally maintains collateral agreements with its counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivatives meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, Ally's collateral arrangements are bilateral such that Ally and the counterparty each post collateral for the value of its total obligation to the other party. Contractual terms provide for standard and customary exchanges 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. Ally also has unilateral collateral agreements whereby either Ally or its counterparty is the only entity required to post collateral. Finally, certain derivatives contain provisions that require Ally to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event.

E. Memberships in Material Payment, Clearing, and Settlement Systems

To facilitate its business and support client and customer needs, Ally maintains memberships with and participates in certain payment, clearing, and settlement systems, which are also known as financial market utilities (“FMUs”). FMUs permit Ally to provide payment services to clients and customers, and to engage in derivatives transactions as needed to manage risk, secure funding, and meet the needs of its clients and customers. In this context, “membership” means that Ally has direct access to these FMUs.

The following table lists the material payment, clearing, and settlement systems in which Ally maintains a direct membership.

Type	FMU	Description of Services
Payment Systems	Fedwire Funds Service	Electronic payment system for cash in the United States
	FedACH Services	Electronic payment system for batched payment services and the electronic exchange of debit and credit transactions through the Automated Clearing House (“ <u>ACH</u> ”) network
International Messaging Utility	SWIFT (The Society for Worldwide Interbank Financial Telecommunication)	Telecommunication platform for the exchange of standardized financial messages between financial institutions, between financial institutions and market infrastructures, and between financial institutions and their corporate clients and customers

F. Description of Non-U.S. Operations

During 2012, Ally decided to sell substantially all of its international businesses, which included automotive finance, insurance, and banking and deposit operations. On February 1, 2013, Ally completed the sale of its Canadian automotive finance operation to Royal Bank of Canada. On February 28, 2013, Ally completed the sale of Car Care Plan (Holdings) Ltd. , which held its remaining insurance operations in Europe and Latin America, to Amtrust Financial Services. On April 1, 2013, Ally completed the sale of the majority of its automotive finance operations in Europe and Latin America to GM Financial. On May 2, 2013, Ally completed the sale of its Mexican insurance

company, Aba Seguros, S.A. de C.V., to ACE Limited. On June 1, 2013, Ally completed the sale of the remainder of its automotive finance operations in Europe to GM Financial. On October 1, 2013, Ally completed the sale of the remainder of its automotive finance operations in Latin America to GM Financial. Finally, Ally anticipates closing the sale of its share in a joint venture in China to GM Financial during 2014.

For further details with respect to Ally's sales of international operations, refer to Notes 2 and 31 to the Consolidated Financial Statements in the 2012 Form 10-K, to Notes 2 and 27 to the 1Q 2013 Form 10-Q, Note 2 to the 2Q 2013 Form 10-Q, Notes 2 and 27 to the 3Q 2013 Form 10-Q, and to AFI's Current Report on Form 8-K filed on July 9, 2013. For further details with respect to sales that have been completed, refer to AFI's Current Reports on Form 8-K filed February 5, 2013, April 2, 2013, May 2, 2013, June 3, 2013, and October 2, 2013.

Upon completion of these transactions, Ally's non-U.S. operations will be limited to the following:

- Motors Insurance Corporation ("MIC"), an U.S.-based insurance unit, operating through a Canadian branch ("Canadian Branch"), engages in the underwriting of vehicle service contracts, wholesale vehicle inventory insurance, and a tire road hazard program throughout Canada; and a third party administration unit responsible for marketing, sales, policy and claim administration of vehicle service and tire road hazard contracts as well as a maintenance program for GM Canada. The Canadian Branch is not a separate legal entity but a branch of MIC.
- Ally International Insurance Company Ltd., a subsidiary of Ally Insurance Holdings, is a Bermuda re-insurance company with a 50% quota share reinsurance agreement for the vehicle service contract business underwritten by the Canadian Branch of MIC.
- Limited non-automotive commercial finance activity in Canada, which is managed from the United States.
- A small number of companies engaged in the process of liquidating portfolios of assets from Ally's prior non-U.S. operations.

On April 1, 2013, after excluding pending sales, Ally had approximately \$1.1 billion in non-U.S. assets.

G. Material Supervisory Authorities

As a participant in the banking and insurance industries, Ally is subject to extensive regulation and supervision under U.S. federal and state laws.

1. Holding Company Supervision

As a bank holding company under the BHC Act, AFI is subject to supervision and examination by the Federal Reserve and the Consumer Financial Protection Bureau (for certain consumer protection purposes). Under the system of "functional regulation" established under the BHC Act, the Federal Reserve serves as the primary regulator of the consolidated Ally organization, and coordinates with the primary regulators of Ally's U.S. non-bank subsidiaries with respect to the

activities of those subsidiaries. Such “functionally regulated” non-bank subsidiaries include the insurance company subsidiaries of Ally Insurance Holdings (“Insurance Subsidiaries”).

2. Ally Bank

Ally Bank is a Utah state-chartered nonmember bank, and a member of the FDIC. Ally Bank is supervised and examined by the FDIC's New York regional office, the Utah Department of Financial Institutions (“UDFI”), and the Consumer Financial Protection Bureau (for certain consumer protection purposes).

3. State Supervision

AFI and Ally Bank hold sales finance company licenses in a number of states. Accordingly, AFI and Ally Bank may be subject to examination by the state banking department or other applicable regulatory authority in connection with the activities authorized by and conducted pursuant to such licenses.

4. Insurance Subsidiaries

The Insurance Subsidiaries are subject to certain minimum aggregate capital requirements and net asset and dividend restrictions under applicable state insurance law, as well as the rules and regulations promulgated by various U.S. regulatory agencies. Under various state insurance regulations, dividend distributions may be made only from statutory unassigned surplus with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. The Insurance Subsidiaries are also subject to applicable state laws generally governing insurance companies, as well as laws and regulations for products that are not regulated as insurance, such as vehicle service contracts and GAP products. The Canadian Branch of MIC is also regulated by the Office of the Superintendent of Financial Institutions under a similar regulatory regime.

Additional information on Ally's supervision and regulation can be found in Ally's '34 Act Reports, including the sections on “Certain Regulatory Matters” and “Risks Related to Regulation” on pages 4-10 and 11-15, respectively, of the 2012 Form 10-K.

H. Principal Officers

1. Principal Officers of AFI

- **Michael A. Carpenter, Chief Executive Officer**
Michael Carpenter was named Chief Executive Officer of AFI in November 2009 and has served on its Board of Directors since May 2009. He oversees all strategy and operations to focus on strengthening the core businesses, while positioning the company for long-term growth.
- **William F. Muir, President**
William Muir is President of AFI and head of its Dealer Financial Services business. He oversees the company's automotive finance, insurance, vehicle remarketing and

servicing operations. Muir is also a member of the Ally Bank Board of Directors. Muir joined GMAC (now known as AFI) in 1992 as Vice President of National Accounts. In 1995, he became Vice President of Eastern U.S. Operations. In 1996, Muir transferred to General Motors' Delphi Automotive Systems unit as Executive-in-Charge of Operations and was later appointed Executive Director of Planning. Muir returned to GMAC in February 1998 as Executive Vice President and Chief Financial Officer. He was given the additional title of Chairman of GMAC's Insurance Group in June 1999 and named President of GMAC in 2004.

- **Jeffrey J. Brown, Senior Executive Vice President of Finance and Corporate Planning**

Jeffrey Brown was appointed Senior Executive Vice President of Finance and Corporate Planning of AFI in June 2011. In this role, Brown oversees the finance, treasury, and corporate strategy activities of the company. Brown joined AFI in March 2009 as Corporate Treasurer with responsibility for global treasury activities, including funding and balance sheet management.

- **Christopher A. Halmy, Chief Financial Officer**

Christopher Halmy was named Chief Financial Officer of AFI in November 2013. In this role, he is responsible for the oversight of the company's financial analysis, treasury, controls and reporting, accounting, business planning and investor relations. Halmy joined AFI in 2009 and has served as Corporate Treasurer since 2011.

- **David J. DeBrunner, Vice President, Chief Accounting Officer, and Corporate Controller**

David DeBrunner was named Vice President, Chief Accounting Officer, and Controller of AFI in September 2007. DeBrunner joined Ally from Fifth Third Bancorp (“Fifth Third”) where he was Senior Vice President, Corporate Controller, and Chief Accounting Officer from January 2002 to August 2007. In this role, he is responsible for the company's accounting, external reporting, financial controls, tax, and finance shared services.

- **Brian M. Gunn, Chief Risk Officer**

Brian Gunn was named Chief Risk Officer of AFI in November 2011. In this role, Gunn has overall responsibility for achieving an appropriate balance between risk and return, mitigating unnecessary risk and protecting the company's financial returns. Gunn joined AFI in 2008 as Chief Risk Officer for the Global Automotive Services business where he was responsible for overseeing disciplined risk processes, governance and analytics in support of Ally's efforts to diversify and grow its automotive product lines. In this role, Gunn established a global automotive risk management framework for all product lines across North America, Latin America, Europe and China.

2. Principal Officers of Ally Bank

- **Barbara A. Yastine, Chairman, Chief Executive Officer and President**

Barbara A. Yastine was named Chief Executive Officer and President of Ally Bank in May 2012. She also continues as Chair of Ally Bank, a position she assumed when she joined AFI in 2010. Yastine is a seasoned executive with diverse experience in financial services. She joined AFI in May 2010 as Chief Administrative Officer, where

she had oversight for the risk, compliance, legal and technology functions, as well as serving as Ally Bank Chair.

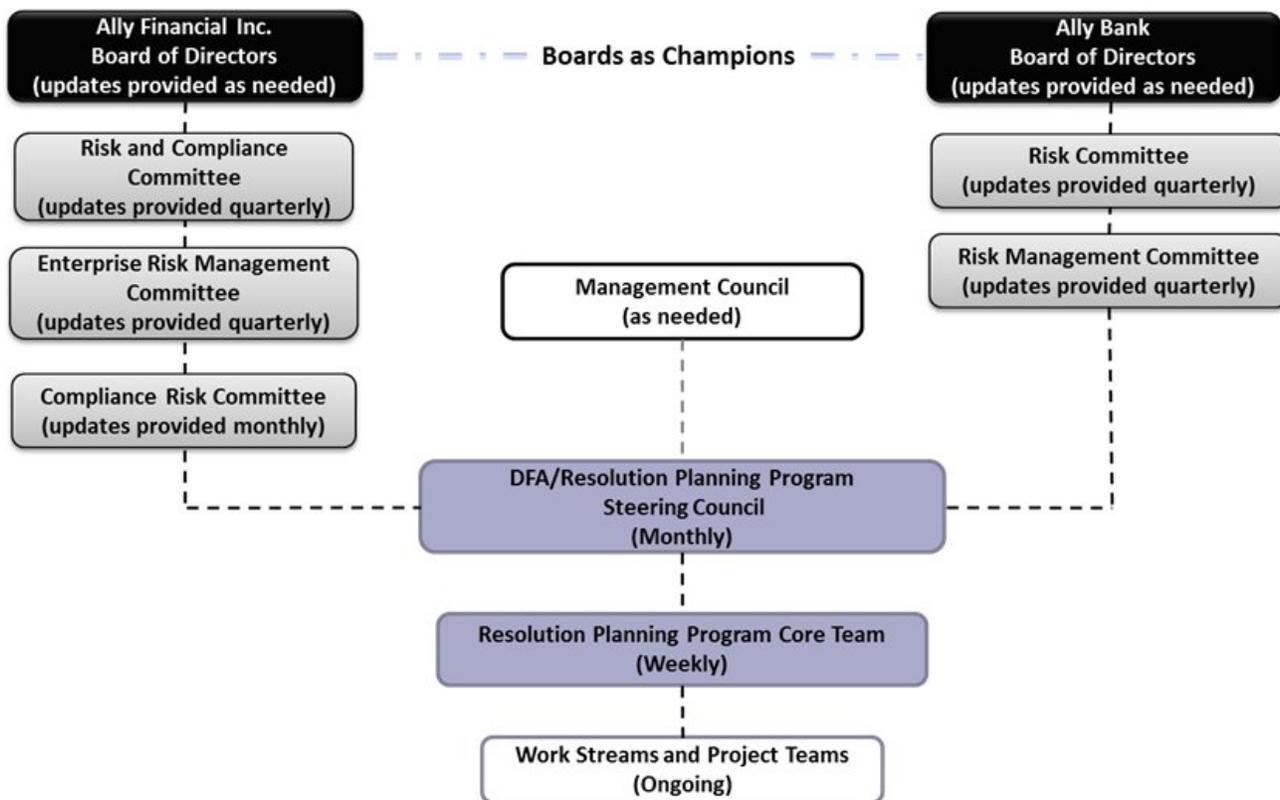
- **Diane E. Morais, Deposits and Line of Business Integration Executive**
Diane Morais is the Deposits and Line of Business Integration Executive for Ally Bank. In this capacity, she is responsible for overseeing the overall growth and profitability of the deposit business, including Ally Bank marketing strategies, customer experience product and pricing optimization, customer contact centers, and back office operations. Morais also oversees Ally Bank's Community Reinvestment Act activities. In addition to being a member of the Ally Bank Board of Directors, she serves as the primary liaison between Ally Bank and other key business areas to evaluate opportunities for growth and ensure strategic alignment.
- **David P. Shevsky, Chief Risk Officer**
David Shevsky was named Chief Risk Officer for Ally Bank in June 2011. In this role he is responsible for recommending and administering risk management policies, processes and systems to ensure that the organization operates within stated risk-return characteristics. The position spans the entire organization and covers credit, market, and operational risk. Prior to becoming the Chief Risk Officer for Ally Bank, Shevsky was the AFI Loan Review Executive. In that role he was responsible for establishing a loan review function that provided AFI senior management and the Risk and Compliance Committee of the Board of Directors with independent and ongoing assessments of AFI's loan portfolios and credit risk management practices. Previously, Shevsky was a Senior Vice President, Enterprise Risk Policy, for GMAC Enterprise Risk Services. In that role he was responsible for leading an enterprise-wide approach for economic capital management and commercial credit risk management. Dave collaborated with senior executive management and operational management at all GMAC entities to implement the framework.
- **James N. Young, Chief Financial Officer**
James Young was named Chief Financial Officer of Ally Bank in August 2013. Previously Young served as Chief Financial Executive of Ally Bank from May 2011 until his appointment as Chief Financial Officer. In this role, he is responsible for the oversight of all finance and treasury activities of Ally Bank. He joined Ally Bank's Board of Directors in November 2013. Previously Young served as Chief Financial Officer for the mortgage operations of AFI and ResCap. In that role he was responsible for financial oversight, analysis, controls and reporting, accounting and business planning for the company's mortgage-related operations. Young also held a number of other leadership roles at ResCap, including Deputy Chief Financial Officer, Residential Finance Group Chief Financial Officer, Chief Accounting Officer, and Controller.

I. Resolution Planning Corporate Governance Structure and Processes Related to Resolution Planning

1. Corporate Governance and Oversight

Corporate governance and management oversight are fundamental to Ally's resolution planning process, and are conducted through a network that includes the Boards of Directors of AFI and

Ally Bank, Board committees, senior management committees, management councils, legal entity and business line management, and key functions. Governance and oversight begin with the Boards of Directors of AFI and Ally Bank, which serve, both directly and through their respective Risk and Compliance and Risk Committees, as overall “Champions” for the resolution planning process:



Other management committees and councils involved in the governance, oversight, and development of the Plans include the following committees and councils at AFI and Ally Bank:

Enterprise Risk Management Committee (“ERMC”). As the most senior risk and compliance management committee at AFI, the ERMC oversees the responsibility of senior management to manage Ally's risk profile within the appetite and tolerances set by the Risk and Compliance Committee of the AFI Board of Directors. In addition, the ERMC oversees the implementation of Ally's risk and compliance programs, including the resolution planning process.

Compliance Risk Committee (“CRC”). The CRC is a subcommittee of the ERMC. The CRC is responsible for oversight of Ally's compliance risk management strategy and compliance program implementation and maintenance efforts. The CRC is enterprise-wide, covering compliance matters emanating from Ally's business lines, legal entities, and global functions, including the resolution planning process.

Risk Management Committee (“RMC”). As the most senior risk and compliance management committee at Ally Bank, the RMC oversees the responsibility of senior management to monitor Ally Bank's risk profile within the authorities and tolerances established by the Risk Committee of the

Ally Bank Board of Directors. In addition, the RMC oversees the implementation of Ally Bank's risk and compliance programs, including the resolution planning process.

Dodd-Frank/Resolution Planning Program Steering Council (“DFA/RPP Steering Council”). AFI and Ally Bank jointly established the DFA/RPP Steering Council to provide strategic guidance and oversight for Dodd-Frank Act compliance, including the resolution planning process. In addition to its general Dodd-Frank Act compliance activities, the DFA/RPP Steering Council reviews Ally's progress towards meeting regulatory compliance deadlines for the resolution planning process, evaluates risks to Ally's compliance with the Rules, provides guidance for the scope of activities to be pursued in the course of compliance, and monitors expenses incurred for compliance activities related to the resolution planning process.

2. Resolution Planning Process

The Resolution Planning Program Core Team (“Core Team”) actively works to develop and maintain the Plans and to ensure the Plans contain the information required by the Rules and by the materials and feedback provided in regular meetings with the Federal Reserve and the FDIC. The Core Team coordinates various workstreams in the business lines and global functions in the development and maintenance of the Plans. In the course of its regular activities, the Core Team:

- Evaluated the resolution planning assumptions provided by the Federal Reserve and the FDIC, and developed additional assumptions internally
- Together with internal and external counsel, reviewed the impact of counterparties' contractual rights on the resolution planning process and the Plans
- Reviewed potential resolution strategies for Ally and Ally Bank and, in consultation with external financial consultants and internal and external counsel, identified the strategies set forth in the Plans
- Based on information from, among other sources, Ally's material management information systems, identified Ally's Material Entities, Core Business Lines, Critical Operations (if any, including any Critical Operations identified by the Federal Reserve and the FDIC), and Critical Services
- Reviewed Ally's Core Business Lines, Critical Services, and any Critical Operations to determine how they could best be maintained, sold, or wound down in a rapid and orderly manner
- Identified and reviewed potential impediments to the resolution strategies set forth in the Plans and their potential mitigants

The Plans were developed and vetted broadly throughout the Ally organization. The Plans were presented to senior management, internal governance committees, and subject matter experts in the business lines and global functions. Following these reviews, the Plans were presented to the Board committees responsible for resolution planning and, ultimately, to the Boards of Directors of AFI and Ally Bank for review and approval.

3. Board Approval and Submission

As required by the Section 165 Rule, the AFI Board of Directors approved the Section 165 Plan on December 19, 2013. As required by the IDI Rule, the Ally Bank Board of Directors approved the IDI Plan on December 5, 2013. Ally submitted the Section 165 and IDI Plans on December 20, 2013.

J. Description of Material Management Information Systems

Ally extensively leveraged its material Management Information Systems (“MIS”) in the preparation and production of the Plans. Ally's material MIS are composed of both internally-developed applications and vendor software packages, some of which are externally hosted, that interface with strategic data provisioning systems for each major line of business and support function. Ally's material MIS are used to support critical business operations and to provide reporting and analytics for Ally's risk, capital, liquidity, and financial management activities. The same MIS are also used to support regulatory reporting and ad-hoc information requests.

Ally's material MIS are governed by architecture standards supported by an Architecture Review Board to drive consistency, facilitate efficiency, and enforce appropriate controls regarding the flow of critical data. Changes to MIS are governed under a documented Ally change methodology and process.

In order to ensure the quality of the data in its material MIS, Ally has a defined Data Governance policy and framework, and is developing standards for critical data elements. A Global Data Governance Council, chaired by Ally's Data Governance Executive and composed of Data Stewards across all lines of business and support functions, oversees Ally's data governance activities and champions continuous improvement initiatives.

Ally has a business continuity program that has prepared the organization for a broad array of situations. Ally utilizes multiple data centers to provide failovers to key systems, high frequency back-ups for individual workstations, and mobile command and operations centers to provide temporary workspace. Ally also has a high capacity virtual private network to allow for home-based access should the need arise.

Ally has implemented an Identity and Access Management system to provide and remove access to key systems. Privileged access is reviewed quarterly by hiring managers and audited to ensure proper access rights are granted.

Information Security policy and standards, built on an international framework and adhering to regulatory expectations for the financial services sector, have been established and deployed throughout the company to ensure systems and desktops are maintained and assessed utilizing a risk-based approach.

K. High-Level Description of Resolution Strategy

1. Assumptions

The Federal Reserve and the FDIC have mandated the use of certain baseline assumptions by Ally and Ally Bank in the preparation of the Section 165 Plan and the IDI Plan, respectively. These assumptions include the following:

- With no prior disruption to the financial markets, Ally and Ally Bank have experienced a sudden, unforeseen idiosyncratic financial loss or liquidity event resulting in “material financial distress,” *i.e.*, Ally has incurred, or is likely to incur, losses that will deplete all or substantially all of its capital, and there is no reasonable prospect for Ally to avoid such depletion; Ally's assets are, or are likely to be, less than its obligations to creditors and others; or Ally is, or is likely to be, unable to pay its obligations (other than those subject to a *bona fide* dispute) in the normal course of business. See 12 C.F.R. §§ 243.2(m); 381.2(m)
- All Material Entities fail and commence insolvency proceedings under their respective insolvency regime
- U.S. financial markets are functioning normally for other market participants
- Other market participants are in good financial condition and have not been adversely affected by the idiosyncratic event that caused the failure of Ally and Ally Bank
- No extraordinary government support or assistance
- Unsecured funding is unavailable to Ally

The circumstances leading to an actual failure of a financial institution such as Ally or Ally Bank are likely to differ, perhaps substantially so, from the assumptions on which the Plans are premised. These differences might materially alter the specific strategies and choices made and undertaken in the course of an actual resolution.

Ally and Ally Bank considered a variety of strategies or options during the development of the Plans. Each of those strategies or options considered:

- The different insolvency regimes to which the Material Entities would be subject
- The contractual terms of Ally's contracts and transactions (*e.g.*, qualified financial contracts) with counterparties, how those contracts would be affected and the actions those counterparties might take in response to Ally's material financial distress

Finally, the Plans themselves have been developed to satisfy the following requirements:

- Ensure the rapid and orderly resolution of Ally in a manner that avoids systemic risk to the U.S. financial system and the U.S. economy
- Protect Ally Bank in the event one or more of Ally's other Material Entities fails
- Minimize disruption to Ally's customers and to the financial markets generally
- Ensure that Ally Bank continues to receive all necessary Critical Services during the pendency of its resolution
- Ensure that depositors have access to their insured deposits at Ally Bank within one business day of Ally Bank's failure (two business days if the failure occurs on a day other than Friday)

- Enable the FDIC to resolve Ally Bank without taxpayer support and at least-cost to the Deposit Insurance Fund
- Preserve the value of Ally's Core Business Lines to the greatest extent possible, subject to the foregoing requirements
- Ensure the continuation and funding of Critical Operations (if any)

2. Section 165 Plan

In the unlikely event that Ally became subject to a resolution, the Section 165 Plan contemplates that Ally's Material Entities other than Ally Bank and MIC would seek protection under Chapter 11 of the Bankruptcy Code. A Chapter 11 filing would make possible the orderly sale and disposition or, if necessary, the wind down of Ally's Automotive Finance Core Business Line. A Chapter 11 filing would also enable Ally to continue its operations, and make possible the continued provision of Critical Services to Ally Bank by AFI and Ally Servicing LLC. Ally anticipates that the Automotive Finance Core Business Line will be sold, subject to Bankruptcy Court approval, under section 363 of the Bankruptcy Code.

The Section 165 Plan assumes that the Director of the Michigan Department of Insurance and Financial Services ("Michigan Insurance Commissioner") would initially impose administrative supervision with respect to MIC, and subsequently ask MIC's Board of Directors to consent to rehabilitation proceedings. The Section 165 Plan assumes that MIC's Board of Directors consents to rehabilitation. Finally, the Plan assumes that, shortly after AFI files for protection under the Bankruptcy Code, the Michigan Insurance Commissioner would commence a proceeding in Michigan state court seeking to impose rehabilitation on MIC, which would result in the entry of an agreed order of rehabilitation by the Michigan state court placing MIC into rehabilitation and directing the Michigan Insurance Commissioner to take immediate possession of MIC's assets and administer them under the court's supervision. Throughout the Resolution Period, the Michigan Insurance Commissioner's goals are to avoid disruption for consumers and to preserve the value of MIC's business where possible. In light of these objectives, Ally anticipates that the Michigan Insurance Commissioner would prepare for and execute a sale process within 180 days of the commencement of the Resolution Period or, if in coordination with the auction of the Automotive Finance Core Business Line, within the first 90 days of the Resolution Period.

3. The IDI Plan

In the unlikely event that Ally Bank became subject to a resolution, the IDI Plan contemplates that Ally Bank would be placed into receivership by the UDFI and the FDIC would be appointed as receiver. Placing Ally Bank into a receivership potentially would allow Ally Bank to continue to provide operational support to the rest of the Ally organization. In a receivership, the FDIC would use its traditional resolution powers under the Federal Deposit Insurance Act, including the creation of a bridge bank, to make possible the orderly sale and disposition or, if necessary, the wind down of Ally Bank's deposits and Direct Banking Core Business Line. Ally anticipates that the FDIC's preferred resolution strategy would be the sale of Ally Bank in a purchase and assumption transaction over the Resolution Weekend.

4. Potential Purchasers

Ally believes that its Core Business Lines are highly attractive businesses. Potential purchasers under both the Section 165 Plan and the IDI Plan include multiple, diverse, and not necessarily overlapping potential purchasers such as U.S. and global financial institutions (including financial institutions affiliated with the motor vehicle manufacturers), private equity funds, and insurance companies.

Public
Exhibit
No. 1

Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,043	\$ 1,073
Interest-bearing	6,394	6,440
Total cash and cash equivalents	7,437	7,513
Investment securities	15,752	14,178
Loans held-for-sale, net (\$701 and \$2,490 fair value-elected)	718	2,576
Finance receivables and loans, net		
Finance receivables and loans, net	99,123	99,055
Allowance for loan losses	(1,197)	(1,170)
Total finance receivables and loans, net	97,926	97,885
Investment in operating leases, net	14,828	13,550
Mortgage servicing rights	917	952
Premiums receivable and other insurance assets	1,608	1,609
Other assets	7,950	11,908
Assets of operations held-for-sale	19,063	32,176
Total assets	\$ 166,199	\$ 182,347
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 844	\$ 1,977
Interest-bearing	49,482	45,938
Total deposit liabilities	50,326	47,915
Short-term borrowings	7,618	7,461
Long-term debt	67,621	74,561
Interest payable	972	932
Unearned insurance premiums and service revenue	2,286	2,296
Accrued expenses and other liabilities	3,669	6,585
Liabilities of operations held-for-sale	13,233	22,699
Total liabilities	145,725	162,449
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(6,128)	(7,021)
Accumulated other comprehensive (loss) income	(6)	311
Total equity	20,474	19,898
Total liabilities and equity	\$ 166,199	\$ 182,347

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

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.

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net	\$ 30,181	\$ 31,510
Allowance for loan losses	(152)	(144)
Total finance receivables and loans, net	30,029	31,366
Investment in operating leases, net	5,276	6,060
Other assets	2,211	2,868
Assets of operations held-for-sale	7,835	12,139
Total assets	\$ 45,351	\$ 52,433
Liabilities		
Short-term borrowings	\$ 400	\$ 400
Long-term debt	25,757	26,461
Interest payable	—	1
Accrued expenses and other liabilities	21	16
Liabilities of operations held-for-sale	5,762	9,686
Total liabilities	\$ 31,940	\$ 36,564

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

Public
Exhibit
No. 2

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	Three months ended March 31,	
	2013	2012
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	\$ 1,135	\$ 1,093
Interest on loans held-for-sale	16	31
Interest on trading assets	—	9
Interest and dividends on available-for-sale investment securities	68	74
Interest-bearing cash	3	2
Operating leases	734	507
Total financing revenue and other interest income	1,956	1,716
Interest expense		
Interest on deposits	164	163
Interest on short-term borrowings	16	17
Interest on long-term debt	701	880
Total interest expense	881	1,060
Depreciation expense on operating lease assets	435	305
Net financing revenue	640	351
Other revenue		
Servicing fees	82	122
Servicing asset valuation and hedge activities, net	(201)	(106)
Total servicing income, net	(119)	16
Insurance premiums and service revenue earned	259	270
Gain on mortgage and automotive loans, net	38	20
Other gain on investments, net	51	89
Other income, net of losses	157	210
Total other revenue	386	605
Total net revenue	1,026	956
Provision for loan losses	131	98
Noninterest expense		
Compensation and benefits expense	285	303
Insurance losses and loss adjustment expenses	115	98
Other operating expenses	558	454
Total noninterest expense	958	855
(Loss) income from continuing operations before income tax expense	(63)	3
Income tax (benefit) expense from continuing operations	(123)	1
Net income from continuing operations	60	2
Income from discontinued operations, net of tax	1,033	308
Net income	1,093	310
Other comprehensive (loss) income, net of tax	(317)	187
Comprehensive income	\$ 776	\$ 497

Statement continues on the next page.

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

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

<i>(\$ in millions except per share data)</i>	Three months ended March 31,	
	2013	2012
Net income attributable to common shareholders		
Net income from continuing operations	\$ 60	\$ 2
Preferred stock dividends — U.S. Department of Treasury	(133)	(134)
Preferred stock dividends	(67)	(67)
Net loss from continuing operations attributable to common shareholders	(140)	(199)
Income from discontinued operations, net of tax	1,033	308
Net income attributable to common shareholders	\$ 893	\$ 109
Basic weighted-average common shares outstanding	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970
Basic earnings per common share		
Net loss from continuing operations	\$ (105)	\$ (149)
Income from discontinued operations, net of tax	776	231
Net income	\$ 671	\$ 82
Diluted earnings per common share (a)		
Net loss from continuing operations	\$ (105)	\$ (149)
Income from discontinued operations, net of tax	776	231
Net income	\$ 671	\$ 82

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for the three months ended March 31, 2013 and 2012, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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

Public
Exhibit
No. 3

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2012 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
(State or other jurisdiction of
incorporation or organization)

38-0572512
(I.R.S. Employer
Identification No.)

**200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000**

(Address of principal executive offices)
(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act (all listed on the New York Stock Exchange):

Title of each class

10.30% Deferred Interest Debentures due June 15, 2015

7.30% Public Income Notes (PINES) due March 9, 2031

7.35% Notes due August 8, 2032

7.25% Notes due February 7, 2033

7.375% Notes due December 16, 2044

Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A

8.125% Fixed Rate/Floating Rate Trust Preferred Securities,
Series 2 of GMAC Capital Trust I

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting)

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

Aggregate market value of voting and nonvoting common equity held by nonaffiliates: Ally Financial Inc. common equity is not registered with the Securities and Exchange Commission and there is no ascertainable market value for such common equity.

At February 28, 2013, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

Documents incorporated by reference. None.

INDEX

Ally Financial Inc. • Form 10-K

	Page
Part I	
Item 1. Business	1
Item 1A. Risk Factors	10
Item 1B. Unresolved Staff Comments	22
Item 2. Properties	22
Item 3. Legal Proceedings	23
Item 4. Mine Safety Disclosures	23
Part II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	24
Item 6. Selected Financial Data	25
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	99
Item 8. Financial Statements and Supplementary Data	100
Management's Report on Internal Control over Financial Reporting	100
Reports of Independent Registered Public Accounting Firm	101
Consolidated Statement of Income	103
Consolidated Statement of Comprehensive Income	105
Consolidated Balance Sheet	106
Consolidated Statement of Changes in Equity	108
Consolidated Statement of Cash Flows	109
Notes to Consolidated Financial Statements	111
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	209
Item 9A. Controls and Procedures	209
Item 9B. Other Information	209
Part III	
Item 10. Directors, Executive Officers, and Corporate Governance	210
Item 11. Executive Compensation	214
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	226
Item 13. Certain Relationships and Related Transactions, and Director Independence	226
Item 14. Principal Accountant Fees and Services	227
Part IV	
Item 15. Exhibits, Financial Statement Schedule	229
Signatures	232

Part I

Ally Financial Inc. • Form 10-K

Item 1. Business

General

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, financial services firm with \$182.3 billion in assets. Founded in 1919, we are a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended (the BHC Act). Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market, with \$46.9 billion of deposits at December 31, 2012. The terms “Ally,” “the Company,” “we,” “our,” and “us” refer to Ally Financial Inc. and its subsidiaries as a consolidated entity, except where it is clear that the terms means only Ally Financial Inc.

Our Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. Our Dealer Financial Services business is centered on our strong and longstanding relationships with automotive dealers and supports manufacturers with which we have marketing relationships and their marketing programs. Our Dealer Financial Services business serves the financial needs of almost 15,000 dealers with a wide range of financial services and insurance products. We believe our dealer-focused business model makes us the preferred automotive finance company for thousands of our automotive dealer customers. We have developed particularly strong relationships with thousands of dealers resulting from our longstanding relationship with General Motors Company (GM) and our relationship with Chrysler Group LLC (Chrysler), providing us with an extensive understanding of the operating needs of these dealers relative to other automotive finance companies. In addition, we have established specialized incentive programs that are designed to encourage dealers to direct more of their business to us.

Ally Bank, our direct banking platform, provides us with a stable and diversified low-cost funding source. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through the direct banking channel via the internet, over the telephone, and through mobile applications. Ally Bank offers a full spectrum of deposit product offerings including certificates of deposit, savings accounts, money market accounts, IRA (individual retirement account) deposit products, as well as an online checking product. We continue to expand the product offerings in our banking platform in order to meet customer needs. Ally Bank's assets and operating results are divided between our Automotive Finance operations and Mortgage operations based on its underlying business activities.

Our strategy is to extend our leading position in automotive finance in the United States by continuing to provide automotive dealers and their retail customers with premium service, a comprehensive product suite, consistent funding and competitive pricing, reflecting our commitment to the automotive industry. We are focused on expanding profitable dealer relationships, prudent earning asset growth, and higher risk-adjusted returns. Our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as broadening our network of dealer relationships. During 2012, we continued to focus on the used vehicle market, which resulted in strong growth in used vehicle financing volume. We also seek to broaden and deepen the Ally Bank franchise, prudently growing stable, quality deposits while extending our foundation of products and providing a high level of customer service.

Strategic Actions

Subsidiaries' Bankruptcy Filings

On May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan, which is subject to bankruptcy court approval and certain other conditions. As a result of the bankruptcy filing, effective May 14, 2012 the Debtors were deconsolidated from our financial statements. For further details with respect to the bankruptcy and the deconsolidation, refer to Item 1A. Risk Factors and Note 1 to the Consolidated Financial Statements.

Sale of International Businesses

During 2012, we committed to sell substantially all of our remaining international businesses, which included automotive finance, insurance, and banking and deposit operations. On February 1, 2013, we completed the sale of our Canadian automotive finance operation to Royal Bank of Canada, and we expect the sales of our remaining international operations in Europe and Latin America, as well as our share in a joint venture in China, to close in stages throughout 2013. As a result of the sales, for all periods presented, the operating results for these operations have been removed from continuing operations. Refer to Note 2 and Note 31 to the Consolidated Financial Statements for more details.

Dealer Financial Services

Dealer Financial Services includes our Automotive Finance operations and Insurance operations. Our primary customers are automotive dealers, which are independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically originate loans and leases to their retail customers. Dealers then select Ally or another automotive finance provider to which they sell loans and leases. References to consumer automobile loans in this document include installment sales financing unless the context suggests otherwise.

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to almost 15,000 automotive dealerships and approximately 4 million of their retail customers. We have deep dealer relationships that have been built over our greater-than 90-year history. Our dealer-focused business model encourages dealers to use our broad range of products through incentive programs like our Ally Dealer Rewards program, which rewards individual dealers based on the depth and breadth of our relationship. During 2012, 73% of our U.S. automotive dealer customers received benefits under the Ally Dealer Rewards program, which was initiated in 2009. Our automotive finance services include providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer retail vehicle service contracts and commercial insurance primarily covering dealers' wholesale vehicle inventories. We are a leading provider of vehicle service contracts and maintenance coverage.

Dealer Financial Services is supported by approximately 4,400 employees in the United States. A significant portion of our Dealer Financial Services business is conducted with or through GM- and Chrysler-franchised dealers and their customers.

Automotive Finance

Our Automotive Finance operations consist of automotive finance business generated primarily in the United States. At December 31, 2012, our Automotive Finance operations had \$128.4 billion of assets and generated \$3.1 billion of total net revenue in 2012. According to Experian Automotive, we were the largest independent provider of new retail automotive loans to franchised dealers in the United States during 2012. We have approximately 1,600 automotive finance and 600 insurance employees across the United States focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 1,600 employees that support our servicing operations. We manage commercial account servicing for approximately 5,000 dealers that utilize our floorplan inventory lending or other commercial loans. We provide consumer asset servicing for a \$75.3 billion portfolio at December 31, 2012. The extensive infrastructure and experience of our servicing operations are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers.

Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers who originate loans and leases to their retail customers who are acquiring new and used automobiles. Ally and other automotive finance providers purchase these loans and leases from automotive dealers. Automotive dealers are independently owned businesses and are our primary customers. Our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as broadening our network of dealer relationships. During 2012, we continued to focus on the used vehicle segment primarily through franchised dealers, which resulted in strong growth in used vehicle financing volume. The fragmented used vehicle financing market provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.

Automotive dealers desire a full range of financial products, including new and used vehicle inventory financing, inventory insurance, working capital and capital improvement loans, and vehicle remarketing services to conduct their respective businesses as well as service contracts and guaranteed asset protection (GAP) products to offer their customers. We have consistently provided this full suite of products to dealers.

For consumers, we provide retail automotive financing for new and used vehicles and leasing for new vehicles. In the United States, retail financing for the purchase of vehicles takes the form of installment sales financing. During 2012, we originated a total of 1.5 million automotive loans and leases totaling approximately \$38.7 billion.

Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. We also recognize a gain or loss on the remarketing of the vehicles financed through lease contracts at the end of the lease. When the lease contract is originated, we estimate the residual value of the leased vehicle at lease termination. Periodically we revise the projected value of the leased vehicle at lease termination. Our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value.

Automotive manufacturers may elect as a marketing incentive to sponsor special financing programs for retail sales of their respective vehicles. The manufacturer can lower the financing rate paid by the customer on either a retail contract or a lease by paying us the present value of the difference between the customer rate and our standard market rates at contract inception. These marketing incentives are referred to as rate support or subvention. GM may also from time to time offer lease pull-ahead programs, which encourage consumers to terminate existing leases early if they acquire a new GM vehicle. As part of these programs, we waive all or a portion of the customer's remaining payment obligation. In most cases, GM compensates us for a portion of the foregone revenue from those waived payments after consideration of the extent that our remarketing sale proceeds are higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity. Manufacturers may also elect to lower a customer's lease payments through residual support incentive programs. In these instances, we agree to increase the projected value of the vehicle at the time the lease contract was signed in exchange for a payment from the manufacturer.

Our commercial automotive financing operations primarily fund dealer inventory purchases of new and used vehicles, commonly referred to as wholesale or floorplan financing. This represents the largest portion of our commercial automotive financing business. We also extend lines of credit to individual dealers. In general, each wholesale credit line is secured by all the vehicles financed and, in some instances, by other assets owned by the dealer or by a personal guarantee. The amount we advance to dealers is equal to 100% of the

wholesale invoice price of new vehicles. Interest on wholesale automotive financing is generally payable monthly and is usually indexed to a floating rate benchmark. The rate for a particular dealer is based on the dealer's creditworthiness and eligibility for various incentive programs, among other factors. During 2012, we financed an average of \$27.2 billion of dealer vehicle inventory through wholesale or floorplan financings. We provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions. In 2012, we and others including dealers, fleet rental companies, financial institutions, and GM, utilized SmartAuction to sell 221,000 vehicles to dealers and other commercial customers. SmartAuction served as the remarketing channel for 35% of Ally's off-lease vehicles.

Manufacturer Agreements

We are currently party to an agreement with GM pursuant to which GM initially agreed to offer all vehicle financing incentives to customers through Ally. However, the agreement, which was originally entered into in November 2006, provides for annual reductions in the percentage of retail financing subvention programs that GM is required to provide through Ally, and currently applies to a limited percentage. The agreement expires on December 31, 2013.

We are also party to an agreement to make available automotive financing products and services to Chrysler dealers and customers. We provide dealer financing and services and retail financing to qualified Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion, and Chrysler is obligated to use Ally for a designated minimum threshold percentage of Chrysler retail financing subvention programs. On April 25, 2012, Chrysler provided us with notification of nonrenewal related to this agreement and as a result, the agreement will expire on April 30, 2013.

The agreements with GM and Chrysler described above do not provide us with any benefits relating to standard rate financing or lease products. As a result, since the inception of these agreements, we have successfully competed at the dealer-level for standard consumer retail financing and leasing originations for GM and Chrysler automobiles based on our strong dealer relationships, competitive pricing, full suite of products, and comprehensive service. We have further diversified our customer base by establishing agreements to become the preferred financing provider for vehicles manufactured by Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors.

Insurance

Our Insurance operations offer both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory in the United States. Our Insurance operations had \$8.4 billion of assets at December 31, 2012, and generated \$1.2 billion of total net revenue in 2012.

Our vehicle service contracts for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle warranty. These vehicle service contracts are marketed to the public through automotive dealerships and on a direct response basis. The vehicle service contracts cover virtually all vehicle makes and models. We also offer GAP products, which allow the recovery of a specified economic loss beyond the covered vehicle's value in the event the vehicle is damaged and declared a total loss.

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers' floorplan vehicles. Dealers are generally required to maintain this insurance by their floorplan finance provider. We sell these insurance products to approximately 4,000 dealers. Among U.S. GM franchised dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 80%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits.

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

Mortgage

Our ongoing Mortgage operations are conducted through Ally Bank. We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders. Our Mortgage operations also consist of noncore business activities including portfolios in runoff. Additionally, on October 26, 2012, we announced that Ally Bank had begun to explore strategic alternatives for its agency mortgage servicing rights portfolio and its business lending operations. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. Our Mortgage operations had \$14.7 billion of assets at December 31, 2012, and generated \$1.8 billion of total net revenue in 2012.

During 2012, we originated or purchased residential mortgage loans totaling \$32.5 billion in the United States. Conforming and government-insured residential mortgage loans comprised 93.2% of our 2012 originations, which, in the ordinary course of business, are sold to the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs). Since the onset of the housing

crisis, we have reduced our overall mortgage assets from \$135.1 billion in 2006 to \$14.7 billion at December 31, 2012, primarily through the run-off and divestiture of noncore businesses and assets, and the deconsolidation of ResCap.

Corporate and Other

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

Ally Bank

Ally Bank raises deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. Ally Bank has established a strong and growing retail banking franchise that is based on a promise of being straightforward, easy to use, and offering high-quality customer service. Ally Bank's products and services are designed to develop long-term customer relationships and capitalize on the shift in consumer preference away from branch banking in favor of direct banking.

Ally Bank provides us with a stable and diversified low-cost funding source. At December 31, 2012, we had \$46.9 billion of deposits including \$35.0 billion of retail deposits sourced by Ally Bank. The focus on retail deposits and growth in our deposit base from \$19.2 billion at the end of 2008 to \$46.9 billion at the end of 2012, combined with improving capital markets and a lower interest rate environment have contributed to a reduction in our cost of funds of approximately 95 basis points since the first quarter of 2011. We expect to continue to lower our cost of funds and diversify our overall funding as our deposit base grows.

We believe Ally Bank is well-positioned to continue to benefit from the consumer driven-shift from branch banking to direct banking. According to a 2012 American Bankers Association survey, the percentage of customers who prefer to do their banking via direct channels (internet, mail, phone, and mobile) increased from 21% to 62% between 2007 and 2012, while those who prefer branch banking declined from 39% to 18% over the same period. Ally Bank has received a positive response to innovative savings and other deposit products. Ally Bank's products include savings and money market accounts, certificates of deposit, interest-bearing checking accounts, and individual retirement accounts. Ally Bank's competitive direct banking features include online and mobile banking, electronic bill pay, remote deposit, electronic funds transfer, and no-fee debit cards.

Industry and Competition

The markets for automotive and mortgage financing, banking, and insurance are highly competitive. The market for automotive financing has grown more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes through the economic cycle during the past several years. More recently, competition for automotive financing has further intensified as a growing number of banks have become increasingly interested in automotive-finance assets. In addition, Ally Bank faces significant competition from commercial banks, savings institutions, and other financial institutions. Our insurance business also faces significant competition from automotive manufacturers, insurance carriers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much less reliant on securitization activities, unsecured debt, and other public markets. We face significant competition in most areas, including product offerings, rates, pricing and fees, and customer service. Further, there has been significant consolidation among companies in the financial services industry, which is expected to continue.

The markets for automotive securitizations and whole-loan sales are also competitive, and other issuers and originators could increase the amount of their issuances and sales. In addition, lenders and other investors within those markets often establish limits on their credit exposure to particular issuers, originators, and asset classes, or they may require higher returns to increase the amount of their exposure. Increased issuance by other participants in the market or decisions by investors to limit their credit exposure to (or to require a higher yield for) us or to automotive securitizations or whole-loan sales could negatively affect our ability and that of our subsidiaries to price our securitizations and whole-loan sales at attractive rates. The result would be lower proceeds from these activities and lower profits for our subsidiaries and us.

Certain Regulatory Matters

We are subject to various regulatory, financial, and other requirements of the jurisdictions in which our businesses operate. In light of recent conditions in the global financial markets, regulators have increased their focus on the regulation of the financial services industry. As a result, proposals for legislation or regulations that could increase the scope and nature of regulation of the financial services industry are possible. The following is a description of some of the laws and regulations that currently affect our business.

Bank Holding Company Status

Ally Financial Inc. (Ally) and IB Finance Holding Company, LLC (IB Finance) are currently both bank holding companies under the BHC Act. IB Finance is the direct holding company for Ally's FDIC-insured depository institution, Ally Bank. As a bank holding company, Ally is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (FRB). Ally must also

comply with regulatory risk-based capital and leverage requirements, as well as various safety and soundness standards imposed by the FRB, and is subject to certain statutory restrictions concerning the types of assets or securities it may own and the activities in which it may engage. Ally Bank, our banking subsidiary, is currently not a member of the Federal Reserve System and is subject to supervision, examination and regulation by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI). This regulatory oversight focuses on the protection of depositors, the FDIC's Deposit Insurance Fund, and the banking system as a whole, not security holders, and in some instances may be contrary to their interests.

- **Permitted Activities** — As a bank holding company, subject to certain exceptions, Ally may not, directly or indirectly, acquire more than 5% of any class of voting shares of any nonaffiliated bank or bank holding company, or, directly or indirectly, acquire control of any other company (including by acquisition of 25% or more of a class of voting shares), without first obtaining FRB approval. Furthermore, Ally's activities must be generally limited to banking or managing or controlling banks, or to other activities deemed closely related to banking or otherwise permissible under the BHC Act. As a result, most of our insurance activities and our SmartAuction vehicle remarketing services for third parties are deemed impermissible under the BHC Act. In addition, Ally generally may not hold more than 5% of any class of voting shares of any company unless that company's activities conform with these requirements. Upon our bank holding company approval on December 24, 2008, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This grace period expired in December 2010. The FRB then granted two one-year extensions that expired in December 2012, and recently granted a third one-year extension that expires in December 2013. We will not be permitted to apply to the FRB for any further extensions. Ally's existing activities and investments deemed impermissible under the BHC Act will need to be terminated or disposed of by December 2013. While some of these activities may be continued if Ally is able to convert to a financial holding company under the BHC Act, Ally may be unable to satisfy the requirements to enable it to convert to a financial holding company prior to that time. For further information, refer to Item 1A. Risk Factors.
- **Gramm-Leach-Bliley Act** — The enactment of the Gramm-Leach-Bliley Act of 1999 (GLB Act) eliminated large parts of a regulatory framework that had its origins in the Depression era of the 1930s. Effective with its enactment, new opportunities became available for banks, other depository institutions, insurance companies, and securities firms to enter into combinations that permit a single financial services organization to offer customers a more comprehensive array of financial products and services. To further this goal, the GLB Act amended the BHC Act by providing a new regulatory framework applicable to “financial holding companies,” which are bank holding companies that meet certain qualifications and elect financial holding company status. The FRB supervises, examines, and regulates financial holding companies, as it does all bank holding companies. However, insurance and securities activities conducted by a financial holding company or its nonbank subsidiaries are regulated primarily by functional regulators. As a bank holding company, we would be eligible to elect financial holding company status upon satisfaction of certain regulatory requirements applicable to us and to Ally Bank (and any depository institution subsidiary that we may acquire in the future). We do not currently satisfy these requirements, however, we expect to apply for financial holding company status once we do. As a financial holding company, Ally would then be permitted to engage in a broader range of financial and related activities than those that are permissible for bank holding companies, in particular, securities, insurance, and merchant banking activities.
- **Dodd-Frank Wall Street Reform and Consumer Protection Act** — On July 21, 2010, the President of the United States signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, derivatives, lending limits, and mortgage-lending practices. When fully implemented, the Dodd-Frank Act will have material implications for Ally and the entire financial services industry. Among other things, it will or potentially could:
 - result in Ally being subject to enhanced oversight and scrutiny as a result of being a bank holding company with \$50 billion or more in total consolidated assets;
 - increase the levels of capital and liquidity with which Ally must operate and affect how it plans capital and liquidity levels;
 - subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees paid by Ally Bank to the FDIC;
 - impact a number of Ally's business and risk management strategies;
 - restrict the revenue that Ally generates from certain businesses;
 - require Ally to provide to the FRB and FDIC an annual plan for its rapid and orderly resolution in the event of material financial distress; and
 - subject Ally to regulation by the Consumer Financial Protection Bureau (CFPB), which has very broad rule-making, examination, and enforcement authorities.

Many provisions of the Dodd-Frank Act will only become effective at a later date or after a rulemaking process is completed.

In addition, under the Dodd-Frank Act, financial holding companies, including bank holding companies such as Ally, can be subjected to a new orderly liquidation authority. The orderly liquidation authority became effective in July 2010, with implementing regulations adopted thereafter in stages, with some rulemakings still to come. Under the orderly liquidation authority, the FDIC would be appointed as receiver upon an insolvency of Ally, giving the FDIC considerable rights and powers that it must exercise with the goal of liquidating and winding up Ally, including the ability to assign assets and liabilities without the need for creditor consent or prior court review and the ability of the FDIC to differentiate and determine priority among creditors.

In December 2011, the FRB proposed rules to implement some provisions of the systemic risk regime. If adopted as proposed, among other provisions, the rules would require Ally to maintain a sufficient quantity of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures; limit Ally's aggregate exposure to any unaffiliated counterparty to 25% of Ally's capital and surplus; and potentially subject Ally to an early remediation regime that could limit the ability of Ally to pay dividends or expand its business if the FRB identified Ally as suffering from financial or managerial weaknesses.

The CFPB has proposed various rules to implement consumer financial protection provisions of the Dodd-Frank Act and related requirements. Many of these proposed rules, when finalized, will impose new requirements on Ally and its business operations. In addition, as an insured depository institution with total assets of more than \$10 billion, Ally Bank may be required in the future to submit periodic reports to the CFPB, and is subject to examination by the CFPB.

- **Capital Adequacy Requirements** — Ally and Ally Bank are subject to various guidelines as established under FRB and FDIC regulations. Refer to Note 21 to the Consolidated Financial Statements for additional information. See also “Basel Capital Accord” below.
- **Capital Planning and Stress Tests** — In December 2011, U.S. banking regulators imposed capital planning and stress test requirements on bank holding companies with \$50 billion or more of consolidated assets. The capital planning regime requires Ally to submit a proposed capital plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB's capital plan rule requires that Ally receive no objection from the FRB before making a capital distribution. If the FRB objects to the capital plan, or if certain material events occur after approval of a plan, Ally must submit a revised capital plan within 30 days. In addition, 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. Ally submitted its initial capital plan in January 2012, and then submitted a revised capital plan in June 2012. In connection with its reviews, the FRB provided notice of non-objection to Ally's planned preferred dividends and interest on the trust preferred securities and subordinated debt.

In October 2012, U.S. banking regulators issued final rules on stress testing. The FRB final rule requires Ally to conduct semi-annual (annual and mid-cycle) stress tests under baseline, adverse, and severely adverse economic scenarios over a planning horizon that spans nine quarters. The FDIC final rule requires Ally Bank to conduct an annual stress test under baseline, adverse, and severely adverse economic scenarios over a planning horizon that spans nine quarters. Under these rules, Ally and Ally Bank are required to submit the results of these stress tests to regulators and publicly disclose the results of the stress tests under the severely adverse economic scenario. Per the rule, the regulators will also publish, by March 31 of each calendar year, a summary of the supervisory stress test results of each company.

Stress tests are intended to provide supervisors with forward-looking information to help identify downside risk and the potential effect of adverse conditions on capital adequacy. Stress tests required under the FRB's stress test final rule are integrated into the capital planning process under the FRB's capital plans rule. On January 7, 2013, Ally and Ally Bank submitted the required 2013 capital plan and stress tests as required by these regulations.

- **Limitations on Bank Holding Company Dividends and Capital Distributions** — Utah law (and, in certain instances, federal law) places restrictions and limitations on dividends or other distributions payable by our banking subsidiary, Ally Bank, to Ally. With respect to dividends payable by Ally to its shareholders, FRB regulations require bank holding companies with \$50 billion or more in total consolidated assets, such as Ally, to submit annual capital plans for FRB non-objection. In the absence of a non-objection regarding the capital plan, the new regulation prohibits bank holding companies from paying dividends or making certain other capital distributions without specific FRB non-objection for such action. Even if a bank holding company receives a non-objection to its capital plan, it may not pay a dividend or make certain other capital distributions without FRB approval under certain circumstances (e.g., after giving effect to the dividend or distribution, the bank holding company would not meet a minimum regulatory capital ratio or a Tier 1 common ratio of at least 5%). In addition, FRB supervisory guidance requires bank holding companies such as Ally to consult with the FRB prior to increasing dividends, implementing common stock repurchase programs or redeeming or repurchasing capital instruments. Such guidance provides for a supervisory capital assessment program that outlines FRB expectations concerning the processes that bank holding companies have in place to ensure they hold adequate capital under adverse conditions to maintain ready access to funding. The federal bank regulatory agencies are also authorized to prohibit a

banking subsidiary or bank holding company from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or making a capital distribution would constitute an unsafe or unsound banking practice.

- **Transactions with Affiliates** — Certain transactions between Ally Bank and any of its nonbank “affiliates,” including but not limited to Ally, are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, “covered transactions” including Ally Bank’s extensions of credit to and asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Ally Bank’s capital stock and surplus with respect to transactions with any individual affiliate, with an aggregate limit of 20% of Ally Bank’s capital stock and surplus for all affiliates and all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a “low quality asset” under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions). In addition, transactions between Ally Bank and a nonbank affiliate generally must be on market terms and conditions.

Under the Dodd-Frank Act, among other changes to the Affiliate Transaction Restrictions, credit exposures resulting from derivatives transactions, securities lending and borrowing transactions, and acceptance of affiliate-issued debt obligations (other than securities) as collateral for a loan or extension of credit will be treated as “covered transactions.” The Dodd-Frank Act also expands the scope of covered transactions required to be collateralized, requires that collateral be maintained at all times for covered transactions required to be collateralized, and places limits on acceptable collateral.

Furthermore, there is an “attribution rule” that provides that a transaction between Ally Bank and a third party must be treated as a transaction between Ally Bank and a nonbank affiliate to the extent that the proceeds of the transaction are used for the benefit of or transferred to a nonbank affiliate of Ally Bank. For example, because Ally controls Ally Bank, Ally is an affiliate of Ally Bank for purposes of the Affiliate Transaction Restrictions. Thus, retail financing transactions by Ally Bank involving vehicles for which Ally provided floorplan financing are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Ally.

Historically, the FRB was authorized to exempt, in its discretion, transactions or relationships from the requirements of these rules if it found such exemptions to be in the public interest and consistent with the purposes of the rules. As a result of the Dodd-Frank Act, exemptions now may be granted by the FDIC if the FDIC and FRB jointly find that the exemption is in the public interest and consistent with the purposes of the rules, and the FDIC finds that the exemption does not present an unacceptable risk to the Deposit Insurance Fund. The FRB granted several such exemptions to Ally Bank in the past. However, the existing exemptions are subject to various conditions and, particularly in light of the statutory changes made by the Dodd-Frank Act, any requests for future exemptions might not be granted. Moreover, these limited exemptions generally do not encompass consumer leasing or used vehicle financing. Since there is no assurance that Ally Bank will be able to obtain future exemptions or waivers with respect to these restrictions, the ability to grow Ally Bank’s business will be affected by the Affiliate Transaction Restrictions and the conditions set forth in the existing exemption letters.

- **Source of Strength** — Pursuant to the Federal Deposit Insurance Act, FRB policy and regulations and the Parent Company Agreement and the Capital and Liquidity Maintenance Agreement described in Note 21 to the Consolidated Financial Statements, Ally is required to act as a source of financial and managerial strength to Ally Bank and is required to commit necessary capital and liquidity to support Ally Bank. This support may be required at inopportune times for Ally.
- **Enforcement Authority** — The FDIC and FRB have broad authority to issue orders to banks and bank holding companies to cease and desist from unsafe or unsound banking practices and from violations of laws, rules, regulations, or conditions imposed in writing by the banking agencies. The FDIC and FRB also are empowered to require affirmative actions to correct any violation or practice; issue administrative orders that can be judicially enforced; direct increases in capital; limit dividends and distributions; restrict growth; assess civil money penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the banking agencies; order termination of certain activities of bank holding companies or their subsidiaries; remove officers and directors; order divestiture of ownership or control of a nonbanking subsidiary by a bank holding company (in the case of the FRB); terminate deposit insurance (in the case of the FDIC); and/or place a bank into receivership (in the case of the FDIC).

Basel Capital Accord

The minimum risk-based capital requirements adopted by the federal banking agencies follow the Capital Accord (Capital Accord or Basel I) of the Bank for International Settlements’ Basel Committee on Banking Supervision (Basel Committee). The Capital Accord was published in 1988 and generally applies to depository institutions and their holding companies in the United States. In 2004, the Basel Committee published a revision to the Capital Accord (Basel II). The goal of the Basel II capital rules is to provide more risk-sensitive regulatory capital calculations and promote enhanced risk management practices among large, internationally active banking organizations. U.S. banking regulators published final Basel II rules in December 2007. Ally is currently required to comply with the Basel II rules as implemented by the U.S. banking regulators. Prior to full implementation of the Basel II rules, Ally is required to complete a qualification period of four consecutive quarters during which it needs to demonstrate that it meets the requirements of the rules to the satisfaction of its primary U.S. banking regulator. Pursuant to an extension that was granted to Ally, this qualification period, or parallel run, is required to begin

no later than October 1, 2013. During this period, capital is calculated using both Basel I and Basel II methodologies. Upon completion of this parallel run and with the approval of the primary U.S. banking regulator, Ally will begin to use Basel II to calculate regulatory capital. Basel II contemplated a three-year transition period during which a bank holding company or bank could gradually lower its capital level below the levels required by Basel I. However, under a final capital rule that implements a provision of the Dodd-Frank Act, Ally and Ally Bank must continue to calculate their risk-based capital requirements under Basel I, and the capital requirements that each computes under Basel I will serve as a floor for its risk-based capital requirement computed under Basel II.

In addition to Basel II, in December 2010, the Basel Committee adopted new capital, leverage, and liquidity guidelines under the Capital Accord (Basel III) that when implemented in the United States may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. Basel III calls for an increase of the minimum Tier 1 common equity ratio to 4.5%, net of regulatory deductions, and introduces a capital conservation buffer of an additional 2.5% of common equity to risk-weighted assets raising the target minimum common equity ratio to 7.0%. Basel III increases the minimum Tier 1 capital ratio to 8.5% inclusive of the capital conservation buffer, increases the minimum total capital ratio to 10.5% inclusive of the capital buffer, and introduces a countercyclical capital buffer of up to 2.5% of common equity or other fully loss absorbing capital for periods of excess credit growth. Basel III also introduces a nonrisk adjusted Tier 1 leverage ratio of 3%, based on a measure of the total exposure rather than total assets, and new liquidity standards. The Basel III capital, leverage, and liquidity standards will be phased in over a multiyear period. The Basel III rules also call for a 15% cap on the amount of Tier 1 capital that can be met, in the aggregate, through significant investments in the common shares of unconsolidated financial subsidiaries, mortgage servicing rights (MSRs), and deferred tax assets through timing differences. In addition, under Basel III rules, after a ten-year phase-out period beginning in January 2013, trust preferred and other "hybrid" securities will no longer qualify as Tier 1 capital. However, under the Dodd-Frank Act, subject to certain exceptions (e.g., for debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other "hybrid" securities are phased out from Tier 1 capital over a three-year period starting January 2013.

In June 2012, the U.S. banking regulators proposed rules to implement many aspects of Basel III (the U.S. Basel III proposals). The U.S. Basel III proposals contain new capital standards that raise the quality of capital and strengthen counterparty credit risk capital requirements and introduce a leverage ratio as a supplemental measure to the risk-based ratio. The proposals include a new capital conservation buffer, which imposes a common equity requirement above the new minimum that can be depleted under stress, and could result in restrictions on capital distributions and discretionary bonuses under certain circumstances. The U.S. Basel III proposals also provide for a potential countercyclical buffer that regulators can activate during periods of excessive credit growth in their jurisdiction. Furthermore, the U.S. Basel III proposals would replace the current Basel I-based "capital floor" (discussed above) with a standardized approach that, among other things, modifies the existing risk weights for certain types of asset classes. If adopted, this standardized approach would serve as the new minimum "capital floor" for Ally. The U.S. Basel III proposals contemplate that the new capital requirements would be phased in over several years, beginning in 2013. In November 2012, the U.S. banking regulators announced that the U.S. Basel III proposals would not become effective on January 1, 2013. The announcement did not specify new implementation or phase in dates for the U.S. Basel III proposals.

We continue to monitor developments with respect to Basel III and, pending the adoption of final capital rules and subsequent regulatory interpretation by the U.S. regulators, there remains a degree of uncertainty on the full impact of Basel III.

Troubled Asset Relief Program

As part of the Automotive Industry Financing Program created under the Troubled Asset Relief Program (TARP) established by the U.S. Department of Treasury (Treasury) under the Emergency Economic Stabilization Act of 2008 (the EESA), Ally has entered into agreements pursuant to which Treasury has made investments in Ally. As a result of these investments, subject to certain exceptions, Ally and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing, or acquiring any common stock without the consent of Treasury. Ally has further agreed that until Treasury ceases to hold Ally preferred stock, Ally will comply with certain restrictions on executive perquisites and compensation. Ally must also take all necessary action to ensure that its corporate governance and benefit plans with respect to its senior executive officers comply with Section 111(b) of the EESA as implemented by any guidance or regulation under the EESA, as amended by the American Recovery and Reinvestment Act of 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009. For further details regarding these restrictions on compensation as a result of TARP investments, refer to the Compensation Discussion and Analysis in Item 11.

Depository Institutions

Ally Bank's deposits are insured by the FDIC, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were \$94.8 billion and \$85.3 billion at December 31, 2012 and 2011, respectively. As a commercial nonmember bank chartered by the State of Utah, Ally Bank is subject to various regulatory capital adequacy requirements administered by state and federal banking agencies. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, identifies five capital categories for insured depository institutions ("well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized") and requires the respective federal regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions that do not meet minimum capital requirements within such categories. Depending on the category in which an institution is classified, FDICIA imposes progressively more restrictive constraints on operations, management, and capital distributions.

Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on Ally Bank's results of operations and financial condition. FDICIA generally prohibits a depository

institution from making any capital distribution, including payment of a cash dividend or paying any management fee to its holding company, if the depository institution would become under-capitalized after such payment. Under-capitalized institutions are also subject to growth limitations and are required by the appropriate federal banking agency to submit a capital restoration plan. If any depository institution subsidiary of a holding company is required to submit a capital restoration plan, the holding company would be required to provide a limited guarantee regarding compliance with the plan as a condition of approval of such plan. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements.

At December 31, 2012, we were in compliance with our regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 21 to the Consolidated Financial Statements.

U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration-approved lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. The U.S. mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts. In addition, proposals have been enacted in the U.S. Congress and are under consideration by various regulatory authorities that would affect the manner in which the GSEs conduct their business and there is some possibility that Fannie Mae and Freddie Mac will be subject to winding down.

Insurance Companies

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. Our insurance operations are also subject to applicable state laws generally governing insurance companies, as well as laws and regulations for products that are not regulated as insurance, such as vehicle service contracts and guarantees asset protection waivers.

Investments in Ally

Because Ally Bank is an FDIC-insured bank and Ally and IB Finance are bank holding companies, acquisitions of our voting stock above certain thresholds may be subject to regulatory approval or notice under federal or state law. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that may be acquired without regulatory approval under the Change in Bank Control Act, the BHC Act, and Utah state law.

International Banks, Finance Companies, and Other Non-U.S. Operations

Certain of our foreign subsidiaries, which we have classified as discontinued operations, operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets of the regulated international banks and finance companies were approximately \$15.3 billion and \$13.6 billion at December 31, 2012 and 2011, respectively. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

Other Regulations

Some of the other more significant regulations that we are subject to include:

- **Privacy** — The GLB Act imposes additional obligations on us to safeguard the information we maintain on our customers, requires us to provide notice of our privacy practices, and permits customers to “opt-out” of information sharing with unaffiliated parties. The federal banking agencies and the Federal Trade Commission have issued regulations that establish obligations to safeguard information. In addition, several states have enacted even more stringent privacy and safeguarding legislation. If a variety of inconsistent state privacy rules or requirements are enacted, our compliance costs could increase substantially.
- **Fair Credit Reporting Act** — The Fair Credit Reporting Act regulates the use of credit reports and the reporting of information to credit reporting agencies, and also provides a national legal standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. In late 2003, the Fair and Accurate Credit Transactions Act was enacted, making this preemption of conflicting state and local law permanent. The Fair Credit Reporting Act was also amended to place further restrictions on the use of information shared between affiliates, to provide new disclosures to consumers when risk-based pricing is used in the credit decision, and to help protect consumers from identity theft. All of these provisions impose additional regulatory and compliance costs on us and reduce the effectiveness of our marketing programs.

- **Truth in Lending Act** — The Truth in Lending Act (TILA), as amended, and Regulation Z, which implements TILA, requires lenders to provide borrowers with uniform, understandable information concerning terms and conditions in certain credit transactions. These rules apply to Ally and its subsidiaries in transactions in which they extend credit to consumers and require, in the case of certain mortgage and automotive financing transactions, conspicuous disclosure of the finance charge and annual percentage rate, if any. In addition, if an advertisement for credit states specific credit terms, Regulation Z requires that such advertisement state only those terms that actually are or will be arranged or offered by the creditor. The Consumer Financial Protection Bureau has recently issued substantial amendments to the mortgage requirements under TILA, and additional changes are likely in the future. Failure to comply with TILA can result in liability for damages as well as criminal and civil penalties.
- **Sarbanes-Oxley Act** — The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate governance and accounting measures designed to promote honesty and transparency in corporate America. The principal provisions of the act include, among other things, (1) the creation of an independent accounting oversight board; (2) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (3) additional corporate governance and responsibility measures including the requirement that the principal executive and financial officers certify financial statements; (4) the potential forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement; (5) an increase in the oversight of and enhancement of certain requirements relating to audit committees and how they interact with the independent auditors; (6) requirements that audit committee members must be independent and are barred from accepting consulting, advisory, or other compensatory fees from the issuer; (7) requirements that companies disclose whether at least one member of the audit committee is a "financial expert" (as defined by the SEC) and, if not, why the audit committee does not have a financial expert; (8) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions, on nonpreferential terms and in compliance with other bank regulatory requirements; (9) disclosure of a code of ethics; (10) requirements that management assess the effectiveness of internal control over financial reporting and that the Independent Registered Public Accounting firm attest to the assessment; and (11) a range of enhanced penalties for fraud and other violations.
- **USA PATRIOT Act/Anti-Money-Laundering Requirements** — In 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) was signed into law. Title III of the USA PATRIOT Act amends the Bank Secrecy Act and contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the USA PATRIOT Act, requires bank holding companies, banks, and certain other financial companies to undertake activities including maintaining an anti-money-laundering program, verifying the identity of clients, monitoring for and reporting on suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. We have implemented internal practices, procedures, and controls designed to comply with these anti-money-laundering requirements.
- **Community Reinvestment Act** — Under the Community Reinvestment Act (CRA), a bank has a continuing and affirmative obligation, consistent with the safe-and-sound operation of the institution, to help meet the credit needs of its entire community, including low- and moderate-income persons and neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions. However, institutions are rated on their performance in meeting the needs of their communities. Failure by Ally Bank to maintain a satisfactory or better rating under the CRA may adversely affect Ally's ability to make acquisitions, engage in new activities, and become a financial holding company.
- **Other** — Our U.S. mortgage business has subsidiaries that are required to maintain regulatory capital requirements under agreements with the GSEs and the Department of Housing and Urban Development.

Employees

We had approximately 10,600 and 14,800 employees at December 31, 2012 and 2011, respectively. Employees of operations held-for-sale are included within our employee count at December 31, 2012, and 2011. Employees of operations that were deconsolidated during 2012 are included only within our employee count at December 31, 2011.

Additional Information

The results of operations for each of our reportable operating segments and the products and services offered are contained in the individual business operations sections of Management's Discussion and Analysis of Financial Condition and Results of Operations. Financial information related to reportable operating segments and geographic areas is provided in Note 26 to the Consolidated Financial Statements.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K (and amendments to these reports) are available on our internet website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at www.ally.com. Choose Investor Relations, Financial Information, and then SEC Filings (under About Ally). These reports can also be found on the SEC website at www.sec.gov.

Item 1A. Risk Factors

Our businesses face many risks and uncertainties, any of which could result in a material adverse effect on our results of operations or financial condition. We believe that the most significant of the risks and uncertainties that we face are described below. This Form 10-K is qualified in its entirety by these risk factors.

Risks Related to Regulation

Our business, financial condition, and results of operations could be adversely affected by regulations to which we are subject as a result of our bank holding company status.

We are a bank holding company under the Bank Holding Company Act of 1956 (BHC Act). Many of the regulatory requirements to which we are subject as a bank holding company were not applicable to us prior to December 2008 and have and will continue to require significant expense and devotion of resources to fully implement necessary policies and procedures to ensure continued compliance. Compliance with such laws and regulations involves substantial costs and may adversely affect our ability to operate profitably. Recent events, particularly in the financial and real estate markets, have resulted in bank regulatory agencies placing increased focus and scrutiny on participants in the financial services industry, including us. For a description of our regulatory requirements, see “Business—Certain Regulatory Matters.”

Ally is subject to ongoing supervision, examination and regulation by the FRB, and Ally Bank by the FDIC and the Utah DFI, in each case, through regular examinations and other means that allow the regulators to gauge management’s ability to identify, assess, and control risk in all areas of operations in a safe-and-sound manner and to ensure compliance with laws and regulations.

Ally is currently required by its banking supervisors to make improvements in areas such as board and senior management oversight, risk management, regulatory reporting, internal audit planning, capital adequacy process, stress testing, and Bank Secrecy Act / anti-money-laundering compliance, and to continue to reduce problem assets. Separately, Ally Bank is currently required by its banking supervisors to make improvements in areas such as compliance management and training, consumer protection monitoring, consumer complaint resolution, internal audit program and residential mortgage loan pricing, and fee monitoring. These requirements are judicially enforceable, and if we are unable to implement and maintain these required actions, plans, policies and procedures in a timely and effective manner and otherwise comply with the requirements outlined above, we could become subject to formal supervisory actions which could subject us to significant restrictions on our existing business or on our ability to develop any new business. Such forms of supervisory action could include, without limitation, written agreements, cease and desist orders, and consent orders and may, among other things, result in restrictions on our ability to pay dividends, requirements to increase capital, restrictions on our activities, the imposition of civil monetary penalties, and enforcement of such action through injunctions or restraining orders. We could also be required to dispose of certain assets and liabilities within a prescribed period. The terms of any such supervisory action could have a material adverse effect on our business, operating flexibility, financial condition, and results of operations.

Our ability to engage in certain activities may be adversely affected by our status as a bank holding company.

As a bank holding company, Ally’s activities are generally limited to banking or to managing or controlling banks or to other activities deemed closely related to banking or otherwise permissible under the BHC Act and related regulations. Likewise, subject to certain exceptions, Ally is not permitted to acquire more than 5% of any class of voting shares of any nonaffiliated bank or bank holding company, directly or indirectly, or to acquire control of any other company, directly or indirectly (including by acquisition of 25% or more of a class of voting shares). Upon our bank holding company approval, we were permitted an initial two-year grace period to bring our activities and investments into conformity with these restrictions. This grace period expired in December 2010. The FRB then granted two one-year extensions that expired in December 2012, and recently granted a third and final one-year extension that expires in December 2013. We will not be permitted to apply to the FRB for any further extensions. Certain of Ally’s existing activities and investments are deemed impermissible under the BHC Act and must be terminated or disposed of by the expiration of this extension, the most significant of which includes most of our insurance activities and our SmartAuction vehicle remarketing services for third parties. While these activities may be continued if Ally is able to convert to a financial holding company under the BHC Act, Ally may be unable to satisfy the requirements to enable it to convert to a financial holding company prior to that time, and activities, businesses, or investments that would be permissible for a financial holding company will need to be terminated or disposed of. This could have a material adverse effect on our business, results of operations, and financial position.

As a bank holding company, our ability to expand into new business activities would require us to obtain the prior approval of the relevant banking supervisors. There can be no assurance that any required approval will be obtained or that we will be able to execute on any such plans in a timely manner or at all. If we are unable to obtain approval to expand into new business activities, our business, results of operations, and financial position may be materially adversely affected.

Our ability to execute our business strategy may be affected by regulatory considerations.

Our business strategy for Ally Bank, which is primarily focused on automotive lending and growth of our direct-channel deposit business, is subject to regulatory oversight from a safety and soundness perspective. If our banking supervisors raise concerns regarding any aspect of our business strategy for Ally Bank, we may be obliged to alter our strategy, which could include moving certain activities, such as certain types of lending, outside of Ally Bank to one of our nonbanking affiliates. Alternative funding sources outside of Ally Bank, such as asset securitization or financings in the capital markets, could be more expensive than funding through Ally Bank and could adversely affect our business prospects, results of operations and financial condition.

We are subject to new capital planning and systemic risk regimes, which impose significant restrictions and requirements.

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital

action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB's capital plan rule requires that Ally receive no objection from the FRB prior to making a capital distribution. Ally submitted its capital plan in January 2013. Failure to obtain no objection to this plan could limit our ability to pay dividends, redeem or repurchase securities, or take other capital actions in the future.

In addition, in December 2011, the FRB proposed rules to implement certain provisions of the systemic risk regime under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). If adopted as proposed, among other provisions, the rules would require Ally to maintain a sufficient quantity of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures; limit Ally's aggregate exposure to any unaffiliated counterparty to 25% of Ally's capital and surplus; and potentially subject Ally to an early remediation regime that could limit the ability of Ally to pay dividends or expand its business if the FRB identified Ally as suffering from financial or management weaknesses. The systemic risk provisions, when implemented, could adversely affect our business prospects, results of operations, and financial condition.

Our ability to rely on deposits as a part of our funding strategy may be limited.

Ally Bank continues to be a key part of our funding strategy, and we have increased our reliance on deposits as an alternative source of funding through Ally Bank. Ally Bank does not have a retail branch network, and it obtains its deposits through direct banking and brokered deposits which, at December 31, 2012, included \$9.4 billion of brokered certificates of deposit that may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher interest rates. At December 31, 2012, brokered deposits represented 20% of Ally Bank total deposits. Our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions including the possible imposition of prior approval requirements, restrictions on deposit growth, or restrictions on our rates offered. In addition, perceptions of our financial strength, rates offered by third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact our ability to grow our deposit base. Even if we are able to grow the deposit base of Ally Bank, our regulators may impose restrictions on our ability to use Ally Bank deposits as a source of funding for certain business activities potentially raising the cost of funding those activities without the use of Ally Bank deposits.

The regulatory environment in which we operate could have a material adverse effect on our business and earnings.

Our domestic operations are subject to various laws and judicial and administrative decisions imposing various requirements and restrictions relating to supervision and regulation by state and federal authorities. Such regulation and supervision are primarily for the benefit and protection of our customers, not for the benefit of investors in our securities, and could limit our discretion in operating our business. Noncompliance with applicable statutes, regulations, rules, or policies could result in the suspension or revocation of any license or registration at issue as well as the imposition of civil fines and criminal penalties.

Ally, Ally Bank, and many of our nonbank subsidiaries are heavily regulated by bank and other regulatory agencies at the federal and state levels. This regulatory oversight is established to protect depositors, the FDIC's Deposit Insurance Fund, and the banking system as a whole, not security holders. Changes to statutes, regulations, rules, or policies including the interpretation or implementation of statutes, regulations, rules, or policies could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer, limiting our ability to pursue acquisitions and increasing the ability of third parties to offer competing financial services and products.

Our operations are also heavily regulated in many jurisdictions outside the United States. For example, certain of our foreign subsidiaries operate either as a bank or a regulated finance company, and our insurance operations are subject to various requirements in the foreign markets in which we operate. The varying requirements of these jurisdictions may be inconsistent with U.S. rules and may materially adversely affect our business or limit necessary regulatory approvals, or if approvals are obtained, we may not be able to continue to comply with the terms of the approvals or applicable regulations. In addition, in many countries, the regulations applicable to the financial services industry are uncertain and evolving.

Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market with regard to the affected product and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted, or that we will not be prohibited by local laws or regulators from raising interest rates above certain desired levels, any of which could materially adversely affect our business, operating flexibility, financial condition, or results of operations.

Financial services legislative and regulatory reforms may have a significant impact on our business and results of operations.

The Dodd-Frank Act, which became law in July 2010, has and will continue to substantially change the legal and regulatory framework under which we operate. Certain portions of the Dodd-Frank Act were effective immediately, and others have become effective since enactment, while others are subject to further rulemaking and discretion of various regulatory bodies. The Dodd-Frank Act, when fully implemented, will have material implications for Ally and the entire financial services industry. Among other things, it will or potentially could:

- result in Ally being subject to enhanced oversight and scrutiny as a result of being a bank holding company with \$50 billion or more in consolidated assets;
- affect the levels of capital and liquidity with which Ally must operate and how it plans capital and liquidity levels;
- subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees to the FDIC;
- impact a number of Ally's business and risk management strategies;
- restrict the revenue that Ally generates from certain businesses;
- require Ally to provide to the Federal Reserve and FDIC an annual plan for its rapid and orderly resolution in the event of material financial distress; and
- subject Ally to a new Consumer Financial Protection Bureau (CFPB), which has very broad rule-making, examination, and enforcement authorities.

In light of the further study and rulemaking required to fully implement the Dodd-Frank Act, as well as the discretion afforded to federal regulators, the full impact of this legislation on Ally, its business strategies, and financial performance cannot be known at this time and may not be known for a number of years. In addition, regulations may impact us differently in comparison to other more established financial institutions. However, these impacts are expected to be substantial and some of them are likely to adversely affect Ally and its financial performance. The extent to which Ally can adjust its strategies to offset such adverse impacts also is not knowable at this time.

Our business may be adversely affected upon our implementation of the revised capital requirements under the Basel III capital rules.

In December 2010, the Bank for International Settlements' Basel Committee on Banking Supervision adopted new capital, leverage, and liquidity guidelines under the Basel Accord (Basel III), which when implemented in the United States, may have the effect of raising capital requirements beyond those required by current law and the Dodd-Frank Act. In June 2012, the U.S. banking regulators proposed rules to implement many aspects of Basel III (the U.S. Basel III proposals). The U.S. Basel III proposals contain new capital standards that raise the quality of capital and strengthen counterparty credit risk capital requirements and introduce a leverage ratio as a supplemental measure to the risk-based ratio. The proposals include a new capital conservation buffer, which imposes a common equity requirement above the new minimum that can be depleted under stress, and could result in restrictions on capital distributions and discretionary bonuses under certain circumstances. The U.S. Basel III proposals also provide for a potential countercyclical buffer that regulators can activate during periods of excessive credit growth in their jurisdiction. The U.S. Basel III proposals contemplate that the new capital requirements would be phased in over several years, beginning in 2013. In November 2012, the U.S. banking regulators announced that the U.S. Basel III proposals would not become effective on January 1, 2013. The announcement did not specify new implementation or phase-in dates for the U.S. Basel III proposals.

The Basel III rules and the Dodd-Frank Act, when implemented, will over time impose limits on Ally's ability to meet its regulatory capital requirements through the use of mortgage servicing rights (MSRs), trust preferred securities, or other "hybrid" securities, if applicable. At December 31, 2012, Ally had \$857 million of MSRs and \$2.5 billion of trust preferred securities, which were included as Tier 1 capital. Ally currently has no other "hybrid" securities outstanding. Pending final U.S. implementation of rules for Basel III and subsequent regulatory interpretation, there remains a degree of uncertainty on the full impact of Basel III.

If we or Ally Bank fail to satisfy regulatory capital requirements, we or Ally Bank may be subject to serious regulatory sanctions ranging in severity from being precluded from making acquisitions or engaging in new activities to becoming subject to informal or formal supervisory actions by the FRB and/or FDIC and, potentially, FDIC receivership of Ally Bank. If any of these were to occur, such actions could prevent us from successfully executing our business plan and have a material adverse effect on our business, results of operations, and financial position.

Our business, financial condition, and results of operations could be adversely affected by governmental fiscal and monetary policies.

The actions of the FRB and international central banking authorities directly impact our cost of funds for lending, capital raising, and investment activities and may impact the value of financial instruments we hold. In addition, such changes in monetary policy may affect the credit quality of our customers. Changes in domestic and international monetary policy are beyond our control and difficult to predict.

In addition, our business and earnings are significantly affected by the fiscal and monetary policies of the U.S. government and its agencies. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States. The FRB's policies influence the new and used vehicle financing market, which significantly affects the earnings of our businesses. The FRB's policies also influence the yield on our interest earning assets and the cost of our interest-bearing liabilities. Changes in those policies are beyond our control and difficult to predict and could adversely affect our revenues, profitability, and financial condition.

Future consumer legislation could harm our competitive position.

In addition to the enactment of the Dodd-Frank Act, various legislative bodies have also recently been considering altering the existing framework governing creditors' rights, including legislation that would result in or allow loan modifications of various sorts. Such legislation may change banking statutes and the operating environment in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business; limit or expand permissible activities; or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. We cannot predict whether new legislation will be enacted, and if enacted, the effect that it or any regulations would have on our activities, financial condition, or results of operations.

Ally and its subsidiaries are involved in investigations, and proceedings by government and self-regulatory agencies, which may lead to material adverse consequences.

Ally and its subsidiaries, including Ally Bank, are and may become involved from time to time in reviews, investigations, and proceedings (both formal and informal), and information-gathering requests, by government and self-regulatory agencies, including the FRB, FDIC, Utah DFI, CFPB, SEC, and the Federal Trade Commission regarding their respective operations. Such requests include subpoenas from each of the SEC and the U.S. Department of Justice. We continue to respond to subpoenas and document requests from the SEC, seeking information covering a wide range of mortgage-related matters, including, among other things, various aspects surrounding securitizations of residential mortgages. The subpoenas received from the U.S. Department of Justice include a broad request for documentation and other information in connection with its investigation of potential fraud and other potential legal violations related to mortgage backed securities, as well as the origination and/or underwriting of mortgage loans. In addition, the CFPB has recently advised us that they are investigating certain of our retail financing practices. These matters, or any other investigation or information-gathering request, may result in material adverse consequences including without limitation, adverse judgments, settlements, fines, penalties, injunctions, or other actions.

Our business, financial position, and results of operations could be adversely affected by the impact of affiliate transaction restrictions imposed in connection with certain financing transactions.

Certain transactions between Ally Bank and any of its nonbank "affiliates," including but not limited to Ally Financial Inc. are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, "covered transactions," including Ally Bank's extensions of credit to and asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Ally Bank's capital stock and surplus with respect to transactions with any individual affiliate, with an aggregate limit of 20% of Ally Bank's capital stock and surplus for all affiliates and all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a "low quality asset" under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions). Furthermore, there is an "attribution rule" that provides that a transaction between Ally Bank and a third party must be treated as a transaction between Ally Bank and a nonbank affiliate to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, a nonbank affiliate of Ally Bank. Retail financing transactions by Ally Bank involving vehicles for which Ally provided floorplan financing are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Ally.

Under the Dodd-Frank Act, among other changes to Sections 23A and 23B of the Federal Reserve Act, credit exposures resulting from derivatives transactions, securities lending and borrowing transactions, and acceptance of affiliate-issued debt obligations (other than securities) as collateral for a loan or extension of credit will be treated as "covered transactions." The Dodd-Frank Act also expands the scope of covered transactions required to be collateralized and places limits on acceptable collateral.

Historically, the FRB was authorized to exempt, in its discretion, transactions or relationships with affiliates from the requirements of these rules if it found such exemptions to be in the public interest and consistent with the purposes of the rules. As a result of the Dodd-Frank Act, exemptions now may be granted by the FDIC if the FDIC and FRB jointly find that the exemption is in the public interest and consistent with the purposes of the rules, and the FDIC finds that the exemption does not present an unacceptable risk to the Deposit Insurance Fund. The FRB granted several such exemptions to Ally Bank in the past. However, the existing exemptions are subject to various conditions and, particularly in light of the statutory changes made by the Dodd-Frank Act, any requests for future exemptions may not be granted. Moreover, these limited exemptions generally do not encompass consumer leasing or used vehicle financing. Since there is no assurance that Ally Bank will be able to obtain future exemptions or waivers with respect to these restrictions, the ability to grow Ally Bank's business will be affected by the Affiliate Transaction Restrictions.

Ally Financial Inc. may require distributions in the future from its subsidiaries.

We currently fund Ally Financial Inc.'s obligations, including dividend payments to our preferred shareholders, and payments of interest and principal on our indebtedness, from cash generated by Ally Financial Inc. In the future, Ally Financial Inc. may not generate sufficient funds at the parent company level to fund its obligations. As such, it may require dividends, distributions, or other payments from its subsidiaries to fund its obligations. However, regulatory and other legal restrictions may limit the ability of Ally Financial Inc.'s subsidiaries to transfer funds freely to Ally Financial Inc. In particular, many of Ally Financial Inc.'s subsidiaries are subject to laws, regulations, and rules that authorize regulatory bodies to block or reduce the flow of funds to it or that prohibit such transfers entirely in certain circumstances. These laws, regulations, and rules may hinder Ally Financial Inc.'s ability to access funds that it may need to make payments on its obligations in the future. Furthermore, as a bank holding company, Ally Financial Inc. may become subject to a prohibition or to limitations

on its ability to pay dividends. The bank regulators have the authority and, under certain circumstances, the duty to prohibit or to limit payment of dividends by the banking organizations they supervise, including Ally Financial Inc. and its subsidiaries.

Current and future increases in FDIC insurance premiums, including the FDIC special assessment imposed on all FDIC-insured institutions, could decrease our earnings.

Beginning in 2008 and continuing through 2012, higher levels of bank failures have dramatically increased resolution costs of the FDIC and depleted the Deposit Insurance Fund (the DIF). In May 2009, the FDIC announced that it had voted to levy a special assessment on insured institutions in order to facilitate the rebuilding of the DIF. In September 2009, the FDIC voted to adopt an increase in the risk-based assessment rate effective beginning January 1, 2011, by three basis points. Further, the Dodd-Frank Act alters the calculation of an insured institution's deposit base for purposes of deposit insurance assessments and removes the upper limit for the reserve ratio designated by the FDIC each year. On February 7, 2011, the FDIC approved a final rule implementing these changes, which took effect on April 1, 2011. The FDIC will continue to assess the changes to the assessment rates at least annually. Future deposit premiums paid by Ally Bank depend on the level of the DIF and the magnitude and cost of future bank failures. Any increases in deposit insurance assessments could decrease our earnings.

Risks Related to Our Business

The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM and Chrysler.

GM and Chrysler dealers and their retail customers compose a significant portion of our customer base, and our Dealer Financial Services operations are highly dependent on GM and Chrysler production and sales volume. In 2012, 63% of our U.S. new vehicle dealer inventory financing and 59% of our U.S. new vehicle consumer automotive financing volume were for GM franchised dealers and customers, and 28% of our U.S. new vehicle dealer inventory financing and 32% of our U.S. new vehicle consumer automotive financing volume were for Chrysler dealers and customers.

We are currently party to agreements with each of GM and Chrysler that provide for certain exclusivity privileges related to subvention programs offered by each of them. On April 25, 2012, Chrysler provided us with notification of nonrenewal of the existing agreement, and as a result our agreement with Chrysler will expire in April 2013. Further, Chrysler has recently announced that it has entered into a ten-year agreement with Santander Consumer USA Inc. (Santander), pursuant to which Santander will provide a full range of wholesale and retail financing services to Chrysler dealers and consumers, beginning in May 2013. In addition, our agreement with GM will expire in December 2013. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler in their incentive programs. We cannot predict the ultimate impact that the expiration of these agreements will have on our operations. However, the expiration of these agreements will likely increase competitive pressure on Ally, as some competitors have or could have exclusive agreements with GM and/or Chrysler.

On October 1, 2010, GM acquired AmeriCredit Corp. (which GM subsequently renamed General Motors Financial Company, Inc. (GMF)), an independent automotive finance company that focuses on providing leasing and subprime financing options. Further, and as previously announced, we have entered into an agreement with GMF pursuant to which GMF will purchase our automotive finance operations in Europe and Latin America, as well as our interest in a joint venture in China. As GMF continues to grow, and as GM directs additional business to GMF, it could reduce GM's reliance on our services over time, which could have a material adverse effect on our profitability and financial condition. In addition, it is possible that GM or other automotive manufacturers could utilize other existing companies to support their financing needs including offering products or terms that we would not or could not offer, which could have a material adverse impact on our business and operations. Furthermore, other automotive manufacturers could expand or establish or acquire captive finance companies to support their financing needs thus reducing their need for our services.

A significant adverse change in GM's or Chrysler's business, including the production or sale of GM or Chrysler vehicles; the quality or resale value of GM or Chrysler vehicles; the use of GM or Chrysler marketing incentives; GM's or Chrysler's relationships with its key suppliers; or GM's or Chrysler's relationship with the United Auto Workers and other labor unions and other factors impacting GM or Chrysler or their respective employees, or significant adverse changes in their respective liquidity position and access to the capital markets; could have a material adverse effect on our profitability and financial condition.

There is no assurance that the global automotive market or GM's and Chrysler's respective share of that market will not suffer downturns in the future, and any negative impact could in turn have a material adverse effect on our business, results of operations, and financial position.

Our business requires substantial capital and liquidity, and disruption in our funding sources and access to the capital markets would have a material adverse effect on our liquidity, capital positions, and financial condition.

Our liquidity and the long-term viability of Ally depend on many factors, including our ability to successfully raise capital and secure appropriate bank financing. We are currently required to maintain a Tier 1 leverage ratio of 15% at Ally Bank, which will require that Ally maintain substantial equity funds in Ally Bank and inject substantial additional equity funds into Ally Bank as Ally Bank's assets increase over time.

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding, it continues to remain a critical component of our capital structure and financing plans. At December 31, 2012, approximately \$1.3 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2013, and approximately \$5.6 billion and \$5.1 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2014 and 2015, respectively. We also obtain short-term funding from the sale of floating rate demand notes, all of which the holders may elect to have redeemed at any time without restriction. At December 31, 2012, a total of \$3.1 billion in principal amount of Demand Notes were outstanding. We also rely on secured funding. At December 31, 2012, approximately \$11.5 billion of outstanding consolidated secured debt is scheduled to mature in 2013, approximately \$13.6 billion is scheduled to mature in 2014, and approximately \$8.6 billion is scheduled to mature in 2015. Furthermore, at December 31, 2012, approximately \$15.7 billion in certificates of deposit at Ally Bank are scheduled to mature in 2013, which is not included in the 2013 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over these periods. The capital markets continue to be volatile, and Ally's access to the debt markets may be significantly reduced during periods of market stress. In addition, we will continue to have significant original issue discount amortization expenses (OID expense) in the near future, which will adversely affect our net income and resulting capital position. OID expense was \$349 million in 2012, and the remaining scheduled amortization of OID is \$261 million, \$188 million, and \$56 million in 2013, 2014, and 2015, respectively.

As a result of the volatility in the markets and our current unsecured debt ratings, we have increased our reliance on various secured debt markets. Although market conditions have improved, there can be no assurances that this will continue. In addition, we continue to rely on our ability to borrow from other financial institutions, and many of our primary bank facilities are up for renewal on a yearly basis. Any weakness in market conditions and a tightening of credit availability could have a negative effect on our ability to refinance these facilities and increase the costs of bank funding. Ally and Ally Bank also continue to access the securitization markets. While markets have continued to stabilize following the 2008 liquidity crisis, there can be no assurances these sources of liquidity will remain available to us.

Our indebtedness and other obligations are significant and could materially and adversely affect our business.

We have a significant amount of indebtedness. At December 31, 2012, we had approximately \$82.8 billion in principal amount of indebtedness outstanding (including \$45.1 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 48% of our total financing revenue and other interest income for the year ended December 31, 2012. In addition, during the twelve months ending December 31, 2012, we declared and paid preferred stock dividends of \$802 million in the aggregate.

We have the ability to create additional unsecured indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

The worldwide financial services industry is highly competitive. If we are unable to compete successfully or if there is increased competition in the automotive financing and/or insurance markets or generally in the markets for securitizations or asset sales, our business could be negatively affected.

The markets for automotive financing, banking, and insurance are highly competitive. The market for automotive financing has grown more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes during the 2008 economic downturn. More recently, competition for automotive financing has further intensified as a growing number of banks have become increasingly interested in automotive-finance assets, which has resulted in pressure on our net interest margins. For example, on April 1, 2011, TD Bank Group announced the closing of its acquisition of Chrysler Financial, which could enhance Chrysler Financial's ability to expand its product offerings and may result in increased competition. Ally Bank faces significant competition from commercial banks, savings institutions, mortgage companies, and other financial institutions. Our insurance business faces significant competition from insurance carriers, reinsurers, third-party administrators, brokers, and other insurance-related companies. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much less reliant on securitization activities, unsecured debt, and other public markets. Our competitors may be subject to different, and in some cases, less stringent, legislative and regulatory regimes than we are, thus putting us at a competitive disadvantage to these competitors. We face significant competition in most areas including product offerings, rates, pricing and fees, and customer service. If we are unable to compete effectively in the markets in which we operate, our profitability and financial condition could be negatively affected.

The markets for asset securitizations and whole-loan sales are competitive, and other issuers and originators could increase the amount of their issuances and sales. In addition, lenders and other investors within those markets often establish limits on their credit exposure to particular issuers, originators, and asset classes, or they may require higher returns to increase the amount of their exposure. Increased issuance by other participants in the market or decisions by investors to limit their credit exposure to (or to require a higher yield for) us or to automotive securitizations or whole-loans could negatively affect our ability and that of our subsidiaries to price our securitizations and whole-loan sales at attractive rates. The result would be lower proceeds from these activities and lower profits for our subsidiaries and us.

Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to materially increase our allowance, which may adversely affect our capital, financial condition, and results of operations.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expenses, which represents management's best estimate of probable credit losses that have been incurred within the existing portfolio of loans, all as described in Note 1 to the Consolidated Financial Statements. The allowance, in the judgment of management, is established to reserve for estimated loan losses and risks inherent in the loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may undergo material changes. Changes in economic conditions affecting borrowers, accounting rules and related guidance, new information regarding existing loans, identification of additional problem loans, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

Bank regulatory agencies periodically review our allowance for loan losses, as well as our methodology for calculating our allowance for loan losses and may require an increase in the provision for loan losses or the recognition of additional loan charge-offs, based on judgments different than those of management. An increase in the allowance for loan losses results in a decrease in net income and capital and may have a material adverse effect on our capital, financial condition and results of operations.

The previously contemplated plan and settlement related to the ResCap bankruptcy has been allowed to lapse by ResCap, and as a result, there is substantial uncertainty related to resolution of the bankruptcy and substantial claims could be brought against us.

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). In connection with the filings in May, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtor's estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

As of the Petition Date, institutional investors in residential mortgage-backed securities (RMBS Investors) issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to settle alleged representation and warranty claims against the Debtors' estates in exchange for a total \$8.7 billion allowed claim in the Debtors' bankruptcy cases, subject to the applicable securitization trustees' acceptance of the terms of the settlements (the RMBS Settlements). The RMBS Investors also signed separate plan support agreements (PSAs) with the Debtors and AFI in support of the Plan at the time of entering into the RMBS Settlements. To date, RMBS Investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to the RMBS Settlements. These 336 securitizations have an aggregate original principal balance of approximately \$189 billion (out of a total of 392 outstanding securitizations with an original principal balance of \$221 billion). The RMBS Settlements are subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing to consider such approval in late May 2013. The PSAs are not part of this scheduled Bankruptcy Court hearing. A number of creditors have raised objections to the RMBS Settlements, but the trustees representing the 336 securitization trusts and AFI have filed statements in support of the Debtors' motion to approve the RMBS Settlements. Separately, the Debtors have failed to meet several Plan milestones in their bankruptcy cases, each of which has given the RMBS Investors the right to terminate the PSAs upon three business days advance written notice to the Debtors and AFI. The RMBS Investors have not given the Debtors and AFI such a notice to date, but have the right to do so at any time. If the RMBS Settlements were not approved or the RMBS Investors were to decide not to support any proposed plan, it could adversely impact the likelihood that any plan is approved by the Bankruptcy Court. AFI continues to support the RMBS Settlements at this time.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the Examiner's investigation. The investigation includes, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors proposed to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. In the Examiner's original work plan, the Examiner estimated that his investigation and related report would be completed six months from approximately August 6, 2012. However, on February

7, 2013 the Examiner informed the Bankruptcy Court in the third supplement to the work plan that the investigation and related report will not be completed until early May 2013.

On December 26, 2012, the Bankruptcy Court, in an effort to facilitate plan negotiations, entered an order appointing bankruptcy judge James M. Peck, Esq. as mediator to assist the parties in resolving certain issues relating to the formulation and confirmation of the Plan. There can be no assurance that the mediation process will continue or will ultimately lead to a successful agreement among the parties.

On February 26, 2013, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed with the Bankruptcy Court a response to the Debtors' motions for appointment of a chief restructuring officer and to extend their exclusive period to file a chapter 11 plan, which, among other things, states that the Creditors' Committee supports such extension through and including April 30, 2013, and during such time the Creditors' Committee will agree not to bring any claims against AFI. The response further states that the Debtors consent to the Creditors' Committee seeking standing in the Bankruptcy Court to prosecute and/or settle the Debtors' alleged claims against AFI and agree to settle claims against AFI only with Creditors' Committee consent.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors. If the Bankruptcy Court approves the motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material. The Debtors have requested that the motion be heard at a hearing on March 21, 2013.

We are currently named as defendants in various lawsuits relating to ResCap mortgage-backed securities and certain other mortgage-related matters, which are described in more detail in Note 29 to the Consolidated Financial Statements. The majority of these matters are currently subject to orders entered by the Bankruptcy Court staying the matters through either March 31, 2012 or April 30, 2013. Unless the Debtors seek and obtain Bankruptcy Court approval to extend these stay orders, these matters are expected to proceed against us once the applicable stay orders expire.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows.

We are exposed to consumer credit risk, which could adversely affect our profitability and financial condition.

We are subject to credit risk resulting from defaults in payment or performance by customers for our contracts and loans, as well as contracts and loans that are securitized and in which we retain a residual interest. Furthermore, a weak economic environment and high unemployment rates could exert pressure on our consumer automotive finance customers resulting in higher delinquencies, repossessions, and losses. There can be no assurances that our monitoring of our credit risk as it affects the value of these assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss-mitigation strategies are, or will be, sufficient to prevent a further adverse effect on our profitability and financial condition. We have begun to increase our nonprime automobile financing. We define nonprime consumer automobile loans as those loans with a FICO score (or an equivalent score) at origination of less than 620. In addition, we have increased our used automobile financing. Borrowers that finance used vehicles tend to have lower FICO scores as compared to new vehicle borrowers, and defaults resulting from vehicle breakdowns are more likely to occur with used vehicles as compared to new vehicles that are financed. At December 31, 2012, the carrying value of our Automotive Finance operations nonprime consumer automobile loans before allowance for loan losses was \$5.1 billion, or approximately 9.4% of our total consumer automobile loans. Of these loans, \$62 million were considered nonperforming as they had been placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. As we grow our nonprime automobile financing loans over time, our credit risk may increase. As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

General business and economic conditions may significantly and adversely affect our revenues, profitability, and financial condition.

Our business and earnings are sensitive to general business and economic conditions in the United States. A downturn in economic conditions resulting in increased short and long term interest rates, inflation, fluctuations in the debt capital markets, unemployment rates, consumer and commercial bankruptcy filings, or a decline in the strength of national and local economies and other factors that negatively affect household incomes could decrease demand for our financing products and increase financing delinquency and losses on our customer and dealer financing operations. We have been negatively affected due to the significant stress in the residential real estate and related capital markets and, in particular, the lack of home price appreciation in many markets in which we lend. Further, a significant and sustained increase in fuel prices could lead to diminished new and used vehicle purchases and negatively affect our automotive finance business.

If the rate of inflation were to increase, or if the debt capital markets or the economies of the United States were to weaken, or if home prices or new and used vehicle purchases experience declines, we could be significantly and adversely affected, and it could become more

expensive for us to conduct our business. For example, business and economic conditions that negatively affect household incomes, housing prices, and consumer behavior related to our businesses could decrease (1) the demand for our new and used vehicle financing and (2) the value of the collateral underlying our portfolio of held-for-investment assets and new and used vehicle loans and interests that continue to be held by us, thus further increasing the number of consumers who become delinquent or default on their loans. In addition, the rate of delinquencies, foreclosures, and losses on our loans could be higher during more severe economic slowdowns.

Any sustained period of increased delinquencies, foreclosures, or losses could further harm our ability to sell our new and used vehicle loans, the prices we receive for our new and used vehicle loans, or the value of our portfolio of mortgage and new and used vehicle loans held-for-investment or interests from our securitizations, which could harm our revenues, profitability, and financial condition. Continued adverse business and economic conditions could affect demand for new and used vehicles, housing, the cost of construction, and other related factors that could harm the revenues and profitability of our business.

The current debt crisis in Europe, the risk that certain countries may default on their sovereign debt, and recent rating agency actions with respect to European countries and the United States and the resulting impact on the financial markets, could have a material adverse impact on our business, results of operations and financial position.

The current crisis in Europe has created uncertainty with respect to the ability of certain European Union countries to continue to service their sovereign debt obligations. In the past several years, rating agencies have lowered their ratings on several euro-zone countries. The continuation of the European debt crisis has adversely impacted financial markets and has created substantial volatility and uncertainty, and will likely continue to do so. Risks related to this have had, and are likely to continue to have, a negative impact on global economic activity and the financial markets. The effects of the European debt crisis could be even more significant if a Eurozone country determines to depart the European Monetary Union, which would lead to redenomination of obligations of obligors in that country and cause foreign exchange, operational, and settlement disruptions. In addition, on August 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to 'AA+' from 'AAA', and the outlook on its long-term rating is negative. The U.S. downgrade, any future downgrades, as well as the perceived creditworthiness of U.S. government-related obligations, including uncertainty surrounding the U.S. federal deficit and debt ceiling debate, could impact our ability to obtain, and the pricing with respect to, funding that is collateralized by affected instruments and obtained through the secured and unsecured markets. As these conditions persist, our business, results of operation, and financial position could be materially adversely affected.

Acts or threats of terrorism and political or military actions taken by the United States or other governments could adversely affect general economic or industry conditions.

Geopolitical conditions may affect our earnings. Acts or threats of terrorism and political or military actions taken by the United States or other governments in response to terrorism, or similar activity, could adversely affect general economic or industry conditions.

The U.S. Department of Treasury (Treasury) holds a majority of the outstanding common stock.

At February 28, 2013, Treasury held 981,971 shares of common stock, which represents approximately 74% of the voting power of the holders of common stock outstanding for matters requiring a vote of the holders of common stock. In addition, as of the date hereof, Treasury holds 118,750,000 shares of Series F-2 Preferred Stock (which are convertible into shares of common stock in accordance with Ally's certificate of incorporation), with an aggregate liquidation preference of approximately \$5.9 billion.

Pursuant to the Amended and Restated Governance Agreement dated May 21, 2009, as of the date hereof, Treasury also has the right to appoint six of the eleven members to our board of directors. As a result of this stock ownership interest and Treasury's right to appoint six directors to our board of directors, Treasury has the ability to exert control, through its power to vote for the election of our directors, over various matters. To the extent Treasury elects to exert such control over us, its interests (as a government entity) may differ from those of our other stockholders and it may influence, through its ability to vote for the election of our directors, matters including:

- the selection, tenure and compensation of our management;
- our business strategy and product offerings;
- our relationship with our employees and other constituencies; and
- our financing activities, including the issuance of debt and equity securities.

In particular, Treasury may have a greater interest in promoting U.S. economic growth and jobs than our other stockholders. In the future we may also become subject to new and additional laws and government regulations regarding various aspects of our business as a result of participation in the TARP program and the U.S. government's ownership in our business. These regulations and actions by directors could make it more difficult for us to compete with other companies that are not subject to similar regulations.

The limitations on compensation imposed on us due to our participation in TARP, including the restrictions placed on our compensation by the Special Master for TARP Executive Compensation, may adversely affect our ability to retain and motivate our executives and employees.

Our performance is largely dependent on the talent and efforts of our management team and employees. As a result of our participation in TARP, the compensation of certain members of our management team and employees is subject to extensive restrictions under the Emergency Economic Stabilization Act of 2008, as amended by the American Recovery and Reinvestment Act of 2009 (the ARRA), which was signed into law on February 17, 2009, as implemented by the Interim Final Rule issued by Treasury on June 15, 2009 (the IFR). In addition, due to our level of participation in TARP, pursuant to ARRA and the IFR, the Office of the Special Master for TARP Executive Compensation has the authority to further regulate our compensation arrangements with certain of our executives and employees. In addition, we may become subject to further restrictions under any other future legislation or regulation limiting executive compensation. Many of the restrictions are not limited to our senior executives and affect other employees whose contributions to revenue and performance may be significant. These limitations may leave us unable to create a compensation structure that permits us to retain and motivate certain of our executives and employees or to attract new executives or employees, especially if we are competing against institutions that are not subject to the same restrictions. Any such inability could have a material and adverse effect on our business, financial condition, and results of operations.

Our borrowing costs and access to the unsecured debt capital markets depend significantly on our credit ratings.

The cost and availability of unsecured financing are materially affected by our short- and long-term credit ratings. Each of Standard & Poor's Rating Services; Moody's Investors Service, Inc.; Fitch, Inc.; and Dominion Bond Rating Service rates our debt. Our current ratings as assigned by each of the respective rating agencies are below investment grade, which negatively impacts our access to liquidity and increases our borrowing costs in the unsecured market. Ratings reflect the rating agencies' opinions of our financial strength, operating performance, strategic position, and ability to meet our obligations. On February 2, 2012, Fitch downgraded our senior debt to BB- from BB and changed the outlook to negative. Future downgrades of our credit ratings would increase borrowing costs and further constrain our access to the unsecured debt markets and, as a result, would negatively affect our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any new or replacement financing arrangements as well as impact elements of certain existing secured borrowing arrangements.

Agency ratings are not a recommendation to buy, sell, or hold any security and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Our profitability and financial condition could be materially and adversely affected if the residual value of off-lease vehicles decrease in the future.

Our expectation of the residual value of a vehicle subject to an automotive lease contract is a critical element used to determine the amount of the lease payments under the contract at the time the customer enters into it. As a result, to the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and/or a loss on the lease transaction. General economic conditions, the supply of off-lease and other vehicles to be sold, new vehicle market prices, perceived vehicle quality, overall price and volatility of gasoline or diesel fuel, among other factors, heavily influence used vehicle prices and thus the actual residual value of off-lease vehicles. Consumer confidence levels and the strength of automotive manufacturers and dealers can also influence the used vehicle market. For example, during 2008, sharp declines in demand and used vehicle sale prices adversely affected our remarketing proceeds and financial results.

Vehicle brand images, consumer preference, and vehicle manufacturer marketing programs that influence new and used vehicle markets also influence lease residual values. In addition, our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and proceeds realized from the vehicle sales. While manufacturers, at times, may provide support for lease residual values including through residual support programs, this support does not in all cases entitle us to full reimbursement for the difference between the remarketing sales proceeds for off-lease vehicles and the residual value specified in the lease contract. Differences between the actual residual values realized on leased vehicles and our expectations of such values at contract inception could have a negative impact on our profitability and financial condition.

Significant indemnification payments or contract, lease, or loan repurchase activity of retail contracts or leases could harm our profitability and financial condition.

We have repurchase obligations in our capacity as servicer in securitizations and whole-loan sales. If a servicer breaches a representation, warranty, or servicing covenant with respect to an automotive receivable, the servicer may be required by the servicing provisions to repurchase that asset from the purchaser or otherwise compensate one or more classes of investors for losses caused by the breach. If the frequency at which repurchases of assets or other payments occurs increases substantially from its present rate, the result could be a material adverse effect on our financial condition, liquidity, and results of operations.

A loss of contractual servicing rights could have a material adverse effect on our financial condition, liquidity, and results of operations.

We are the servicer for all of the receivables we have acquired or originated and transferred to other parties in securitizations and whole-loan sales of automotive receivables. We are paid a fee for these services, which fees in the aggregate constitute a substantial revenue stream for us. In each case, we are subject to the risk of termination under the circumstances specified in the applicable servicing provisions.

In most securitizations and whole-loan sales, the owner of the receivables will be entitled to declare a servicer default and terminate the servicer upon the occurrence of specified events. These events typically include a bankruptcy of the servicer, a material failure by the servicer to perform its obligations, and a failure by the servicer to turn over funds on the required basis. The termination of these servicing rights, were it to occur, could have a material adverse effect on our financial condition, liquidity, and results of operations.

Our earnings may decrease because of decreases or increases in interest rates.

We are subject to risks from decreasing interest rates, particularly given the Federal Reserve's recent steps to keep interest rates low in an attempt to improve economic growth. A low interest rate environment or a flat or inverted yield curve may adversely affect certain of our businesses by compressing net interest margins or reducing the amounts we earn on our investment securities portfolio, thereby reducing our net interest income and other revenues.

Rising interest rates could also have an adverse impact on our business as well. For example, rising interest rates:

- will increase our cost of funds;
- may reduce our consumer automotive financing volume by influencing customers to pay cash for, as opposed to financing, vehicle purchases or not to buy new vehicles;
- may negatively impact our ability to remarket off-lease vehicles; and
- will generally reduce the value of automotive financing loans and contracts and retained interests and fixed income securities held in our investment portfolio.

Throughout 2009 and 2010 the credit risk embedded in the balance sheet was reduced as a result of asset sales, asset markdowns, and a change in the mix of our loan assets as the legacy portfolios were replaced with assets underwritten to tighter credit standards. This reduction in risk has resulted in a mix of assets outstanding on the balance sheet as of December 31, 2012, with a lower yielding profile than the prior year. During this same period of time we experienced a significant decline in our consumer automotive operating lease portfolio that was realizing higher yields from remarketing gains due to historically high used vehicle prices. The combination of the above factors resulted in a decline in asset yields more than the decline in liability rates, and therefore the decline in the net interest spread on the balance sheet throughout 2010 and into 2011.

Our hedging strategies may not be successful in mitigating our risks associated with changes in interest rates and could affect our profitability and financial condition as could our failure to comply with hedge accounting principles and interpretations.

We employ various economic hedging strategies to mitigate the interest rate and prepayment risk inherent in many of our assets and liabilities. Our hedging strategies rely on assumptions and projections regarding our assets, liabilities, and general market factors. If these assumptions and projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes in interest rates or prepayment speeds, we may experience volatility in our earnings that could adversely affect our profitability and financial condition. In addition, we may not be able to find market participants that are willing to act as our hedging counterparties, which could have an adverse effect on the success of our hedging strategies.

In addition, hedge accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) requires the application of significant subjective judgments to a body of accounting concepts that is complex.

A failure of or interruption in, as well as, security risks of the communications and information systems on which we rely to conduct our business could adversely affect our revenues and profitability.

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption of our information systems or the third-party information systems on which we rely as a result of inadequate or failed processes or systems, human errors, employee misconduct, catastrophic events, or other external events could cause underwriting or other delays and could result in fewer applications being received, slower processing of applications, and reduced efficiency in servicing. In addition, our communication and information systems may present security risks, and could be susceptible to hacking or identity theft. For example, similar to other large financial institutions, Ally's website, ally.com, was recently the subject of cyber attacks that resulted in slow performance and unavailability of the website for some customers. The occurrence of any of these events could have a material adverse effect on our business.

We use estimates and assumptions in determining the fair value of certain of our assets. If our estimates or assumptions prove to be incorrect, our cash flow, profitability, financial condition, and business prospects could be materially and adversely affected.

We use estimates and various assumptions in determining the fair value of many of our assets, including certain held-for-investment and held-for-sale loans for which we elected fair value accounting, retained interests from securitizations of loans and contracts, MSRs, and other

investments, which do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of leased vehicles. In addition, we use estimates and assumptions in determining our reserves for legal matters, insurance losses and loss adjustment expenses which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. For further discussion related to estimates and assumptions, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates.” Our actual experience may differ materially from these estimates and assumptions. A material difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects.

Fluctuations in valuation of investment securities or significant fluctuations in investment market prices could negatively affect revenues.

Investment market prices in general are subject to fluctuation. Consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value and could negatively affect our revenues. Additionally, negative fluctuations in the value of available-for-sale investment securities could result in unrealized losses recorded in equity. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments, national and international events, and general market conditions.

Changes in accounting standards issued by the Financial Accounting Standards Board (FASB) could adversely affect our reported revenues, profitability, and financial condition.

Our financial statements are subject to the application of GAAP, which are periodically revised and/or expanded. The application of accounting principles is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the FASB and the SEC, banking regulators, and our independent registered public accounting firm. Those changes could adversely affect our reported revenues, profitability, or financial condition.

Recently, the FASB has proposed new financial accounting standards, and has many active projects underway, that could materially affect our reported revenues, profitability, or financial condition. These proposed standards or projects include the potential for significant changes in the accounting for financial instruments (including loans, deposits, allowance for loan losses, and debt) and the accounting for leases, among others. It is possible that any changes, if enacted, could adversely affect our reported revenues, profitability, or financial condition.

The soundness of other financial institutions could adversely affect us.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to different counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, and other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty.

Our inability to maintain relationships with dealers could have an adverse effect on our business, results of operations, and financial condition.

Our business depends on the continuation of our relationships with our customers, particularly the automotive dealers with whom we do business. If we are not able to maintain existing relationships with key automotive dealers or if we are not able to develop new relationships for any reason, including if we are not able to provide services on a timely basis or offer products that meet the needs of the dealers, our business, results of operations, and financial condition could be adversely affected.

Adverse economic conditions or changes in laws in states in which we have customer concentrations may negatively affect our operating results and financial condition.

We are exposed to consumer loan portfolio concentration in certain states, including California, Texas, and Florida. Factors adversely affecting the economies and applicable laws in these and other states could have an adverse effect on our business, results of operations and financial position.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal corporate offices are located in Detroit, Michigan; New York, New York; and Charlotte, North Carolina. In Detroit, we lease approximately 247,000 square feet from GM pursuant to a lease agreement expiring in November 2016. In New York, we lease approximately 35,000 square feet of office space under a lease that expires in July 2015. In Charlotte, we lease approximately 133,000 square feet of office space under a lease expiring in December 2015.

The primary offices for Dealer Financial Services operations are located in Detroit, Michigan, and Southfield, Michigan. The primary office for our Automotive Finance operations is located in Detroit, Michigan, and is included in the totals referenced above. The primary

office for our Insurance operations is located in Southfield, Michigan, where we lease approximately 71,000 square feet of office space under leases expiring in April 2016.

The primary offices for our Mortgage operations are located in Fort Washington, Pennsylvania. In Fort Washington, we lease approximately 450,000 square feet of office space pursuant to a lease that expires in November 2019.

In addition to the properties described above, we lease additional space to conduct our operations. We believe our facilities are adequate for us to conduct our present business activities.

Item 3. Legal Proceedings

Refer to Note 29 to the Consolidated Financial Statements for a discussion related to our legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Part II

Ally Financial Inc. • Form 10-K

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

Common Stock

We currently have a total of 2,021,384 shares of common stock authorized for issuance, and at February 28, 2013, a total of 1,330,970 shares of common stock were issued and outstanding. Further, we have reserved 690,272 of the remaining authorized but unissued shares of common stock for issuance in connection with any future conversion of Ally's Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (Series F-2 Preferred Stock). Our common stock is not registered with the Securities and Exchange Commission, and there is no established trading market for the shares. At February 28, 2013, there were 153 holders of common stock reflected on our stock register.

Subject to certain exceptions, for so long as any shares of the Series F-2 Preferred Stock are outstanding and owned by the U.S. Department of Treasury (Treasury), Ally and its subsidiaries are generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing or acquiring, any common stock without the consent of Treasury. Ally is also generally prohibited from making any dividends or distributions on, or redeeming, repurchasing, or acquiring, its common stock unless all accrued and unpaid dividends for all past dividend periods on the Series F-2 Preferred Stock are fully paid. In addition, pursuant to the terms of Ally's Fixed Rate Cumulative Perpetual Preferred Stock, Series G, Ally is not permitted to make any Restricted Payments on or prior to January 1, 2014, and may only make Restricted Payments after January 1, 2014, if certain conditions are satisfied. For this purpose, Restricted Payments include dividends or distribution of assets on any share of common stock and any redemption, purchase, or other acquisition of any shares of common stock, subject to certain exceptions.

Preferred Stock

For a discussion of preferred stock currently outstanding, refer to Note 18 to the Consolidated Financial Statements.

Unregistered Sales of Equity Securities

Ally did not have any unregistered sales of its equity securities in fiscal year 2012, except as previously disclosed on Form 8-K.

Item 6. Selected Financial Data

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

The following table presents selected statement of income data.

Year ended December 31, (\$ in millions)	2012	2011	2010	2009	2008
Total financing revenue and other interest income	\$ 7,468	\$ 7,061	\$ 8,017	\$ 8,887	\$ 12,143
Interest expense	4,200	5,039	5,460	5,502	7,548
Depreciation expense on operating lease assets	1,399	941	1,251	2,256	3,159
Impairment of investment in operating leases	—	—	—	—	1,082
Net financing revenue	1,869	1,081	1,306	1,129	354
Total other revenue (a)	3,029	2,897	4,416	3,432	14,212
Total net revenue	4,898	3,978	5,722	4,561	14,566
Provision for loan losses	329	188	357	5,174	2,857
Total noninterest expense	5,324	4,741	4,973	6,425	6,789
(Loss) income from continuing operations before income tax (benefit) expense	(755)	(951)	392	(7,038)	4,920
Income tax (benefit) expense from continuing operations (b)	(1,284)	51	104	29	(108)
Net income (loss) from continuing operations	529	(1,002)	288	(7,067)	5,028
Income (loss) from discontinued operations, net of tax	667	845	741	(3,276)	(3,160)
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)	\$ 1,868
Basic and diluted earnings per common share:					
Net (loss) income from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)	\$ (15,662)	\$ 46,172
Net income (loss)	296	(691)	(1,039)	(21,850)	17,152
Non-GAAP financial measures (c):					
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)	\$ 1,868
Add: Original issue discount amortization expense (d)	336	962	1,300	1,143	70
Add: Income tax (benefit) expense from continuing operations	(1,284)	51	104	29	(108)
Less: Gain on extinguishment of debt related to the 2008 bond exchange	—	—	—	—	11,460
Less: Income (loss) from discontinued operations, net of tax	667	845	741	(3,276)	(3,160)
Core pretax (loss) income (c)	\$ (419)	\$ 11	\$ 1,692	\$ (5,895)	\$ (6,470)

- (a) Total other revenue for 2008 includes \$12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter.
- (b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of \$1.2 billion was established through income tax expense.
- (c) Core pretax (loss) income is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax (loss) income is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax (loss) income is the primary measure that management uses to assess the performance of our operations. We believe that core pretax (loss) income is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.
- (d) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange that was reported as a loss on extinguishment of debt in the Consolidated Statement of Income.

The following table presents selected balance sheet and ratio data.

Year ended December 31, (\$ in millions)	2012	2011	2010	2009	2008
Selected period-end balance sheet data:					
Total assets	\$ 182,347	\$ 184,059	\$ 172,008	\$ 172,306	\$ 189,476
Long-term debt	\$ 74,561	\$ 92,885	\$ 86,703	\$ 88,066	\$ 115,935
Preferred stock/interests (a)	\$ 6,940	\$ 6,940	\$ 6,972	\$ 12,180	\$ 6,287
Total equity	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794	\$ 21,854
Financial ratios					
Efficiency ratio (b)	108.70 %	119.18 %	86.91%	140.87 %	46.61 %
Core efficiency ratio (b)	101.72 %	95.97 %	70.82%	112.64 %	213.76 %
Return on assets (c)					
Net income (loss) from continuing operations	0.29 %	(0.55)%	0.16%	(3.97)%	2.65 %
Net income (loss)	0.65 %	(0.09)%	0.58%	(5.81)%	0.99 %
Core pretax (loss) income	(0.23)%	0.01 %	0.96%	(3.31)%	(3.41)%
Return on equity (c)					
Net income (loss) from continuing operations	2.80 %	(4.99)%	1.39%	(29.14)%	23.01 %
Net income (loss)	6.32 %	(0.78)%	4.98%	(42.65)%	8.55 %
Core pretax (loss) income	(2.21)%	0.05 %	8.19%	(24.31)%	(29.61)%
Equity to assets (c)					
Equity to assets (c)	10.30 %	11.10 %	11.69%	13.63 %	11.53 %
Net interest spread (c)(d)					
Net interest spread (c)(d)	1.14 %	0.59 %	0.97%	0.45 %	(e)
Net interest spread excluding original issue discount (c)(d)	1.46 %	1.43 %	2.21%	1.84 %	(e)
Net yield on interest-earning assets (c)(f)					
Net yield on interest-earning assets (c)(f)	1.37 %	0.84 %	1.15%	1.03 %	(e)
Net yield on interest-earning assets excluding original issue discount (c)(f)	1.62 %	1.56 %	2.22%	2.08 %	(e)
Regulatory capital ratios					
Tier 1 capital (to risk-weighted assets) (g)	13.13 %	13.65 %	14.93%	14.12 %	(e)
Total risk-based capital (to risk-weighted assets) (h)	14.07 %	14.69 %	16.30%	15.52 %	(e)
Tier 1 leverage (to adjusted quarterly average assets) (i)	11.16 %	11.45 %	12.99%	12.68 %	(e)
Total equity					
Total equity	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794	(e)
Goodwill and certain other intangibles					
Goodwill and certain other intangibles	(494)	(493)	(532)	(534)	(e)
Unrealized gains and other adjustments					
Unrealized gains and other adjustments	(1,715)	(262)	(309)	(447)	(e)
Trust preferred securities					
Trust preferred securities	2,543	2,542	2,541	2,540	(e)
Tier 1 capital (g)					
Tier 1 capital (g)	20,232	21,067	22,098	22,353	(e)
Preferred equity					
Preferred equity	(6,940)	(6,940)	(6,972)	(12,180)	(e)
Trust preferred securities					
Trust preferred securities	(2,543)	(2,542)	(2,541)	(2,540)	(e)
Tier 1 common capital (non-GAAP) (j)					
Tier 1 common capital (non-GAAP) (j)	\$ 10,749	\$ 11,585	\$ 12,585	\$ 7,633	(e)
Risk-weighted assets (k)					
Risk-weighted assets (k)	\$ 154,038	\$ 154,319	\$ 147,979	\$ 158,326	(e)
Tier 1 common (to risk-weighted assets) (j)					
Tier 1 common (to risk-weighted assets) (j)	6.98 %	7.51 %	8.50%	4.82 %	(e)

- (a) Effective June 30, 2009, we converted from a Delaware limited liability company into a Delaware corporation. Each unit of each class of common membership interest issued and outstanding immediately prior to the conversion was converted into an equivalent number of shares of common stock with substantially the same rights and preferences as the common membership interests. Upon conversion, holders of our preferred membership interests also received an equivalent number of shares of preferred stock with substantially the same rights and preferences as the former preferred membership interests.
- (b) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.
- (c) The 2012, 2011, 2010, and 2009 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies. The 2008 ratios have been computed based on period-end total assets and period-end total equity at December 31, 2008.
- (d) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
- (e) Not applicable at December 31, 2008 as we did not become a bank holding company until December 24, 2008.
- (f) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
- (g) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
- (h) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
- (i) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
- (j) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
- (k) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

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

Overview

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

Our Business

Dealer Financial Services

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to almost 15,000 automotive dealerships and approximately 4 million of their retail customers. We have deep dealer relationships that have been built over our greater-than 90-year history and our dealer-focused business model makes us a preferred automotive finance company for many automotive dealers. Our broad set of product offerings and customer-focused marketing programs differentiate Ally in the marketplace and help drive higher product penetration in our dealer relationships. Our ability to generate attractive automotive assets is driven by our platform and scale, strong relationships with automotive dealers, a full suite of dealer financial products, automotive loan-servicing capabilities, dealer-based incentive programs, and superior customer service.

Our automotive financial services include providing retail installment sales financing, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer vehicle service contracts and commercial insurance, primarily covering dealers' wholesale vehicle inventories. We are a leading provider of vehicle service contracts, and maintenance coverages.

We have a longstanding relationship with General Motors Company (GM) and have developed strong relationships directly with GM-franchised dealers. We are a preferred financing provider to GM and Chrysler Group LLC (Chrysler) (including Fiat) for incentivized retail loans. Our agreements with GM and Chrysler expire on December 31, 2013 and April 30, 2013, respectively. Ally currently competes in the marketplace for all other parts of the business with GM and Chrysler dealers including wholesale financing, standard rate consumer financing, and leasing. Ally expects to continue to play a significant role with GM and Chrysler dealers in the future as the dealer is Ally's direct customer for the majority of business that is conducted.

We have further diversified our customer base by establishing agreements to become preferred financing providers with other vehicle manufacturers including, Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors. During 2010 our primary emphasis was on originating loans of higher credit tier borrowers. For this reason, our current operating results continue to reflect higher credit quality, lower yielding loans with lower credit loss experience. Ally however seeks to be a meaningful lender to a wide spectrum of borrowers. In 2010 we enhanced our risk management practices and efforts on risk-based pricing. We have gradually increased volumes in lower credit tiers in 2011 and 2012. We plan to continue to increase the proportion of our non-GM and Chrysler business, as we focus on maintaining and growing our dealer-customer base through our full suite of products, our dealer relationships, the scale of our platform, and our dealer-based incentive programs.

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

Change in Reportable Segments

During the fourth quarter of 2012, we announced that we had reached agreements to sell substantially all of our International operations. As a result, beginning in the fourth quarter of 2012, we are presenting our continuing Automotive Finance activities under one reportable operating segment, Automotive Finance operations. Previously our Automotive Finance operations were presented as two reportable operating segments, North American Automotive Finance operations and International Automotive Finance operations.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Mortgage

The principal ongoing Mortgage operations are conducted through Ally Bank. We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders. Our Mortgage operations also consist of noncore business activities including portfolios in run-off.

On October 26, 2012, we announced that Ally Bank had begun to explore strategic alternatives for its agency mortgage servicing rights portfolio and its business lending operations. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. The majority of Ally Bank's serviced mortgage assets are subserviced by GMAC Mortgage, LLC (GMACM), a subsidiary of ResCap, pursuant to a servicing agreement. Additionally, in July 2012, we announced our intention to shut down our U.S. Warehouse Lending business and, as of December 31, 2012, we successfully managed receivables down to \$0 with no commitments outstanding. Our intent is to significantly reduce or eliminate our mortgage-related activities with respect to the origination of conforming mortgage loans with the intent to sell into securitizations sponsored by the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs), the retention of mortgage servicing rights, and the extension of credit to third-party mortgage originators (warehouse lending).

Residential Capital, LLC (ResCap) and certain of its wholly-owned subsidiaries (collectively, the Debtors), filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York on May 14, 2012. Refer to Note 1 to the Consolidated Financial Statements for further information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

Subsequent to the bankruptcy filing, ResCap announced the sale of certain assets to third parties. Upon the closing of those sales, we do not expect ResCap to continue to broker loans to us. This will primarily impact the production of loans within the Direct Lending channel, which are currently sourced exclusively from ResCap.

As the actions discussed continue to progress, we expect the level of loan production and mortgage-related assets (with the exception of mortgage loans held for investment), as well as the income before income tax expense from Mortgage operations, to decline.

Change in Reportable Segments

On May 14, 2012, the Debtors filed for relief under Chapter 11 of the Bankruptcy Code in the United States. As a result of the bankruptcy filing, ResCap was deconsolidated from our financial statements; and beginning in the second quarter of 2012, we began presenting our mortgage business activities under one reportable operating segment, Mortgage operations. Previously our Mortgage operations had been presented as two reportable operating segments, Origination and Servicing operations and Legacy Portfolio and Other operations. The new presentation is consistent with the organizational alignment of the business and management's current view of the mortgage business.

Corporate and Other

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

The net financing revenue of our Automotive Finance and Mortgage operations includes the results of an FTP process that insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Automotive Finance and Mortgage operations, respectively, based on anticipated maturity and a benchmark index plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise, including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology, which incorporates each operations credit, market, and operational risk components is used to allocate equity to these operations.

Change in Reportable Segments

During the fourth quarter of 2012, we began to allocate expenses associated with certain deposit gathering activities and other additional costs of holding liquidity to our Automotive Finance and Mortgage operations. These expenses were previously included within our Corporate and Other activities. Additionally, we began to include overhead that was previously allocated to operations that have since been sold or moved into discontinued operations within our Corporate and Other activities.

Ally Bank

Ally Bank, our direct banking platform, provides us with a stable and diversified low-cost funding source. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. Ally Bank has established a strong and growing retail banking franchise

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

which is based on a promise of being straightforward, easy to use, and offering high-quality customer service. Ally Bank's products and services are designed to develop long-term customer relationships and capitalize on the shift in consumer preference for direct banking.

Ally Bank offers a full spectrum of deposit product offerings, such as checking, savings, and certificates of deposit (CDs), as well as 48-month raise your rate CDs, IRA deposit products, Popmoney person-to-person transfer service, eCheck remote deposit capture, Ally Perks debit rewards program, and Mobile Banking. In addition, brokered deposits are obtained through third-party intermediaries. At December 31, 2012, Ally Bank had \$46.9 billion of deposits, including \$35.0 billion of retail deposits. The growth of our retail base from \$7.2 billion at the end of 2008 to \$35.0 billion at December 31, 2012, has enabled us to reduce our cost of funds during that period. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

Funding and Liquidity

Our funding strategy largely focuses on the development of diversified funding sources which we manage across products, programs, markets, and investor groups. We fund our assets primarily with a mix of retail and brokered deposits, public and private asset-backed securitizations, asset sales, committed and uncommitted credit facilities and public unsecured debt.

The diversity of our funding sources enhances funding flexibility, limits dependence on any one source and results in a more cost-effective funding strategy over the long term. Throughout 2008 and 2009, the global credit markets experienced extraordinary levels of volatility and stress. As a result, access by market participants, including Ally, to the capital markets was significantly constrained and borrowing costs increased. In response, numerous government programs were established aimed at improving the liquidity position of U.S. financial services firms. After converting to a bank holding company in late 2008, we participated in several of the programs, including Temporary Liquidity Guaranty Program (TLGP), Term Auction Facility, and Term Asset-Backed Securities Loan Facility. Our diversification strategy and participation in these programs helped us to maintain sufficient liquidity during this period of financial distress to meet all maturing unsecured debt obligations and to continue our lending and operating activities. During 2012, we repaid the TLGP debt and the other programs were discontinued prior to 2012.

As part of our overall transformation from an independent financial services company to a bank holding company, we took actions to further diversify and develop more stable funding sources and, in particular, embarked upon initiatives to grow our consumer deposit-taking capabilities within Ally Bank. In addition, we began distinguishing our liquidity management strategies between bank funding and nonbank funding.

Maximizing bank funding continues to be the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility or changes in our credit ratings than other funding sources. At December 31, 2012, deposit liabilities totaled \$47.9 billion, which constituted 37% of our total funding. This compares to just 14% at December 31, 2008.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance Ally Bank's automotive loan portfolios. During 2012, we issued \$11.8 billion in secured funding backed by retail automotive loans and leases as well as dealer floorplan automotive loans of Ally Bank. Continued structural efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automobile loans are selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed and matched funding for the life of the asset. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As we have shifted our focus to migrating assets to Ally Bank and growing our bank funding capabilities, our reliance on parent company liquidity has consequently been reduced. Funding sources at the parent company generally consist of longer-term unsecured debt, private credit facilities, and asset-backed securitizations. In 2012, we issued over \$3.6 billion of unsecured debt globally through several issuances. At December 31, 2012, we had \$1.3 billion and \$5.6 billion of outstanding unsecured long-term debt with maturities in 2013 and 2014, respectively. To fund these maturities, we expect to use existing pre-issued liquidity combined with maintaining an opportunistic approach to new issuance.

The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at the parent company was \$15.6 billion and Ally Bank had \$13.2 billion of available liquidity at December 31, 2012. Parent company liquidity is defined as our consolidated operations less Ally Bank and the subsidiaries of Ally Insurance's holding company. At the same time, these strategies have also resulted in a cost of funds improvement of approximately 95 basis points since the first quarter of 2011. Looking forward, given our enhanced liquidity and capital position and generally improved credit ratings, we expect that our cost of funds will continue to improve over time.

Credit Strategy

We are a full spectrum automotive finance lender with most of our automotive loan originations underwritten within the prime-lending markets as we continue to prudently expand in nonprime markets. During 2012, we continued to recognize improvement in our credit risk profile as a result of proactive credit risk initiatives that were taken in 2009 and 2010 and modest improvement in the overall economic

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

environment. Additionally, we discontinued certain nonstrategic operations, mainly in our international businesses. Within our Automotive Finance operations, we exited certain underperforming dealer relationships. Within our Mortgage operations, we have taken action with the intent to significantly reduce or eliminate our mortgage-related activities with respect to the origination of conforming mortgage loans with the intent to sell into GSE-sponsored securitizations, the retention of mortgage servicing rights, and the extension of credit to third-party mortgage originators (warehouse lending). We intend to continue to originate a modest level of high-quality non-conforming mortgages that exceed GSE limits (jumbo mortgages) for retention as mortgage loans held for investment.

During the year ended December 31, 2012, the credit performance of our portfolios remained strong overall as our asset quality trends within our automotive and mortgage portfolios were stable. Nonperforming loans continued to decline, benefiting from the deconsolidation of ResCap. Charge-offs also declined primarily due to recoveries in the commercial portfolio. Our provision for loan losses increased to \$329 million in 2012 from \$188 million in 2011 due to higher asset levels in the consumer and commercial automotive portfolios and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

We continue to see signs of economic stabilization in the housing and vehicle markets, although our total credit portfolio will continue to be affected by sustained levels of high unemployment and continued uncertainty in the housing market.

Bank Holding Company and Treasury's Investments

During 2008, and continuing into 2009, the credit, capital, and mortgage markets became increasingly disrupted. This disruption led to severe reductions in liquidity and adversely affected our capital position. As a result, Ally sought approval to become a bank holding company to obtain access to capital at a lower cost to remain competitive in our markets. On December 24, 2008, Ally and IB Finance Holding Company, LLC, the holding company of Ally Bank, were each approved as bank holding companies under the Bank Holding Company Act of 1956. At the same time, Ally Bank converted from a Utah-chartered industrial bank into a Utah-chartered commercial nonmember bank. Ally Bank as an FDIC-insured depository institution, is subject to the supervision and examination of the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI). Ally Financial Inc. is subject to the supervision and examination of the Board of Governors of the Federal Reserve System (FRB). We are required to comply with regulatory risk-based and leverage capital requirements, as well as various safety and soundness standards established by the FRB, and are subject to certain statutory restrictions concerning the types of assets or securities that we may own and the activities in which we may engage.

As one of the conditions to becoming a bank holding company, the FRB required several actions of Ally, including meeting a minimum amount of regulatory capital. In order to meet this requirement, Ally took several actions, the most significant of which were the execution of private debt exchanges and cash tender offers to purchase and/or exchange certain of our and our subsidiaries outstanding notes held by eligible holders for a combination of cash, newly issued notes of Ally, and in the case of certain of the offers, preferred stock. The transactions resulted in an extinguishment of all notes tendered or exchanged into the offers and the new notes and stock were recorded at fair value on the issue date. This resulted in a pretax gain on extinguishment of debt of \$11.5 billion in 2008 and a corresponding increase to our capital levels. The gain included a \$5.4 billion original issue discount representing the difference between the face value and the fair value of the new notes and is being amortized as interest expense over the term of the new notes. In addition, the U.S. Department of Treasury (Treasury) made an initial investment in Ally on December 29, 2008, pursuant to the Troubled Asset Relief Program (TARP) with a \$5.0 billion purchase of Ally perpetual preferred stock with a total liquidation preference of \$5.25 billion (Perpetual Preferred Stock).

On May 21, 2009, Treasury made a second investment of \$7.5 billion in exchange for Ally's mandatorily convertible preferred stock with a total liquidation preference of approximately \$7.9 billion (Old MCP), which included a \$4 billion investment to support our agreement with Chrysler to provide automotive financing to Chrysler dealers and customers and a \$3.5 billion investment related to the FRB's Supervisory Capital Assessment Program requirements. Shortly after this second investment, on May 29, 2009, Treasury acquired 35.36% of Ally common stock when it exercised its right to acquire 190,921 shares of Ally common stock from GM as repayment for an \$884 million loan that Treasury had previously provided to GM.

On December 30, 2009, we entered into another series of transactions with Treasury under TARP, pursuant to which Treasury (i) converted 60 million shares of Old MCP (with a total liquidation preference of \$3.0 billion) into 259,200 shares of additional Ally common stock; (ii) invested \$1.25 billion in new Ally mandatorily convertible preferred stock with a total liquidation preference of approximately \$1.3 billion (the New MCP); and (iii) invested \$2.54 billion in new trust preferred securities with a total liquidation preference of approximately \$2.7 billion (Trust Preferred Securities). At this time, Treasury also exchanged all of its Perpetual Preferred Stock and remaining Old MCP (following the conversion of Old MCP described above) into additional New MCP.

On December 30, 2010, Treasury converted 110 million shares of New MCP (with a total liquidation preference of approximately \$5.5 billion) into 531,850 shares of additional Ally common stock. The conversion reduces dividends by approximately \$500 million per year, assists with capital preservation, and is expected to improve profitability with a lower cost of funds.

On March 1, 2011, the Declaration of Trust and certain other documents related to the Trust Preferred Securities were amended, and all of the outstanding Trust Preferred Securities held by Treasury were designated 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2. On March 7, 2011, Treasury sold 100% of the Series 2 Trust Preferred Securities in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Following the transactions described above, Treasury currently holds 73.78% of Ally common stock and approximately \$5.9 billion in New MCP. As a result of its current common stock investment, Treasury is entitled to appoint six of the eleven total members of the Ally Board of Directors.

The following table summarizes the investments in Ally made by Treasury in 2008 and 2009.

<i>(\$ in millions)</i>	Investment type	Date	Cash investment	Warrants	Total
TARP	Preferred equity	December 29, 2008	\$ 5,000	\$ 250	\$ 5,250
GM Loan Conversion (a)	Common equity	May 21, 2009	884	—	884
SCAP 1	Preferred equity (MCP)	May 21, 2009	7,500	375	7,875
SCAP 2	Preferred equity (MCP)	December 30, 2009	1,250	63	1,313
SCAP 2	Trust preferred securities	December 30, 2009	2,540	127	2,667
Total cash investments			\$ 17,174	\$ 815	\$ 17,989

(a) In January 2009, Treasury loaned \$884 million to General Motors. In connection with that loan, Treasury acquired rights to exchange that loan for 190,921 shares. In May 2009, Treasury exercised that right.

The following table summarizes Treasury's investment in Ally at December 31, 2012.

December 31, 2012 <i>(\$ in millions)</i>	Book Value	Face Value
MCP (a)	\$ 5,685	\$ 5,938
Common equity (b)		73.78%

(a) Reflects the exchange of face value of \$5.25 billion of Perpetual Preferred Stock to MCP in December 2009 and the conversion of face value of \$3.0 billion and \$5.5 billion of MCP to common equity in December 2009 and December 2010, respectively.

(b) Represents the current common equity ownership position by Treasury.

Discontinued Operations

During 2012, 2011, and 2010, we committed to dispose certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and have classified these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for more details. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

Sales transactions for our Automotive Finance operations are expected to close in stages throughout 2013. It is anticipated that there could be significant gains or losses occurring during interim periods of 2013 as the various stages close. We believe that when all of the various stages are closed, we will realize a gain on the sale of our Automotive Finance discontinued operations.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Primary Lines of Business

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

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Total net revenue (loss)					
Dealer Financial Services					
Automotive Finance operations	\$ 3,149	\$ 2,952	\$ 3,421	7	(14)
Insurance operations	1,214	1,398	1,801	(13)	(22)
Mortgage operations	1,768	1,171	2,587	51	(55)
Corporate and Other	(1,233)	(1,543)	(2,087)	20	26
Total	\$ 4,898	\$ 3,978	\$ 5,722	23	(30)
Income (loss) from continuing operations before income tax (benefit) expense					
Dealer Financial Services					
Automotive Finance operations	\$ 1,389	\$ 1,333	\$ 1,757	4	(24)
Insurance operations	160	316	557	(49)	(43)
Mortgage operations	689	(622)	772	n/m	(181)
Corporate and Other	(2,993)	(1,978)	(2,694)	(51)	27
Total	\$ (755)	\$ (951)	\$ 392	21	n/m

n/m = not meaningful

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Consolidated Results of Operations

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

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing revenue					
Total financing revenue and other interest income	\$ 7,468	\$ 7,061	\$ 8,017	6	(12)
Interest expense	4,200	5,039	5,460	17	8
Depreciation expense on operating lease assets	1,399	941	1,251	(49)	25
Net financing revenue	1,869	1,081	1,306	73	(17)
Other revenue					
Net servicing income	693	569	1,094	22	(48)
Insurance premiums and service revenue earned	1,059	1,170	1,371	(9)	(15)
Gain on mortgage and automotive loans, net	532	470	1,239	13	(62)
Loss on extinguishment of debt	(148)	(64)	(124)	(131)	48
Other gain on investments, net	146	259	502	(44)	(48)
Other income, net of losses	747	493	334	52	48
Total other revenue	3,029	2,897	4,416	5	(34)
Total net revenue	4,898	3,978	5,722	23	(30)
Provision for loan losses	329	188	357	(75)	47
Noninterest expense					
Compensation and benefits expense	1,365	1,322	1,348	(3)	2
Insurance losses and loss adjustment expenses	461	483	547	5	12
Other operating expenses	3,498	2,936	3,078	(19)	5
Total noninterest expense	5,324	4,741	4,973	(12)	5
(Loss) income from continuing operations before income tax (benefit) expense	(755)	(951)	392	21	n/m
Income tax (benefit) expense from continuing operations	(1,284)	51	104	n/m	51
Net income (loss) from continuing operations	\$ 529	\$ (1,002)	\$ 288	153	n/m

n/m = not meaningful

2012 Compared to 2011

We earned net income from continuing operations of \$529 million for the year ended December 31, 2012, compared to a net loss from continuing operations of \$1.0 billion for the year ended December 31, 2011. Net income from continuing operations for the year ended December 31, 2012, was favorably impacted by our Automotive Finance operations, primarily due to an increase in consumer automotive financing revenue related to growth in the retail loan and operating lease portfolios. Additional favorability for the year ended December 31, 2012 was primarily the result of a more favorable servicing asset valuation, net of hedge, compared to the same period in 2011, higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, higher net gains on the sale of mortgage loans, and lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization. The increase was partially offset by a \$1.2 billion charge related to the Debtors' Chapter 11 filing, higher provision for loan losses, and lower investment income due to impairment related to certain investment securities that we do not plan on holding to recovery.

Total financing revenue and other interest income increased \$407 million for the year ended December 31, 2012, compared to 2011. The increase resulted primarily from an increase in operating lease revenue and consumer financing revenue at our Automotive Finance operations driven primarily by an increase in consumer asset levels as a result of increased used vehicle automotive financing and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods. Additionally, we continue to prudently expand our nonprime origination volume. The increase was partially offset by the deconsolidation of ResCap effective May 14, 2012, which primarily impacted our Mortgage operations, as well as a lower average yield mix as higher rate Ally Bank mortgage loans run off.

Interest expense decreased 17% for the year ended December 31, 2012, compared to 2011. OID amortization expense decreased \$576 million for the year ended December 31, 2012, compared to 2011, due to bond maturities and normal monthly amortization. Additionally, interest expense decreased at our Mortgage operations due to the deconsolidation of ResCap and lower funding costs.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Depreciation expense on operating lease assets increased 49% for the year ended December 31, 2012, compared to 2011, primarily due to higher lease asset balances as a result of strong lease origination volume and lower lease remarketing gains primarily due to lower lease remarketing volume. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease volume since that time.

Net servicing income was \$693 million for the year ended December 31, 2012, compared to \$569 million in 2011. The increase was primarily due to the performance of the derivative servicing hedge as compared to a less favorable hedge performance in 2011, partially offset by lower servicing fees due to the deconsolidation of ResCap.

Insurance premiums and service revenue earned decreased 9% for the year ended December 31, 2012, compared to 2011, primarily due to declining U.S. vehicle service contracts written between 2007 and 2009 as a result of lower domestic vehicle sales volume.

Gain on mortgage and automotive loans increased 13% for the year ended December 31, 2012, compared to 2011. Though we deconsolidated ResCap during the second quarter of 2012, the increase was primarily due to higher consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved gains on specified pooled mortgage loans.

Loss on extinguishment of debt increased \$84 million for the year ended December 31, 2012, compared to the same period in 2011, primarily due to fees incurred related to the early termination of FHLB debt as a result of replacing our higher-cost long-term debt structure in favor of a lower-cost short-term FHLB debt structure.

Other gain on investments, net, was \$146 million for the year ended December 31, 2012, compared to \$259 million in 2011. The decrease was primarily due to the recognition of \$61 million other-than-temporary impairment on certain equity securities in 2012 and lower realized investment gains.

Other income, net of losses, increased 52% for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs and a decrease in fair value option election valuation losses related to the deconsolidation of ResCap, partially offset by lower remarketing fee income from our Automotive Finance operations driven by lower remarketing volumes through our proprietary SmartAuction platform.

The provision for loan losses was \$329 million for the year ended December 31, 2012, compared to \$188 million in 2011. The increase was driven primarily by higher asset levels in the consumer automotive portfolio and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

Other operating expenses increased 19% for the year ended December 31, 2012, compared to 2011. The increase was primarily due to a \$1.2 billion charge related to ResCap's Chapter 11 filing (refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this charge), a \$90 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters during the second quarter of 2012, and higher professional services expense, partially offset by lower mortgage representation and warranty expense related to the deconsolidation of ResCap.

We recognized consolidated income tax benefit from continuing operations of \$1.3 billion for the year ended December 31, 2012, compared to income tax expense of \$51 million in 2011. In 2011, we had a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. For the year ended December 31, 2012, our results from operations benefited \$1.3 billion from the release of U.S. federal and state valuation allowances and related effects on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. Refer to Note 23 to the Consolidated Financial Statements for further information.

2011 Compared to 2010

We incurred a net loss from continuing operations of \$1.0 billion for the year ended December 31, 2011, compared to net income from continuing operations of \$288 million for the year ended December 31, 2010. Continuing operations for the year ended December 31, 2011, were unfavorably impacted by a decrease in net servicing income due to a drop in interest rates and increased market volatility, lower gains on the sale of loans, and a \$230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters. Partially offsetting these decreases were lower representation and warranty expense and provision for loan losses.

Total financing revenue and other interest income decreased by 12% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and the related depreciation expense at our Automotive Finance operations declined due to a lower average operating lease portfolio balance as a result of our decision in late 2008 to significantly curtail leasing. Depreciation expense was also impacted by lower lease remarketing gains resulting from lower lease termination volumes. The decrease in our Mortgage operations resulted from a decline in average asset levels due to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. Partially offsetting the decrease was an increase in consumer financing revenue at our Automotive Finance operations driven primarily by an increase in consumer asset levels related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Interest expense decreased 8% for the year ended December 31, 2011, compared to 2010, primarily as a result of a change in our funding mix with an increased amount of funding coming from deposit liabilities as well as favorable trends in the securitization markets.

Net servicing income was \$569 million for the year ended December 31, 2011, compared to \$1.1 billion in 2010. The decrease was primarily due to a decrease in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. Additionally, 2011 includes a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with a consent order (the Consent Order) with the FRB and the FDIC entered into on April 13, 2011.

Insurance premiums and service revenue earned decreased 15% for the year ended December 31, 2011, compared to 2010. The decrease was primarily driven by the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans decreased 62% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower margins on mortgage loan sales, a decrease in mortgage loan production, lower whole-loan mortgage sales and mortgage loan resolutions in 2011, the absence of the 2010 gain on the deconsolidation of an on-balance sheet securitization, and the expiration of our automotive forward flow agreements during the fourth quarter of 2010.

We incurred a loss on extinguishment of debt of \$64 million for the year ended December 31, 2011, compared to a loss of \$124 million for the year ended December 31, 2010. The activity in all periods related to the extinguishment of certain Ally debt, which included \$50 million of accelerated amortization of original issue discount for 2011, compared to \$101 million in 2010.

Other gain on investments was \$259 million for the year ended December 31, 2011, compared to \$502 million in 2010. The decrease was primarily due to lower realized investment gains on our Insurance operations investment portfolio.

Other income, net of losses, increased 48% for the year ended December 31, 2011, compared to 2010. The increase during 2011 was primarily due to the positive impact of a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements and a favorable change in the fair value option election adjustment.

The provision for loan losses was \$188 million for the year ended December 31, 2011, compared to \$357 million in 2010. The decrease during 2011 reflected improved credit quality of the overall portfolio as a result of the decision to curtail nonprime lending in 2009 and the continued runoff and improved loss performance of our Nuwell nonprime automotive financing portfolio.

Insurance losses and loss adjustment expenses decreased 12% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower frequency and severity experienced in our U.S. vehicle service contract business and the sale of certain international insurance operations during the fourth quarter of 2010, which was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Other operating expenses decreased 5% for the year ended December 31, 2011, compared to 2010. The decrease was primarily related to a decrease of \$346 million in mortgage representation and warranty reserve expense, lower insurance commissions expense, and lower vehicle remarketing and repossession expense. The decrease was partially offset by a \$230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters.

We recognized consolidated income tax expense of \$51 million for the year ended December 31, 2011, compared to \$104 million in 2010. For those respective periods, we had a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, tax expense was driven by U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted, and foreign income taxes on pretax profits within foreign jurisdictions. The decrease in income tax expense for 2011, compared to 2010, was driven by increased foreign pretax losses.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Dealer Financial Services

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

Automotive Finance Operations

Results of Operations

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

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing revenue					
Consumer	\$ 2,827	\$ 2,411	\$ 1,953	17	23
Commercial	1,152	1,134	1,210	2	(6)
Loans held-for-sale	15	5	112	n/m	(96)
Operating leases	2,379	1,929	2,579	23	(25)
Other interest income	52	92	109	(43)	(16)
Total financing revenue and other interest income	6,425	5,571	5,963	15	(7)
Interest expense	2,199	2,100	2,011	(5)	(4)
Depreciation expense on operating lease assets	1,399	941	1,255	(49)	25
Net financing revenue	2,827	2,530	2,697	12	(6)
Other revenue					
Servicing fees	109	161	227	(32)	(29)
Gain on automotive loans, net	41	48	248	(15)	(81)
Other income	172	213	249	(19)	(14)
Total other revenue	322	422	724	(24)	(42)
Total net revenue	3,149	2,952	3,421	7	(14)
Provision for loan losses	253	89	260	(184)	66
Noninterest expense					
Compensation and benefits expense	416	395	352	(5)	(12)
Other operating expenses	1,091	1,135	1,052	4	(8)
Total noninterest expense	1,507	1,530	1,404	2	(9)
Income before income tax expense	\$ 1,389	\$ 1,333	\$ 1,757	4	(24)
Total assets	\$ 128,411	\$ 112,591	\$ 97,961	14	15

n/m = not meaningful

2012 compared to 2011

Our Automotive Finance operations earned income before income tax expense of \$1.4 billion for the year ended December 31, 2012, compared to \$1.3 billion for the year ended December 31, 2011. Results for the year ended December 31, 2012 were favorably impacted by higher consumer and operating lease revenues driven by growth in the retail loan and operating lease portfolios. These items were partially offset by higher provision for loan losses, lower operating lease remarketing gains due primarily to lower remarketing volume, lower servicing fees, and lower income generated from lease remarketing.

Consumer financing revenue increased 17% for the year ended December 31, 2012, compared to 2011, due to an increase in consumer asset levels driven by limited use of whole-loan sales as a funding source in recent periods, increased volumes of used vehicle automotive financing, and higher automotive industry sales; however, our GM and Chrysler penetration levels for new retail automotive loans were lower than those in 2011. Additionally, we continue to prudently expand our nonprime origination volume. The increase in consumer revenue from volume was partially offset by lower yields as a result of the competitive market environment for automotive financing.

Commercial financing revenue increased \$18 million for the year ended December 31, 2012, compared to 2011. The increase was primarily driven by higher commercial loan balances due to growth in our wholesale dealer floorplan lending and dealer loan portfolio, partially offset by lower yields as a result of competitive markets for automotive commercial financing.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Operating lease revenue increased 23% for the year ended December 31, 2012, compared to 2011, primarily due to higher lease asset balances as a result of strong origination volume.

Interest expense increased \$99 million for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher levels of earning assets, primarily as a result of growth in the retail loan and lease portfolios.

Depreciation expense on operating lease assets increased 49% for the year ended December 31, 2012, compared to 2011, primarily due to higher lease asset balances as a result of strong lease origination volume and lower lease remarketing gains primarily due to lower lease remarketing volume.

Servicing fee income decreased 32% for the year ended December 31, 2012, compared to 2011, due to lower levels of off-balance sheet retail serviced assets.

Gains on the sale of automotive loans were \$41 million for the year ended December 31, 2012, compared to \$48 million for 2011. We sold approximately \$2.5 billion of retail automotive loans during 2012 compared to approximately \$2.8 billion during 2011. While we continue to opportunistically utilize whole-loan sales as a source of funding, we have primarily focused on securitization and deposit-based funding sources.

Other income decreased 19% for the year ended December 31, 2012, compared to 2011, primarily due to lower remarketing fee income driven by lower remarketing volumes through our proprietary SmartAuction platform.

The provision for loan losses was \$253 million for the year ended December 31, 2012, compared to \$89 million in 2011. The increase was primarily due to continued growth in the consumer portfolio and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

2011 Compared to 2010

Our Automotive Finance operations earned income before income tax expense of \$1.3 billion for the year ended December 31, 2011, compared to \$1.8 billion for the year ended December 31, 2010. Results for the year ended December 31, 2011, were primarily driven by less favorable remarketing results in our operating lease portfolio due primarily to lower lease terminations and the absence of gains on the sale of automotive loans due to the expiration of our forward flow agreements during the fourth quarter of 2010. These declines were partially offset by increased consumer financing revenue driven by strong loan origination volume related primarily to improvement in automotive industry sales, the growth in used vehicle financing volume, and a lower loan loss provision due to an improved credit mix and improved consumer credit performance.

Consumer financing revenue increased 23% for the year ended December 31, 2011, compared to 2010, due to an increase in consumer asset levels primarily related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention. Additionally, we continue to prudently expand our nonprime origination volume and introduce innovative finance products to the marketplace. The increase in consumer revenue was partially offset by lower yields as a result of an increasingly competitive market environment and a change in the consumer asset mix, including the runoff of the higher-yielding Nuvel nonprime automotive financing portfolio.

Loans held-for-sale financing revenue decreased \$107 million for the year ended December 31, 2011, compared to 2010, due to the expiration of whole-loan forward flow agreements during the fourth quarter of 2010. Subsequent to the expiration of these agreements, consumer loan originations have largely been retained on-balance sheet utilizing deposit funding from Ally Bank and on-balance sheet securitization transactions.

Operating lease revenue decreased 25% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and depreciation expense declined due to a lower average operating lease portfolio balance. Depreciation expense was also impacted by lower remarketing gains due primarily to a decline in lease termination volume. In 2008 and 2009, we significantly curtailed our lease product offerings in the United States. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease volume since that time.

Servicing fee income decreased \$66 million for the year ended December 31, 2011, compared to 2010, due to lower levels of off-balance sheet retail serviced assets driven by a reduction of new whole-loan sales subsequent to the expiration of our forward flow agreements in the fourth quarter of 2010.

Net gain on automotive loans decreased \$200 million for the year ended December 31, 2011, compared to 2010, primarily due to the expiration of whole-loan forward flow agreements during the fourth quarter of 2010.

The provision for loan losses was \$89 million for the year ended December 31, 2011, compared to \$260 million in 2010. The decrease was primarily due to improved credit quality that drove improved loss performance in the consumer loan portfolio and continued strength in the used vehicle market, partially offset by continued growth in the consumer loan portfolio.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Automotive Finance Operations

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

Consumer Automotive Financing

Historically, we have provided two basic types of financing for new and used vehicles: retail installment sale contracts (retail contracts) and lease contracts. In most cases, we purchase retail contracts and leases for new and used vehicles from dealers when the vehicles are purchased or leased by consumers. Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. In connection with lease contracts, we also recognize a gain or loss on the remarketing of the vehicle at the end of the lease.

The amount we pay a dealer for a retail contract is based on the negotiated purchase price of the vehicle and any other products, such as service contracts, less any vehicle trade-in value and any down payment from the consumer. Under the retail contract, the consumer is obligated to make payments in an amount equal to the purchase price of the vehicle (less any trade-in or down payment) plus finance charges at a rate negotiated between the consumer and the dealer. In addition, the consumer is also responsible for charges related to past-due payments. When we purchase the contract, it is normal business practice for the dealer to retain some portion of the finance charge as income for the dealership. Our agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although we do not own the vehicles we finance through retail contracts, we hold a perfected security interest in those vehicles.

With respect to consumer leasing, we purchase leases (and the associated vehicles) from dealerships. The purchase price of consumer leases is based on the negotiated price for the vehicle less any vehicle trade-in and any down payment from the consumer. Under the lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value or down payment) exceeds the contract residual value (including residual support) of the vehicle at lease termination, plus lease charges. The consumer is also generally responsible for charges related to past due payments, excess mileage, excessive wear and tear, and certain disposal fees where applicable. When the lease contract is entered into, we estimate the residual value of the leased vehicle at lease termination. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. These projected values may be upwardly adjusted as a marketing incentive if the manufacturer considers above-market residual support necessary to encourage consumers to lease vehicles. To the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and/or a loss on the lease transaction.

Our standard U.S. leasing plan, SmartLease, requires a monthly payment by the consumer. We also offer an alternative leasing plan, SmartLease Plus, that requires one up-front payment of all lease amounts at the time the consumer takes possession of the vehicle.

During 2011, we introduced the Ally Buyer's Choice product on new GM and Chrysler vehicles to select states in the United States. The Ally Buyer's Choice financing product allows customers to own their vehicle with a fixed rate and payment with the option to sell it to us at a pre-determined point during the contract term and at a pre-determined price.

Consumer leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease credit losses are primarily limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. U.S. operating lease accounts past due over 30 days represented 0.73% and 0.66% of the total portfolio at December 31, 2012 and 2011, respectively.

With respect to all financed vehicles, whether subject to a retail contract or a lease contract, we require that property damage insurance be obtained by the consumer. In addition, for lease contracts, we require that bodily injury, collision, and comprehensive insurance be obtained by the consumer.

Total consumer financing revenue of our Automotive Finance operations was \$2.8 billion, \$2.4 billion, and \$2.0 billion in 2012, 2011, and 2010, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Consumer Automotive Financing Volume

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

Year ended December 31, (<i>units in thousands</i>)	Consumer automotive financing volume			% Share of consumer sales		
	2012	2011	2010	2012	2011	2010
GM new vehicles	579	707	596	30	38	38
Chrysler new vehicles	315	304	302	26	32	45
Other non-GM / Chrysler new vehicles	81	68	33			
Used vehicles	485	466	255			
Total consumer automotive financing volume	1,460	1,545	1,186			

The decline in consumer automotive financing volume in 2012, compared to 2011, was primarily driven by lower retail penetration at both GM and Chrysler in the United States. Additionally, both used and non-GM/Chrysler originations were higher due to the continued strategic focus within these markets. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. The decrease in GM and Chrysler penetration during the year ended December 31, 2012 was primarily due to the market for automotive financing growing more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes during the 2008 economic downturn.

Manufacturer Marketing Incentives

Automotive manufacturers may elect to sponsor incentive programs (on both retail contracts and leases) by supporting finance rates below the standard market rates at which we purchase retail contracts. These marketing incentives are also referred to as rate support or subvention. When automotive manufacturers utilize these marketing incentives, we are compensated at contract inception for the present value of the difference between the customer rate and our standard rates. For retail loans, we defer and recognize this amount as a yield adjustment over the life of the contract. For lease contracts, this payment reduces our cost basis in the underlying lease asset.

Automotive manufacturers may also provide incentives on leased vehicles by supporting an above-market residual value, referred to as residual support, to encourage consumers to lease vehicles. Residual support results in a lower monthly lease payment for the consumer. While we are compensated by the manufacturer at the time of lease origination to raise the contract residual, we may bear the risk of loss to the extent the value of the leased vehicle upon remarketing is below the contract residual value of the vehicle at the time the lease contract is signed. Under certain residual support programs, the automotive manufacturer may reimburse us to the extent remarketing sales proceeds are less than the residual value set forth in the lease contract and no greater than our standard residual rates that would have otherwise been applied. To the extent remarketing sales proceeds are more than the contract residual at termination, we may reimburse the automotive manufacturer for a portion of the higher residual value.

Under what we refer to as pull-ahead programs, consumers may be encouraged by the manufacturer to terminate leases early in conjunction with the acquisition of a new vehicle. As part of these programs, we waive all or a portion of the customer's remaining payment obligation. Under most programs, the automotive manufacturer compensates us for a portion of the foregone revenue from the waived payments that are offset partially to the extent that our remarketing sales proceeds are higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity.

We are currently party to an agreement with GM pursuant to which GM initially agreed to offer all vehicle financing incentives to customers through Ally. However, the agreement, which was originally entered into in November 2006, provides for annual reductions in the percentage of financing subvention programs that GM is required to provide through Ally, and currently applies to a limited percentage. The agreement expires on December 31, 2013.

We are also party to an agreement to make available automotive financing products and services to Chrysler dealers and customers. We provide dealer financing and services and retail financing to qualified Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion, and Chrysler is obligated to use Ally for a designated minimum threshold percentage of Chrysler retail financing subvention programs. On April 25, 2012, Chrysler provided us with notification of nonrenewal related to this agreement and as a result, the agreement will expire on April 30, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in billions)	Consumer automotive financing originations			% Share of consumer sales		
	2012	2011	2010	2012	2011	2010
GM new vehicles						
New retail standard	\$ 6,230	\$ 9,009	\$ 8,460	16	23	27
New retail subvented	5,960	6,734	6,532	15	17	21
Lease	5,919	5,075	2,954	15	13	9
Total GM new vehicle originations	18,109	20,818	17,946			
Chrysler new vehicles						
New retail standard	4,431	4,062	3,324	12	10	11
New retail subvented	1,971	2,454	3,893	5	6	12
Lease	2,380	2,165	891	6	5	3
Total Chrysler new vehicle originations	8,782	8,681	8,108			
Other new retail vehicles	2,178	1,684	736	6	4	2
Other lease	93	76	43	—	—	—
Used vehicles	9,581	8,990	4,736	25	22	15
Total consumer automotive financing originations	\$ 38,743	\$ 40,249	\$ 31,569			

At December 31, 2012, the percentage of U.S. new retail contracts acquired that included rate subvention from GM and Chrysler decreased as a percentage of total U.S. new retail contracts compared to 2011, primarily driven by lower retail penetration at both GM and Chrysler in the United States as a result of the continued evolution of our business model. Additionally, both used and non-GM/Chrysler originations were higher due to the continued strategic focus within these markets. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. The fragmented used vehicle financing market provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.

Servicing

We have historically serviced all retail contracts and leases we retained on-balance sheet. We historically sold a portion of the retail contracts we originated and retained the right to service and earn a servicing fee for our servicing functions. Ally Servicing LLC, a wholly owned subsidiary, performs most servicing activities for U.S. retail contracts and consumer automobile leases.

Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, processing customer requests for account revisions (such as payment extensions and rewrites), maintaining a perfected security interest in the financed vehicle, monitoring vehicle insurance coverage, and disposing of off-lease vehicles. Servicing activities are generally consistent for our Automotive Finance operations; however, certain practices may be influenced by local laws and regulations.

Our U.S. customers have the option to receive monthly billing statements to remit payment by mail or through electronic fund transfers, or to establish online web-based account administration through the Ally Account Center. Customer payments are processed by regional third-party processing centers that electronically transfer payment data to customers' accounts.

Servicing activities also include initiating contact with customers who fail to comply with the terms of the retail contract or lease, typically via telephone or sending a reminder notice, when an account becomes 3 to 15 days past due. Accounts that become 30 to 45 days past due are transferred to special collection teams that track accounts more closely. The nature and timing of these activities depend on the repayment risk of the account.

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the maturity date of the contract by the period of delay. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. During the deferral period, we continue to accrue and collect interest on the contract as part of the deferral agreement. If the customer's financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. Extension and rewrite collection techniques help mitigate financial loss in those cases where management believes the customer will recover from financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Generally, we do not consider extensions that fall within our policy guidelines to represent more than an insignificant delay in payment and, therefore, they are not considered Troubled Debt Restructurings (TDRs). Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

mitigating the loss. As an indication of the effectiveness of our consumer credit practices, of the total amount outstanding in the U. S. traditional retail portfolio at December 31, 2009, only 7.5% of the extended or rewritten balances were subsequently charged off through December 31, 2012. A three-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. At December 31, 2012, 7.6% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

Subject to legal considerations, in the United States we normally begin repossession activity once an account becomes greater than 60-days past due. Repossession may occur earlier if management determines the customer is unwilling to pay, the vehicle is in danger of being damaged or hidden, or the customer voluntarily surrenders the vehicle. Approved third-party repossession firms handle repossessions. Normally the customer is given a period of time to redeem the vehicle by paying off the account or bringing the account current. If the vehicle is not redeemed, it is sold at auction. If the proceeds do not cover the unpaid balance, including unpaid earned finance charges and allowable expenses, the resulting deficiency is charged off. Asset recovery centers pursue collections on accounts that have been charged off, including those accounts where the vehicle was repossessed, and skip accounts where the vehicle cannot be located.

At December 31, 2012 and 2011, our total consumer automotive serviced portfolio was \$75.3 billion and \$85.5 billion, respectively, compared to our consumer automotive on-balance sheet portfolio of \$67.3 billion and \$73.2 billion at December 31, 2012 and 2011, respectively. Refer to Note 11 to the Consolidated Financial Statements for further information regarding servicing activities.

Remarketing and Sales of Leased Vehicles

When we acquire a consumer lease, we assume ownership of the vehicle from the dealer. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. When vehicles are not purchased by customers or the receiving dealer at scheduled lease termination, the vehicle is returned to us for remarketing through an auction. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the contract residual value determined at the time the lease contract is signed. Automotive manufacturers may share this risk with us for certain leased vehicles, as described previously under *Manufacturer Marketing Incentives*. Our methods of vehicle sales in the United States at lease termination primarily include the following:

- **Sale to dealer** — After the lessee declines an option to purchase the off-lease vehicle, the dealer who accepts the returned off-lease vehicle has the opportunity to purchase the vehicle directly from us at a price we define.
- **Internet auctions** — Once the lessee and dealer decline their options to purchase, we offer off-lease vehicles to dealers and certain other third parties in the United States through our proprietary internet site (SmartAuction). This internet sales program maximizes the net sales proceeds from off-lease vehicles by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We maintain the internet auction site, set the pricing floors on vehicles, and administer the auction process. We earn a service fee for every vehicle sold through SmartAuction, which, in 2012, was 221,000 vehicles.
- **Physical auctions** — We dispose of our off-lease vehicles not purchased at termination by the lease consumer or dealer or sold on an internet auction through traditional official manufacturer-sponsored auctions. We are responsible for handling decisions at the auction including arranging for inspections, authorizing repairs and reconditioning, and determining whether bids received at auction should be accepted.

Commercial Automotive Financing

Automotive Wholesale Dealer Financing

One of the most important aspects of our dealer relationships is supporting the sale of vehicles through wholesale or floorplan financing. We primarily support automotive finance purchases by dealers of new and used vehicles manufactured or distributed before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for dealers' purchases of new and used vehicles. During 2012, we financed an average commercial wholesale floorplan receivables balance of \$15.3 billion of new GM vehicles, representing a 71% share of GM's U.S. dealer inventory. We also financed an average of \$6.7 billion of new Chrysler vehicles representing a 58% share of Chrysler's U.S. dealer inventory. In addition, we financed an average of \$2.2 billion of new non-GM/Chrysler vehicles and \$3.0 billion of used vehicles.

Wholesale credit is arranged through lines of credit extended to individual dealers. In general, each wholesale credit line is secured by all vehicles and typically by other assets owned by the dealer or the operator's or owner's personal guarantee. As part of our floorplan financing arrangement, we typically require repurchase agreements with the automotive manufacturer to repurchase new vehicle inventory under certain circumstances. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles, which includes destination and other miscellaneous charges, and a price rebate, known as a holdback, from the manufacturer to the dealer in varying amounts stated as a percentage of the invoice price. Interest on wholesale automotive financing is generally payable monthly. Most wholesale automotive financing is structured to yield interest at a floating rate indexed to the Prime Rate. The rate for a particular dealer is based on, among other things, competitive factors, the amount and status of the dealer's creditworthiness, and various incentive programs.

Under the terms of the credit agreement with the dealer, we may demand payment of interest and principal on wholesale credit lines at any time; however, unless we terminate the credit line or the dealer defaults or the risk and exposure warrant, we generally require payment of the principal amount financed for a vehicle upon its sale or lease by the dealer to the customer.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Total commercial wholesale revenue of our Automotive Finance operations was \$999 million, \$976 million, and \$909 million in 2012, 2011, and 2010, respectively.

Commercial Wholesale Financing Volume

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

Year ended December 31, (\$ in millions)	Average balance			% Share of dealer inventory		
	2012	2011	2010	2012	2011	2010
GM new vehicles (a)	\$ 15,331	\$ 13,407	\$ 10,941	71	78	82
Chrysler new vehicles (a)	6,693	6,228	4,665	58	67	72
Other non-GM / Chrysler new vehicles	2,230	1,844	1,704			
Used vehicles	2,985	2,920	2,727			
Total commercial wholesale finance receivables	\$ 27,239	\$ 24,399	\$ 20,037			

(a) Share of dealer inventory based on a 13 month average of dealer inventory (excludes in-transit units).

Commercial wholesale financing average volume increased during 2012, compared to 2011, primarily due to growing dealer inventories required to support increasing automobile sales. GM and Chrysler wholesale penetration decreased during 2012, compared to 2011, as a result of increased competition in the wholesale marketplace.

Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term loans and automotive fleet financing. Automotive dealer term loans are loans that we make to dealers to finance other aspects of the dealership business. These loans are typically secured by real estate, other dealership assets, and are personally guaranteed by the individual owners of the dealership. Automotive fleet financing may be obtained by dealers, their affiliates, and other companies and be used to purchase vehicles, which they lease or rent to others.

Servicing and Monitoring

We service all of the wholesale credit lines in our portfolio and the wholesale automotive finance receivables that we have securitized. A statement setting forth billing and account information is distributed on a monthly basis to each dealer. Interest and other nonprincipal charges are billed in arrears and are required to be paid immediately upon receipt of the monthly billing statement. Generally, dealers remit payments to us through wire transfer transactions initiated by the dealer through a secure web application.

Dealers are assigned a risk rating based on various factors, including capital sufficiency, operating performance, financial outlook, and credit and payment history. The risk rating affects the amount of the line of credit, the determination of further advances, and the management of the account. We monitor the level of borrowing under each dealer's account daily. When a dealer's balance exceeds the credit line, we may temporarily suspend the granting of additional credit or increase the dealer's credit line or take other actions following evaluation and analysis of the dealer's financial condition and the cause of the excess.

We periodically inspect and verify the existence of dealer vehicle inventories. The timing of the verifications varies, and ordinarily no advance notice is given to the dealer. Among other things, verifications are intended to determine dealer compliance with the financing agreement and confirm the status of our collateral.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Insurance Operations

Results of Operations

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

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Insurance premiums and other income					
Insurance premiums and service revenue earned	\$ 1,055	\$ 1,153	\$ 1,342	(8)	(14)
Investment income	124	220	418	(44)	(47)
Other income	35	25	41	40	(39)
Total insurance premiums and other income	1,214	1,398	1,801	(13)	(22)
Expense					
Insurance losses and loss adjustment expenses	454	452	511	—	12
Acquisition and underwriting expense					
Compensation and benefits expense	61	61	64	—	5
Insurance commissions expense	382	431	510	11	15
Other expenses	157	138	159	(14)	13
Total acquisition and underwriting expense	600	630	733	5	14
Total expense	1,054	1,082	1,244	3	13
Income from continuing operations before income tax expense	\$ 160	\$ 316	\$ 557	(49)	(43)
Total assets	\$ 8,439	\$ 8,036	\$ 8,789	5	(9)
Insurance premiums and service revenue written	\$ 1,061	\$ 1,039	\$ 1,029	2	1
Combined ratio (a)	98.3%	93.1%	90.6%		

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

2012 Compared to 2011

Our Insurance operations earned income from continuing operations before income tax expense of \$160 million for the year ended December 31, 2012, compared to \$316 million for the year ended December 31, 2011. The decrease was primarily attributable to lower investment income, lower insurance premiums and service revenue earned from our U.S. vehicle service contracts, and higher weather-related losses, including the effects of Storm Sandy.

Insurance premiums and service revenue earned was \$1.1 billion for the year ended December 31, 2012, compared to \$1.2 billion in 2011. The decrease was primarily due to declining U.S. vehicle service contracts written between 2007 and 2009 as a result of lower domestic vehicle sales volume.

Investment income totaled \$124 million for the year ended December 31, 2012, compared to \$220 million in 2011. The decrease was primarily due to the recognition of other-than-temporary impairment on certain equity securities of \$61 million and lower realized investment gains.

Other income totaled \$35 million for the year ended December 31, 2012, compared to \$25 million in 2011. The increase was primarily due to a gain of \$8 million on the sale of our Canadian personal lines business during the second quarter of 2012.

Insurance losses and loss adjustment expenses totaled \$454 million for the year ended December 31, 2012, compared to \$452 million for the year ended December 31, 2011. The slight increase was driven primarily by higher weather-related losses in the United States on our dealer inventory insurance products, including the effects of Storm Sandy, mostly offset by lower frequency experienced in our vehicle service contract business and lower losses matching our decrease in earned premium. Despite the decrease in insurance premiums and service revenue earned, insurance losses and loss adjustment expenses increased primarily due to the impacts of Storm Sandy, which further impacted the increase in the combined ratio.

Acquisition and underwriting expense decreased 5% for the year ended December 31, 2012, compared to 2011. The decrease was primarily a result of lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums, partially offset by increased technology expense.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

2011 Compared to 2010

Our Insurance operations earned income from continuing operations before income tax expense of \$316 million for the year ended December 31, 2011, compared to \$557 million for the year ended December 31, 2010. The decrease was primarily attributable to lower insurance premiums and service contract revenue earned from our U.S. vehicle service contracts and lower realized investment gains.

Insurance premiums and service revenue earned was \$1.2 billion for the year ended December 31, 2011, compared to \$1.3 billion in 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Investment income totaled \$220 million for the year ended December 31, 2011, compared to \$418 million in 2010. The decrease was primarily due to lower realized investment gains.

Insurance losses and loss adjustment expenses totaled \$452 million for the year ended December 31, 2011, compared to \$511 million in 2010. The decrease was primarily due to lower frequency and severity experienced in our U.S. vehicle service contract business and the sale of certain international insurance operations during the fourth quarter of 2010, which was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 14% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums.

Premium and Service Revenue Written

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Vehicle service contracts			
New retail	\$ 406	\$ 376	\$ 315
Used retail	509	514	517
Reinsurance	(119)	(103)	(91)
Total vehicle service contracts	796	787	741
Wholesale	132	115	103
Other finance and insurance (a)	129	133	113
North American operations	1,057	1,035	957
International and Corporate (b)	4	4	72
Total	\$ 1,061	\$ 1,039	\$ 1,029

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products.

(b) International and Corporate includes certain international operations that were sold during the fourth quarter of 2010 and other run-off products.

Insurance premiums and service revenue written was \$1.1 billion for the year ended December 31, 2012, compared to \$1.0 billion in 2011 and 2010. Insurance premiums and service revenue written increased slightly due to higher written premiums in our new retail vehicle service contract and dealer inventory insurance products. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during 2012 will be recognized as income in future periods.

Cash and Investments

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

December 31, (<i>\$ in millions</i>)	2012	2011
Cash		
Noninterest-bearing cash	\$ 129	\$ 211
Interest-bearing cash	488	629
Total cash	617	840
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,090	496
Foreign government	303	678
Mortgage-backed	714	590
Asset-backed	8	95
Corporate debt	1,264	1,491
Other debt	—	23
Total debt securities	3,379	3,373
Equity securities	1,148	1,054
Total available-for-sale securities	4,527	4,427
Total cash and securities	\$ 5,144	\$ 5,267

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Mortgage Operations

Results of Operations

The following table summarizes the operating results for our Mortgage operations excluding discontinued operations for the periods shown. Our Mortgage operations include the ResCap legal entity (prior to its deconsolidation from Ally Financial as of May 14, 2012) and the mortgage operations of Ally Bank. Refer to Note 1 to the Consolidated Financial Statements for further details on ResCap. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing revenue					
Total financing revenue and other interest income	\$ 743	\$ 1,147	\$ 1,711	(35)	(33)
Interest expense	592	937	1,122	37	16
Net financing revenue	151	210	589	(28)	(64)
Servicing fees	592	1,198	1,261	(51)	(5)
Servicing asset valuation and hedge activities, net	(8)	(789)	(394)	99	(100)
Total servicing income, net	584	409	867	43	(53)
Gain on mortgage loans, net	529	395	990	34	(60)
Other income, net of losses	504	157	141	n/m	11
Total other revenue	1,617	961	1,998	68	(52)
Total net revenue	1,768	1,171	2,587	51	(55)
Provision for loan losses	86	150	144	43	(4)
Noninterest expense					
Compensation and benefits expense	252	394	322	36	(22)
Representation and warranty expense	67	324	670	79	52
Other operating expenses	674	925	679	27	(36)
Total noninterest expense	993	1,643	1,671	40	2
Income (loss) from continuing operations before income tax expense	\$ 689	\$ (622)	\$ 772	n/m	(181)
Total assets	\$ 14,744	\$ 33,906	\$ 36,786	(57)	(8)

n/m = not meaningful

2012 Compared to 2011

Our Mortgage operations earned income from continuing operations before income tax expense of \$689 million for the year ended December 31, 2012, compared to losses from continuing operations before income tax expense of \$622 million for the year ended December 31, 2011. During 2011, we experienced an unfavorable servicing asset valuation, net of hedge, that did not recur in 2012. Additionally, during 2012, we earned higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, and higher net gains on the sale of mortgage loans. We incurred lower representation and warranty expense and operating expenses resulting from the deconsolidation of ResCap during the second quarter of 2012. Refer to Note 1 to the Consolidated Financial Statements for further information regarding ResCap.

Net financing revenue was \$151 million for the year ended December 31, 2012, compared to \$210 million in 2011. The decrease in net financing revenue was primarily due to the deconsolidation of ResCap during the second quarter of 2012. Additionally, total financing revenue and other interest income decreased in 2012 due to lower average yield mix as higher-rate Ally Bank mortgage loans continued to run off. Partially offsetting the decrease was lower interest expense related to lower funding costs.

Total servicing income, net was \$584 million for the year ended December 31, 2012, compared to \$409 million in 2011. The increase was primarily due to the performance of the derivative servicing hedge as compared to a less favorable hedge performance in 2011. The increase was partially offset by lower servicing fees due to the deconsolidation of ResCap.

The net gain on mortgage loans increased 34% for the year ended December 31, 2012, compared to 2011. Though we deconsolidated ResCap during the second quarter of 2012, the increase was primarily due to higher consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved market gains on specified pooled loans.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Other income, net of losses, was \$504 million for the year ended December 31, 2012, compared to \$157 million in 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs and a decrease in fair value option election valuation losses resulting from the deconsolidation of ResCap.

The provision for loan losses was \$86 million for the year ended December 31, 2012, compared to \$150 million in 2011. The decrease for the year ended December 31, 2012, was primarily due to lower net charge-offs in 2012 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense decreased 40% for the year ended December 31, 2012, compared to 2011. The decrease was primarily driven by lower representation and warranty expense and compensation and benefits expense resulting from the deconsolidation of ResCap. The decrease was partially offset by a \$90 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters during the second quarter of 2012.

2011 Compared to 2010

Our Mortgage operations incurred a loss before income tax expense of \$622 million for the year ended December 31, 2011, compared to income before income tax expense of \$772 million for the year ended December 31, 2010. The decrease was primarily driven by lower net gains on the sale of mortgage loans, unfavorable servicing asset valuation, net of hedge, lower financing revenue related to a decrease in asset levels, and a \$230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters. The decrease was partially offset by lower representation and warranty expense.

Net financing revenue was \$210 million for the year ended December 31, 2011, compared to \$589 million in 2010. The decrease was driven by lower financing revenue and other interest income due primarily to a decline in average asset levels related to loan sales, the deconsolidation of previously on-balance sheet securitizations, and portfolio runoff. The decrease was partially offset by lower interest expense related to a reduction in average borrowings commensurate with a smaller asset base.

Total servicing income, net was \$409 million for the year ended December 31, 2011, compared to \$867 million in 2010. The decrease was primarily due to a drop in interest rates and increased market volatility compared to favorable valuation adjustments in 2010. Additionally, 2011 includes a valuation adjustment that estimates the impact of higher servicing costs related to enhanced foreclosure procedures, establishment of single point of contact, and other processes to comply with the Consent Order.

The net gain on mortgage loans was \$395 million for the year ended December 31, 2011, compared to \$990 million in 2010. The decrease during 2011 was primarily due to lower margins and production, lower whole-loan sales, lower gains on mortgage loan resolutions, and the absence of the 2010 gain on the deconsolidation of an on-balance sheet securitization. Refer to Note 10 to the Consolidated Financial Statements for information on the deconsolidation.

Total noninterest expense decreased 2% for the year ended December 31, 2011, compared to 2010. The decrease was primarily driven by lower representation and warranty expense in 2011 as 2010 included a significant increase in expense to cover anticipated repurchase requests and settlements with key counterparties. The decrease was partially offset by a \$230 million expense related to penalties imposed by certain regulators and other governmental agencies in connection with mortgage foreclosure-related matters, higher loan processing and underwriting fees, and an increase in compensation and benefits expense due to an increase in headcount related to expansion activities in our broker, retail, and servicing operations.

Loan Production

U.S. Mortgage Loan Production Channels

Ally Bank continues to perform certain mortgage activities as a result of the ResCap bankruptcy process. Subsequent to the bankruptcy filing, ResCap announced the sale of certain assets to third parties. Upon the closing of those sales, we do not expect ResCap to continue to broker loans to us. This will primarily impact the production of loans within the direct lending channel, which are currently sourced exclusively from ResCap. We expect the level of loan production to continue to decline.

We have three primary channels for residential mortgage loan production: the purchase of loans in the secondary market (primarily from Ally Bank correspondent lenders), the origination of loans through our direct-lending network, and the origination of loans through our mortgage brokerage network.

- ***Correspondent lender and secondary market purchases*** — Loans purchased from correspondent lenders are originated or purchased by the correspondent lenders and subsequently sold to us. All of the purchases from correspondent lenders are conducted through Ally Bank. We qualify and approve any correspondent lenders who participate in the loan purchase programs. We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders.
- ***Direct-lending network*** — Our direct-lending network consists of internet and telephone-based call center operations as well as our retail network. Virtually all of the residential mortgage loans of this channel are brokered to Ally Bank.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

- **Mortgage brokerage network** — Residential mortgage loans originated through mortgage brokers. We review and underwrite the application submitted by the mortgage broker, approve or deny the application, set the interest rate and other terms of the loan, and, upon acceptance by the borrower and the satisfaction of all conditions required by us, fund the loan through Ally Bank. We qualify and approve all mortgage brokers who generate mortgage loans and continually monitor their performance.

The following table summarizes U.S. consumer mortgage loan production by channel.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Correspondent lender and secondary market purchases	58,766	\$ 14,224	196,964	\$ 45,349	263,963	\$ 61,465
Direct lending	75,096	14,640	37,743	7,414	36,064	7,586
Mortgage brokers	12,996	3,601	12,018	3,495	2,035	491
Total U.S. production	146,858	\$ 32,465	246,725	\$ 56,258	302,062	\$ 69,542

The following table summarizes the composition of our U.S. consumer mortgage loan production. ResCap was deconsolidated from Ally as of May 14, 2012. Refer to Note 1 to the Consolidated Financial Statements for further details on ResCap.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Ally Bank	146,074	\$ 32,324	245,849	\$ 56,130	300,738	\$ 69,320
ResCap	784	141	876	128	1,324	222
Total U.S. production	146,858	\$ 32,465	246,725	\$ 56,258	302,062	\$ 69,542

Mortgage Loan Production by Type

We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our held-for-investment portfolio through a select group of correspondent lenders. During 2012, 2011, and 2010, we primarily originated prime conforming and government-insured residential mortgage loans. We define prime as mortgage loans with a FICO score of 660 and above. Our mortgage loans are categorized as follows.

- **Prime conforming mortgage loans** — Prime credit quality first-lien mortgage loans secured by 1-4 family residential properties that meet or conform to the underwriting standards established by the GSEs for inclusion in their guaranteed mortgage securities programs.
- **Prime nonconforming mortgage loans** — Prime credit quality first-lien mortgage loans secured by 1-4 family residential properties that either (1) do not conform to the underwriting standards established by the GSEs because they had original principal amounts exceeding GSE limits, which are commonly referred to as jumbo mortgage loans, or (2) have alternative documentation requirements and property or credit-related features (e.g., higher loan-to-value or debt-to-income ratios) but are otherwise considered prime credit quality due to other compensating factors.
- **Prime second-lien mortgage loans** — Open- and closed-end mortgage loans secured by a second or more junior-lien on single-family residences, which include home equity mortgage loans and lines of credit. We ceased originating prime second-lien mortgage loans during 2008.
- **Government mortgage loans** — First-lien mortgage loans secured by 1-4 family residential properties that are insured by the Federal Housing Administration or guaranteed by the Veterans Administration.
- **Nonprime mortgage loans** — First-lien and certain junior-lien mortgage loans secured by single-family residences made to individuals with credit profiles that do not qualify for a prime loan, have credit-related features that fall outside the parameters of traditional prime mortgage products, or have performance characteristics that otherwise exposes us to comparatively higher risk of loss. Nonprime includes mortgage loans the industry characterizes as “subprime,” as well as high combined loan-to-value second-lien loans that fell out of our standard loan programs due to noncompliance with one or more criteria. We ceased originating nonprime mortgage loans during 2007.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

The following table summarizes our U.S. consumer mortgage loan production by type.

Year ended December 31, (<i>\$ in millions</i>)	2012		2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Prime conforming	133,359	\$ 27,920	209,031	\$ 47,511	228,936	\$ 53,721
Prime nonconforming	2,706	2,211	2,008	1,679	1,837	1,548
Government	10,793	2,334	35,686	7,068	71,289	14,273
Total U.S. production	146,858	\$ 32,465	246,725	\$ 56,258	302,062	\$ 69,542

U.S. Warehouse Lending

Historically, we provided warehouse-lending facilities to correspondent lenders and other mortgage originators in the United States. These facilities enabled lenders and originators to finance residential mortgage loans until they were sold in the secondary mortgage loan market. In July 2012, we announced our intention to shut down this business and, as of December 31, 2012, we successfully managed receivables down to \$0 with no commitments outstanding. At December 31, 2011, we had total warehouse line of credit commitments of \$2.8 billion, against which we had \$1.9 billion of advances outstanding.

Loans Outstanding

Consumer mortgage loans held-for-sale and consumer mortgage loans held-for-investment as of December 31, 2012, represent loans held by Ally Bank. ResCap was deconsolidated from Ally Financial as of May 14, 2012. Refer to Note 1 to the Consolidated Financial Statements for further details on ResCap.

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

December 31, (<i>\$ in millions</i>)	2012	2011
Prime conforming	\$ 2,407	\$ 3,345
Prime nonconforming	—	571
Prime second-lien	—	545
Government (a)	8	3,294
Nonprime	—	561
International	—	17
Total (b)	2,415	8,333
Net premiums (discounts)	26	(221)
Fair value option election adjustment	49	60
Lower-of-cost or fair value adjustment	—	(60)
Total, net (c)	\$ 2,490	\$ 8,112

- (a) Includes loans subject to conditional repurchase options of \$0 million and \$2.3 billion sold to Ginnie Mae-guaranteed securitizations at December 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.
- (b) Includes unpaid principal write-down of \$0 million and \$1.5 billion at December 31, 2012, and December 31, 2011, respectively. The amounts are write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.
- (c) Includes loans subject to conditional repurchase options of \$0 million and \$106 million sold to off-balance sheet private-label securitizations at December 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	2012	2011
Prime conforming	\$ 245	\$ 278
Prime nonconforming	8,322	8,069
Prime second-lien	1,137	2,200
Government	—	—
Nonprime	—	1,349
International	—	422
Total	9,704	12,318
Net premiums	43	38
Fair value option election adjustment	—	(1,601)
Allowance for loan losses	(432)	(495)
Other	8	—
Total, net (a)	\$ 9,323	\$ 10,260

(a) At December 31, 2012, and December 31, 2011, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled \$0 million and \$837 million, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

Mortgage Loan Servicing

Our retained mortgage servicing rights consist of primary servicing rights. When we act as primary servicer, we collect and remit mortgage loan payments, respond to borrower inquiries, account for principal and interest, hold custodial and escrow funds for payment of property taxes and insurance premiums, counsel or otherwise work with delinquent borrowers, supervise foreclosures and property dispositions, and generally administer the loans. The majority of our serviced mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. Historically, we acted as a master servicer. When we acted as master servicer, we collected mortgage loan payments from primary servicers and distributed those funds to investors in mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. Key services in this regard include loan accounting, claims administration, oversight of primary servicers, loss mitigation, bond administration, cash flow waterfall calculations, investor reporting, and tax-reporting compliance. In return for performing these functions, we receive servicing fees equal to a specified percentage of the outstanding principal balance of the loans being serviced and may also be entitled to other forms of servicing compensation, such as late payment fees or prepayment penalties. Servicing compensation also includes interest income or the float earned on collections that are deposited in various custodial accounts between their receipt and the scheduled/contractual distribution of the funds to investors. Refer to Note 11 to the Consolidated Financial Statements for additional information.

The value of mortgage servicing rights is sensitive to changes in interest rates and other factors. We have developed and implemented an economic hedge program to, among other things, mitigate the overall risk of loss due to a change in the fair value of our mortgage servicing rights. Accordingly, we hedge the change in the total fair value of our mortgage servicing rights. The effectiveness of this economic hedging program may have a material effect on the results of operations. Refer to the Critical Accounting Estimates section of this MD&A and Note 22 to the Consolidated Financial Statements for further discussion. On October 26, 2012, we announced that Ally Bank began to explore strategic alternatives for its agency mortgage servicing rights portfolio, including a potential sale of the asset. A sale alternative would require GSE approval.

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

December 31, (\$ in millions)	2012	2011
U.S. primary servicing portfolio		
Prime conforming	\$ 117,544	\$ 226,239
Prime nonconforming	11,628	47,767
Prime second-lien	1,136	6,871
Government	16	49,027
Nonprime	—	20,753
International primary servicing portfolio	—	5,773
Total primary servicing portfolio (a)	\$ 130,324	\$ 356,430

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled \$0 billion and \$26.4 billion at December 31, 2012 and 2011, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Corporate and Other

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

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing loss					
Total financing revenue and other interest income	\$ 157	\$ 196	\$ 206	(20)	(5)
Interest expense					
Original issue discount amortization	349	925	1,204	62	23
Other interest expense	981	992	1,055	1	6
Total interest expense	1,330	1,917	2,259	31	15
Net financing loss (a)	(1,173)	(1,721)	(2,053)	32	16
Other (expense) revenue					
Loss on extinguishment of debt	(148)	(64)	(124)	(131)	48
Other gain on investments, net	69	84	146	(18)	(42)
Other income, net of losses	19	158	(56)	(88)	n/m
Total other (expense) revenue	(60)	178	(34)	(134)	n/m
Total net loss	(1,233)	(1,543)	(2,087)	20	26
Provision for loan losses	(10)	(51)	(47)	(80)	9
Noninterest expense					
Compensation and benefits expense	636	472	610	(35)	23
Other operating expense (b)					
Accrual related to ResCap Bankruptcy and deconsolidation (c)	750	—	—	n/m	—
Impairment of investment in ResCap (c)	442	—	—	n/m	—
Other	(58)	14	44	n/m	68
Total other operating expense	1,134	14	44	n/m	68
Total noninterest expense	1,770	486	654	n/m	26
Loss from continuing operations before income tax expense	\$ (2,993)	\$ (1,978)	\$ (2,694)	(51)	27
Total assets	\$ 30,753	\$ 29,526	\$ 28,472	4	4

n/m = not meaningful

- (a) Refer to the table that follows for further details on the components of net financing loss.
- (b) Includes a reduction of \$814 million for the year ended December 31, 2012, and \$757 million for each of the years ended December 31, 2011, and 2010, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.
- (c) Refer to Note 1 to the Consolidated Financial Statements for further information regarding the deconsolidation of ResCap.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

At and for the year ended December 31, (\$ in millions)	2012	2011	2010
Original issue discount amortization			
2008 bond exchange amortization	\$ (320)	\$ (886)	\$ (1,158)
Other debt issuance discount amortization	(29)	(39)	(46)
Total original issue discount amortization (a)	(349)	(925)	(1,204)
Net impact of the funds transfer pricing methodology			
Unallocated liquidity costs (b)	(586)	(564)	(495)
Funds-transfer pricing / cost of funds mismatch (c)	170	42	(364)
Unassigned equity costs (d)	(467)	(364)	(77)
Total net impact of the funds transfer pricing methodology	(883)	(886)	(936)
Other (including Commercial Finance Group net financing revenue)	59	90	87
Total net financing losses for Corporate and Other	\$ (1,173)	\$ (1,721)	\$ (2,053)
Outstanding original issue discount balance	\$ 1,840	\$ 2,194	\$ 3,169

- (a) Amortization is included as interest on long-term debt in the Consolidated Statement of Comprehensive Income.
 (b) Represents the unallocated cost of funding our cash and investment portfolio.
 (c) Represents our methodology to assign funding costs to classes of assets and liabilities based on expected duration and the London interbank offer rate (LIBOR) swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to the reportable segments so the respective reportable segments results are insulated from interest rate risk. The balance above is the resulting benefit (loss) due to holding interest rate risk at Corporate and Other.
 (d) Primarily represents the unassigned cost of maintaining required capital positions for certain of our regulated entities, primarily Ally Bank and Ally Insurance.

The following table presents the scheduled remaining amortization of the original issue discount at December 31, 2012.

Year ended December 31, (\$ in millions)	2013	2014	2015	2016	2017	2018 and thereafter (a)	Total
Original issue discount							
Outstanding balance	\$ 1,579	\$ 1,391	\$ 1,335	\$ 1,272	\$ 1,197	\$—	
Total amortization (b)	261	188	56	63	75	1,197	\$ 1,840
2008 bond exchange amortization (c)	241	166	43	53	66	1,059	1,628

- (a) The maximum annual scheduled amortization for any individual year is \$158 million in 2030 of which \$152 million is related to 2008 bond exchange amortization.
 (b) The amortization is included as interest on long-term debt on the Consolidated Statement of Comprehensive Income.
 (c) 2008 bond exchange amortization is included in total amortization.

2012 Compared to 2011

Loss from continuing operations before income tax expense for Corporate and Other was \$3.0 billion for the year ended December 31, 2012, compared to \$2.0 billion for the year ended December 31, 2011. Corporate and Other's loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios.

The higher loss from continuing operations before income tax expense for the year ended December 31, 2012 was primarily due to a \$1.2 billion charge related to ResCap's filing for relief under Chapter 11 of the bankruptcy code in the United States. Refer to Note 1 to the Consolidated Financial Statements for additional information related to ResCap. Additionally, higher losses for the year ended December 31, 2012 were impacted by the early prepayment of certain Federal Home Loan Bank debt to further reduce funding costs, the absence of a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements recognized during 2011, and an increase in compensation and benefits expense as a result of increased incentive compensation and pension-related expenses. The pension-related expenses resulted from our decision to de-risk our long-term pension liability through lump-sum buyouts and annuity placements for former subsidiaries. Refer to Note 24 to the Consolidated Financial Statements for further detail on these certain pension actions. Partially offsetting the higher losses for the year ended December 31, 2012 were decreases in OID amortization expense related to bond maturities and normal monthly amortization. Additionally, we incurred no accelerated amortization of OID for the year ended December 31, 2012, compared to \$50 million for the year ended December 31, 2011.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$48 million for the year ended December 31, 2012, compared to \$141 million for the year ended December 31, 2011. The decrease was primarily related to lower net revenue resulting from a decline in income from servicer advance collections, lower accelerated fee income due to fewer early loan payoffs during 2012, compared to 2011. Additionally, provision

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

expense was less favorable in 2012 due to a greater decline in portfolio-level reserves in 2011 associated with higher recoveries on nonperforming exposures, combined with the runoff of the majority of our higher-risk non-core portfolio.

2011 Compared to 2010

Loss from continuing operations before income tax expense for Corporate and Other was \$2.0 billion for the year ended December 31, 2011, compared to \$2.7 billion for the year ended December 31, 2010. Corporate and Other's loss from continuing operations before income tax expense for both periods was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios.

The improvement in the loss from continuing operations before income tax expense for the year ended December 31, 2011, was primarily due to a decrease in original issue discount amortization expense related to bond maturities and normal monthly amortization and favorable net impact of the FTP methodology. The net FTP methodology improvement was primarily the result of favorable unallocated interest costs due to lower non-earning assets and unamortized original issue discount balance. Additionally, 2011 was favorably impacted by a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements, a reduction in debt fees driven by the restructuring of our secured facilities and the termination of our automotive forward flow agreements, and by a lower loss on the extinguishment of certain Ally debt (which included accelerated amortization of original issue discount of \$50 million for the year ended December 31, 2011, compared to \$101 million in 2010).

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$141 million for the year ended December 31, 2011, compared to \$182 million for the year ended December 31, 2010. The decrease was primarily due to lower asset levels partially offset by lower expenses and favorable loss provisions.

Cash and Securities

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

December 31, (<i>\$ in millions</i>)	2012	2011
Cash		
Noninterest-bearing cash	\$ 944	\$ 1,768
Interest-bearing cash	5,942	9,781
Total cash	6,886	11,549
Trading securities		
Mortgage-backed	—	589
Total trading securities	—	589
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,124	1,051
U.S. states and political subdivisions	—	1
Foreign government	—	106
Mortgage-backed	6,191	6,722
Asset-backed	2,332	2,520
Other debt (a)	—	305
Total debt securities	9,647	10,705
Equity securities	4	4
Total available-for-sale securities	9,651	10,709
Total cash and securities	\$ 16,537	\$ 22,847

(a) Includes intersegment eliminations.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses. Our risk management program is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage the risk to be within our risk appetite. Ally's primary risks include credit, lease residual, market, operational, insurance/underwriting, country, and liquidity.

- **Credit risk** — The risk of loss arising from a creditor not meeting its financial obligations to our firm.
- **Lease Residual risk** — The risk of loss arising from the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of the values used in establishing the pricing at lease inception.
- **Market risk** — The risk of loss arising from changes in the fair value of our assets or liabilities (including derivatives) caused by movements in market variables, such as interest rates, foreign-exchange rates, and equity and commodity prices.
- **Operational risk** — The risk of loss arising from inadequate or failed processes or systems, human factors, or external events.
- **Insurance/Underwriting risk** — The risk of loss associated with either (i) fortuitous occurrences (e.g., fires, hurricanes, tortious conduct) and/or (ii) the failure to consider the frequency of losses, severity of losses or the correlation of losses with multiple events.
- **Country risk** — The risk that economic, social and political conditions, and events in foreign countries will adversely affect our financial interests.
- **Liquidity risk** — The risk that our financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet our financial obligations, and to withstand unforeseen liquidity stress events (see Liquidity Management, Funding, and Regulatory Capital discussion within this MD&A).

While risk oversight is ultimately the responsibility of the Board, our governance structure starts within each line of business, including committees established to oversee risk in their respective areas. The lines of business are responsible for executing on risk strategies, policies, and controls that are fundamentally sound and compliant with global risk management policies and with applicable laws and regulations. The line of business risk committees, which report up to the Risk and Compliance Committee of the Board, monitor the performance within each portfolio and determine whether to amend any risk practices based upon portfolio trends.

In addition, the Global Risk Management and Compliance organizations are accountable for independently monitoring, measuring, and reporting on our various risks. They are also responsible for monitoring that our risks remain within the tolerances established by the Board, developing and maintaining policies, and implementing risk management methodologies.

All lines of business and global functions are subject to full and unrestricted audits by Audit Services. Audit Services reports to the Audit Committee of the Board, and is primarily responsible for assisting the Audit Committee in fulfilling its governance and oversight responsibilities. Audit Services is granted free and unrestricted access to any and all of our records, physical properties, technologies, management, and employees.

In addition, our Global Loan Review Group provides an independent assessment of the quality of Ally's credit risk portfolios and credit risk management practices. This group reports its findings directly to the Risk and Compliance Committee. The findings of this group help to strengthen our risk management practices and processes throughout the organization.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Loan and Lease Exposure

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

December 31, (\$ in millions)	2012	2011
Finance receivables and loans		
Dealer Financial Services	\$ 86,542	\$ 100,734
Mortgage operations	9,821	12,753
Corporate and Other	2,692	1,268
Total finance receivables and loans	99,055	114,755
Held-for-sale loans		
Dealer Financial Services	—	425
Mortgage operations	2,490	8,112
Corporate and Other	86	20
Total held-for-sale loans	2,576	8,557
Total on-balance sheet loans	\$ 101,631	\$ 123,312
Off-balance sheet securitized loans		
Dealer Financial Services	\$ 1,495	\$ —
Mortgage operations	119,384	326,975
Corporate and Other	—	—
Total off-balance sheet securitized loans	\$ 120,879	\$ 326,975
Operating lease assets		
Dealer Financial Services	\$ 13,550	\$ 9,275
Mortgage operations	—	—
Corporate and Other	—	—
Total operating lease assets	\$ 13,550	\$ 9,275
Serviced loans and leases		
Dealer Financial Services	\$ 134,122	\$ 122,881
Mortgage operations (a)	130,324	356,430
Corporate and Other	1,344	1,762
Total serviced loans and leases	\$ 265,790	\$ 481,073

(a) Includes primary mortgage loan-servicing portfolio only.

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. We primarily originate mortgage loans with the intent to sell them and, as such, retain only a small percentage of the loans that we originate or purchase. Mortgage loans that we do not intend to retain are sold to investors, primarily through securitizations guaranteed by GSEs. However, we may retain an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure. Given our recent strategic actions, we intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages through a select group of correspondent lenders with the intent to retain within our held-for-investment portfolio.

- Finance receivables and loans** — Loans that we have the intent and ability to hold for the foreseeable future or until maturity or loans associated with an on-balance sheet securitization classified as secured financing. These loans are recorded at the principal amount outstanding, net of unearned income and premiums and discounts. Probable credit-related losses inherent in our finance receivables and loans carried at historical cost are reflected in our allowance for loan losses and recognized in current period earnings. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting our servicing and collection activities (including loan modifications and restructurings), and optimizing our product and geographic concentrations. Additionally, we had historically elected to carry certain mortgage loans of ResCap at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and were reflected in current period earnings. We used market-based instruments, such as derivatives, to hedge changes in the fair value of these loans. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

- **Held-for-sale loans** — Loans that we have the intent to sell. These loans are recorded on our balance sheet at the lower of cost or estimated fair value and are evaluated by portfolio and product type. Changes in the recorded value are recognized in a valuation allowance and reflected in current period earnings. We manage the economic risks of these exposures, including market and credit risks, in various ways including the use of market-based instruments such as derivatives. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.
- **Off-balance sheet securitized loans** — Loans that we transfer off-balance sheet to nonconsolidated variable interest entities. We primarily report this exposure as cash, servicing rights, or retained interests (if applicable). Similar to finance receivables and loans, we manage the economic risks of these exposures, including credit risk, through activities including servicing and collections. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.
- **Operating lease assets** — The net book value of the automobile assets we lease are based on the expected residual values upon remarketing the vehicles at the end of the lease. We are exposed to fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and as such at contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. A valuation allowance related to lease credit losses is recorded directly against the lease rent receivable balance which is a component of Other Assets. An impairment to the carrying value of the assets may be deemed necessary if there is an unfavorable and unrecoverable change in the value of the recorded asset. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.
- **Serviced loans and leases** — Loans that we service on behalf of our customers or another financial institution. As such, these loans can be on or off our balance sheet. For our mortgage servicing rights, we record an asset or liability (at fair value) based on whether the expected servicing benefits will exceed the expected servicing costs. Changes in the fair value of the mortgage servicing rights are recognized in current period earnings. We also service consumer automobile loans. We do not record servicing rights assets or liabilities for these loans because we receive a fee that adequately compensates us for the servicing costs. We manage the economic risks of these exposures, including market and credit risks, in part through market-based instruments such as derivatives and securities. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from a creditor in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. To mitigate the risk, we have implemented specific processes across all lines of business utilizing both qualitative and quantitative analyses. Credit risk is monitored by global and line of business committees and the Global Risk Management organization. Together they oversee the credit decisioning and management processes and monitor that credit risk exposures are managed in a safe-and-sound manner and are within our risk appetite. In addition, our Global Loan Review Group provides an independent assessment of the quality of our credit portfolios and credit risk management practices, and directly reports its findings to the Risk and Compliance Committee on a regular basis.

We have policies and practices that reflect our commitment to maintain an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, and assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations. In addition, we maintain limits and underwriting guidelines that reflect our risk appetite.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. To mitigate risk concentrations, we may take part in loan sales and syndications.

Additionally, we have implemented numerous initiatives in an effort to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we offer several types of assistance to aid our customers. Loss mitigation includes changing the maturity date, extending payments, and rewriting the loan terms. We have implemented these actions with the intent to provide the borrower with additional options in lieu of repossessing their vehicle. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

Furthermore, we manage our counterparty credit exposure based on the risk profile of the counterparty. Within our policies, we have established minimum standards and requirements for managing counterparty risk exposures in a safe-and-sound manner. Counterparty credit risk is derived from multiple exposure types, including derivatives, securities trading, securities financing transactions, financial futures, cash balances (e.g. due from depository institutions, restricted accounts and cash equivalents), and investment in debt securities. For more information on Derivative Counterparty Credit Risk, refer to Note 22 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

During 2012, the U.S. economy continued to expand and the labor market recovered further. Within the U.S. automotive portfolio, encouraging trends include higher automotive industry sales when compared to the previous year. Additionally, the housing market continued to recover with strong home price appreciation in late 2012 and existing home sales registered their highest annual level since 2007. We continue to be cautious with the outlook due to weak manufacturing activity, slow global economic growth and pending budgets cuts to the U.S. federal government.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At December 31, 2012, this primarily included \$86.5 billion of automobile finance receivables and loans and \$12.3 billion of mortgage finance receivables and loans. Within our on-balance sheet portfolio, we had historically elected to account for certain mortgage loans of ResCap at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Consolidated Statement of Comprehensive Income.

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

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

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Consumer						
Finance receivables and loans						
Loans at historical cost	\$ 63,536	\$ 73,452	\$ 642	\$ 567	\$ 1	\$ 4
Loans at fair value	—	835	—	210	—	—
Total finance receivables and loans	63,536	74,287	642	777	1	4
Loans held-for-sale	2,490	8,537	25	2,820	—	73
Total consumer loans	66,026	82,824	667	3,597	1	77
Commercial						
Finance receivables and loans						
Loans at historical cost	35,519	40,468	216	339	—	—
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	35,519	40,468	216	339	—	—
Loans held-for-sale	86	20	—	—	—	—
Total commercial loans	35,605	40,488	216	339	—	—
Total on-balance sheet loans	\$ 101,631	\$ 123,312	\$ 883	\$ 3,936	\$ 1	\$ 77

(a) Includes nonaccrual troubled debt restructured loans of \$419 million and \$934 million at December 31, 2012, and December 31, 2011, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. This includes no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2012, and \$42 million at December 31, 2011.

Total on-balance sheet loans outstanding at December 31, 2012, decreased \$21.7 billion to \$101.6 billion from December 31, 2011 reflecting a decrease of \$16.8 billion in the consumer portfolio and a decrease of \$4.9 billion in the commercial portfolio. The decrease in total on-balance sheet loans outstanding was primarily driven by the reclassification of foreign Automotive Finance operations to discontinued operations and the deconsolidation of ResCap, partially offset by domestic automobile originations which outpaced portfolio runoff. Refer to Note 1 and Note 2 to the Consolidated Financial Statements for additional information related to ResCap and discontinued operations, respectively.

The total TDRs outstanding at December 31, 2012, decreased \$744 million to \$1.2 billion from December 31, 2011, due to the deconsolidation of ResCap.

During the third quarter of 2012, the Office of the Comptroller of the Currency (OCC) advised the banks for which they serve as the primary bank regulatory agency that certain loans that are current, have been discharged in a Chapter 7 Bankruptcy and have not been reaffirmed by the borrower should be accounted for as TDRs and written down to collateral value regardless of their current payment history and expected continued performance. The OCC is not our primary regulator, and our primary regulator has not provided definitive guidance. It is expected that all of the banking regulators will be evaluating this issue in the first quarter of 2013; however, due to industry practice, we have determined that these loans should be accounted for as TDRs on a prospective basis. The write down based on the discounted expected cash flows of these assets has already been considered in our allowance for loan and lease losses recorded at December 31, 2012. The impact of any change will not be material.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Total nonperforming loans at December 31, 2012, decreased \$3.1 billion to \$883 million from December 31, 2011, reflecting a decrease of \$2.9 billion of consumer nonperforming loans and a decrease of \$123 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2011, was primarily due to the deconsolidation of ResCap. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements for additional information.

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

Year ended December 31, (\$ in millions)	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2012	2011	2012	2011
Consumer				
Finance receivables and loans at historical cost	\$ 507	\$ 514	0.7%	0.7%
Commercial				
Finance receivables and loans at historical cost	(33)	39	(0.1)	0.1
Total finance receivables and loans at historical cost	\$ 474	\$ 553	0.4	0.5

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

Net charge-offs were \$474 million for the year ended December 31, 2012, compared to \$553 million for the year ended December 31, 2011. The decrease in net charge-offs for the year ended December 31, 2012, was largely due to recoveries in the commercial portfolio. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

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

Consumer Credit Portfolio

Our consumer portfolio primarily consists of automobile loans, first mortgages, and home equity loans (we ceased originating home equity loans in 2009). Loan losses in our consumer portfolio are influenced by general business and economic conditions including unemployment rates, bankruptcy filings, and home and used vehicle prices. Additionally, our consumer credit exposure is significantly concentrated in automobile lending (largely through GM and Chrysler dealerships). Due to our subvention relationships, we are able to mitigate some interest income exposure to certain consumer defaults by receiving a rate support payment directly from the automotive manufacturers at origination.

Credit risk management for the consumer portfolio begins with the initial underwriting and continues throughout a borrower's credit cycle. We manage consumer credit risk through our loan origination and underwriting policies, credit approval process, and servicing capabilities. We use proprietary credit-scoring models to differentiate the expected default rates of credit applicants enabling us to better evaluate credit applications for approval and to tailor the pricing and financing structure according to this assessment of credit risk. We regularly review the performance of the credit scoring models and update them for historical information and current trends. These and other actions mitigate but do not eliminate credit risk. Improper evaluations of a borrower's creditworthiness, fraud, and/or changes in the applicant's financial condition after approval could negatively affect the quality of our receivables portfolio, resulting in loan losses.

Our servicing activities are another key factor in managing consumer credit risk. Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, and processing customer requests for account revisions (such as payment extensions and refinancings). Servicing activities are generally consistent across our operations; however, certain practices may be influenced by local laws and regulations.

During the year ended December 31, 2012, the credit performance of the consumer portfolio remained strong as our charge-off rate was relatively stable. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Domestic						
Consumer automobile	\$ 53,713	\$ 46,576	\$ 260	\$ 139	\$ —	\$ —
Consumer mortgage						
1st Mortgage	7,173	6,867	342	258	1	1
Home equity	2,648	3,102	40	58	—	—
Total domestic	63,534	56,545	642	455	1	1
Foreign						
Consumer automobile	2	16,883	—	89	—	3
Consumer mortgage						
1st Mortgage	—	24	—	23	—	—
Home equity	—	—	—	—	—	—
Total foreign	2	16,907	—	112	—	3
Total consumer finance receivables and loans	\$ 63,536	\$ 73,452	\$ 642	\$ 567	\$ 1	\$ 4

(a) Includes nonaccrual troubled debt restructured loans of \$373 million and \$180 million at December 31, 2012, and December 31, 2011, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2012, and December 31, 2011.

Total consumer outstanding finance receivables and loans decreased \$9.9 billion at December 31, 2012 compared with December 31, 2011. This decrease was related to the reclassification of foreign Automotive Finance operations to discontinued operations. This was partially offset by an increase in our core domestic business driven by automobile consumer loan originations, which outpaced portfolio runoff, primarily due to increased industry sales and growth in used and non-GM/Chrysler originations. Additionally, we continued to prudently expand our nonprime originations.

Total consumer nonperforming finance receivables and loans at December 31, 2012, increased \$75 million to \$642 million from December 31, 2011, reflecting an increase of \$32 million of consumer automobile nonperforming finance receivables and loans and an increase of \$43 million of consumer mortgage nonperforming finance receivables and loans. Nonperforming consumer domestic automotive finance receivables and loans increased due in part to seasoning of the domestic portfolio as well as increased TDRs as we continue to provide additional options in lieu of repossessing vehicles. Nonperforming consumer domestic mortgage finance receivables and loans increased primarily due to increased TDRs as we continue foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 8 to the Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.0% and 0.8% at December 31, 2012 and December 31, 2011, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more increased \$290 million to \$1.1 billion at December 31, 2012, compared with December 31, 2011. The increase is primarily due to asset growth, prudent expansion of underwriting strategy, which was significantly narrowed during the recession, and seasoning of the portfolio.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in millions)	Net charge-offs		Net charge-off ratios (a)	
	2012	2011	2012	2011
Domestic				
Consumer automobile	\$ 267	\$ 249	0.5%	0.6%
Consumer mortgage				
1st Mortgage	82	115	1.2	1.7
Home equity	56	74	2.0	2.3
Total domestic	405	438	0.7	0.8
Foreign				
Consumer automobile	102	72	0.6	0.4
Consumer mortgage				
1st Mortgage	—	4	4.4	1.2
Home equity	—	—	—	—
Total foreign	102	76	0.6	0.4
Total consumer finance receivables and loans	\$ 507	\$ 514	0.7	0.7

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

Our net charge-offs from total consumer automobile finance receivables and loans were \$369 million for the year ended December 31, 2012, compared to \$321 million for the year ended December 31, 2011. The \$18 million increase in net charge-offs from the domestic automobile finance receivables and loans for the year ended December 31, 2012, was driven primarily by higher outstandings as the net charge-off rate improved.

Our net charge-offs from total consumer mortgage receivables and loans were \$138 million for the year ended December 31, 2012, compared to \$193 million in 2011. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

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

Year ended December 31, (\$ in millions)	2012	2011
Domestic		
Consumer automobile	\$ 30,351	\$ 32,933
Consumer mortgage		
1st Mortgage	32,465	56,258
Home equity	—	—
Total domestic	62,816	89,191
Foreign		
Consumer automobile	9,653	9,983
Consumer mortgage		
1st Mortgage	—	1,403
Home equity	—	—
Total foreign	9,653	11,386
Total consumer loan originations	\$ 72,469	\$ 100,577

Total automobile-originated loans decreased \$2.9 billion for the year ended December 31, 2012, compared to 2011. The decrease was primarily due to lower retail penetration at both GM and Chrysler. Total mortgage-originated loans decreased \$25.2 billion for the year ended December 31, 2012. The decline in loan production was primarily driven by the reduction in correspondent lending.

Consumer loan originations retained on-balance sheet as held-for-investment were \$42.2 billion at December 31, 2012, compared to \$44.6 billion at December 31, 2011. The decrease was primarily due to lower retail penetration at both GM and Chrysler.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were \$53.7 billion and \$63.5 billion at December 31, 2012, and December 31, 2011, respectively. Total mortgage and home equity loans were \$9.8 billion and \$10.0 billion at December 31, 2012, and December 31, 2011, respectively.

December 31,	2012 (a)		2011	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	12.9%	5.8%	9.5%	5.5%
California	5.6	29.2	4.6	25.7
Florida	6.7	3.6	4.8	4.0
Michigan	5.0	4.1	4.0	4.8
Pennsylvania	5.2	1.6	3.6	1.6
Illinois	4.3	4.8	3.1	5.0
New York	4.6	2.0	3.5	2.3
Ohio	4.0	0.8	2.9	1.0
Georgia	3.7	1.9	2.5	1.8
North Carolina	3.3	2.0	2.2	2.1
Other United States	44.7	44.2	32.9	45.9
Foreign (b)	—	—	26.4	0.3
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2012.

(b) Foreign consumer finance receivables and loans as of December 31, 2012, was \$2 million. These remaining foreign balances are within Finland and the Czech Republic.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 21.0% and 16.4% of our total outstanding consumer finance receivables and loans at December 31, 2012, and December 31, 2011, respectively.

Concentrations in our Mortgage operations are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been amongst the most severe.

Repossessed and Foreclosed Assets

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

Repossessed assets in our Automotive Finance operations at December 31, 2012, increased \$6 million to \$62 million from December 31, 2011. Foreclosed mortgage assets at December 31, 2012, decreased \$71 million to \$6 million from December 31, 2011, primarily due to the deconsolidation of ResCap.

Higher-Risk Mortgage Loans

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

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

- **High loan-to-value mortgages** — Defined as first-lien loans with original loan-to-value ratios equal to or in excess of 100% or second-lien loans that when combined with the underlying first-lien mortgage loan result in an original loan-to-value ratio equal to or in excess of 100%. We ceased originating these loans with the intent to retain during 2009.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

- **Payment-option adjustable-rate mortgages** — Permit a variety of repayment options. The repayment options include minimum, interest-only, fully amortizing 30-year, and fully amortizing 15-year payments. The minimum payment option generally sets the monthly payment at the initial interest rate for the first year of the loan. The interest rate resets after the first year, but the borrower can continue to make the minimum payment. The interest-only option sets the monthly payment at the amount of interest due on the loan. If the interest-only option payment would be less than the minimum payment, the interest-only option is not available to the borrower. Under the fully amortizing 30- and 15-year payment options, the borrower's monthly payment is set based on the interest rate, loan balance, and remaining loan term. We ceased originating these loans during 2008.
- **Interest-only mortgages** — Allow interest-only payments for a fixed time. At the end of the interest-only period, the loan payment includes principal payments and can increase significantly. The borrower's new payment, once the loan becomes amortizing (i.e., includes principal payments), will be greater than if the borrower had been making principal payments since the origination of the loan. We ceased originating these loans with the intent to retain during 2010.
- **Below-market rate (teaser) mortgages** — Contain contractual features that limit the initial interest rate to a below-market interest rate for a specified time period with an increase to a market interest rate in a future period. The increase to the market interest rate could result in a significant increase in the borrower's monthly payment amount. We ceased originating these loans with the intent to retain during 2008.

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

December 31, (\$ in millions)	2012			2011		
	Outstanding	Nonperforming	Accruing past due 90 days or more	Outstanding	Nonperforming	Accruing past due 90 days or more
Interest-only mortgage loans (a)	\$ 2,063	\$ 125	\$ —	\$ 2,947	\$ 147	\$ —
Below-market rate (teaser) mortgages	192	3	—	248	6	—
Total higher-risk mortgage loans	\$ 2,255	\$ 128	\$ —	\$ 3,195	\$ 153	\$ —

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

High original LTV mortgage finance receivables and loans and payment-option adjustable-rate mortgage finance receivables and loans remained flat at \$1 million and \$3 million, respectively, at December 31, 2012 and December 31, 2011. There were no high original LTV mortgage loans or payment-option adjustable-rate mortgage loans classified as nonperforming or 90 days past due and still accruing at December 31, 2012 and December 31, 2011.

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Michigan	106	5	111
Other United States	968	107	1,075
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255
2011			
California	\$ 748	\$ 78	\$ 826
Virginia	274	10	284
Maryland	217	6	223
Illinois	153	8	161
Michigan	199	9	208
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	\$ 2,947	\$ 248	\$ 3,195

Commercial Credit Portfolio

Our commercial portfolio consists primarily of automotive loans (wholesale floorplan, dealer term loans including real estate loans, and automotive fleet financing), and some commercial finance loans. In general, the credit risk of our commercial portfolio is impacted by overall economic conditions in the countries in which we operate and the financial health of the automotive manufacturers that provide the inventory we floorplan. As part of our floorplan financing arrangements, we typically require repurchase agreements with the automotive manufacturer to repurchase new vehicle inventory under certain circumstances.

Our credit risk on the commercial portfolio is markedly different from that of our consumer portfolio. Whereas the consumer portfolio represents smaller-balance homogeneous loans that exhibit fairly predictable and stable loss patterns, the commercial portfolio exposures can be less predictable. We utilize an internal credit risk rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective and consistent credit risk management framework.

During the year ended December 31, 2012, the credit performance of the commercial portfolio remained strong as nonperforming finance receivables and loans and net charge-offs declined. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Domestic						
Commercial and industrial						
Automobile	\$ 30,270	\$ 26,552	\$ 146	\$ 105	\$ —	\$ —
Mortgage	—	1,887	—	—	—	—
Other (c)	2,679	1,178	33	22	—	—
Commercial real estate						
Automobile	2,552	2,331	37	56	—	—
Mortgage	—	—	—	—	—	—
Total domestic	35,501	31,948	216	183	—	—
Foreign						
Commercial and industrial						
Automobile	—	8,265	—	118	—	—
Mortgage	—	24	—	—	—	—
Other (c)	18	63	—	15	—	—
Commercial real estate						
Automobile	—	154	—	11	—	—
Mortgage	—	14	—	12	—	—
Total foreign	18	8,520	—	156	—	—
Total commercial finance receivables and loans	\$ 35,519	\$ 40,468	\$ 216	\$ 339	\$ —	\$ —

(a) Includes nonaccrual troubled debt restructured loans of \$29 million and \$21 million at December 31, 2012, and December 31, 2011, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2012 and December 31, 2011.

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

Total commercial finance receivables and loans outstanding decreased \$4.9 billion to \$35.5 billion at December 31, 2012, from December 31, 2011. The domestic commercial and industrial outstandings increased \$3.3 billion primarily due to increased automotive industry sales and corresponding rise in inventories as well as ResCap's debtor-in-possession financing, partially offset by the wind-down of the mortgage warehouse lending's portfolio. The foreign commercial and industrial outstandings decreased \$8.3 billion primarily due to the reclassification of foreign Automotive Finance operations to discontinued operations.

Total domestic commercial nonperforming finance receivables and loans were \$216 million at December 31, 2012, an increase of \$33 million compared to December 31, 2011. However, portfolio performance was stable during 2012, and total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans declined from 0.8% as of December 31, 2011 to 0.6% as of December 31, 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in millions)	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2012	2011	2012	2011
Domestic				
Commercial and industrial				
Automobile	\$ 2	\$ 7	—%	—%
Mortgage	(1)	(3)	(0.1)	(0.3)
Other	(3)	(7)	(0.2)	(0.5)
Commercial real estate				
Automobile	(1)	6	—	0.3
Mortgage	—	(1)	—	n/m
Total domestic	(3)	2	—	—
Foreign				
Commercial and industrial				
Automobile	(2)	(1)	—	—
Mortgage	—	8	2.2	25.0
Other	(28)	2	(75.3)	0.8
Commercial real estate				
Automobile	—	1	0.3	0.3
Mortgage	—	27	(7.1)	60.9
Total foreign	(30)	37	(0.4)	0.4
Total commercial finance receivables and loans	\$ (33)	\$ 39	(0.1)	0.1

n/m = not meaningful

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

Our net charge-offs from commercial finance receivables and loans resulted in recoveries of \$33 million for the year ended December 31, 2012, compared to net charge-offs of \$39 million in 2011. The decrease in net charge-offs during 2012 was largely driven by strong recoveries in certain wind-down portfolios and an improved mix of loans in the existing portfolios.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were \$2.6 billion and \$2.5 billion at December 31, 2012, and December 31, 2011, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

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

December 31,	2012	2011
Geographic region		
Texas	13.0%	12.4%
Michigan	12.6	14.1
Florida	11.7	12.4
California	9.3	9.3
New York	4.9	3.5
Virginia	3.9	4.1
North Carolina	3.9	2.1
Pennsylvania	3.3	2.9
Georgia	3.0	2.5
Tennessee	2.3	1.8
Other United States	32.1	28.3
Foreign	—	6.6
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	99.4%
Other	—	0.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

Commercial Criticized Exposure

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

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

December 31,	2012	2011
Industry		
Automotive	85.7%	82.9%
Manufacturing	5.5	1.8
Services	4.9	1.9
Other	3.9	13.4
Total commercial criticized finance receivables and loans	100.0%	100.0%

Total criticized exposures declined \$1.4 billion to \$1.7 billion at December 31, 2012 from December 31, 2011, primarily due to the reclassification of foreign Automotive Finance operations to discontinued operations as well as improvements in dealer financial condition within the domestic automotive industry. The increase in our automotive criticized concentration rate was driven primarily by the decrease in overall criticized outstandings.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Selected Loan Maturity and Sensitivity Data

The table below shows the commercial finance receivables and loans portfolio and the distribution between fixed and floating interest rates based on the stated terms of the commercial loan agreements. This portfolio is reported at carrying value before allowance for loan losses.

December 31, 2012 (\$ in millions)	Within 1 year (a)	1-5 years	After 5 years	Total (b)
Commercial and industrial	\$ 31,107	\$ 1,798	\$ 44	\$ 32,949
Commercial real estate	131	2,004	417	2,552
Total domestic	31,238	3,802	461	35,501
Foreign	3	15	—	18
Total commercial finance receivables and loans	\$ 31,241	\$ 3,817	\$ 461	\$ 35,519
Loans at fixed interest rates		\$ 1,809	\$ 381	
Loans at variable interest rates		2,008	80	
Total commercial finance receivables and loans		\$ 3,817	\$ 461	

(a) Includes loans (e.g., floorplan) with revolving terms.

(b) Loan maturities are based on the remaining maturities under contractual terms.

Allowance for Loan Losses

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

(\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Charge-offs					
Domestic	(438)	(149)	(587)	(8)	(595)
Foreign	(178)	—	(178)	(3)	(181)
Total charge-offs	(616)	(149)	(765)	(11)	(776)
Recoveries					
Domestic	171	11	182	11	193
Foreign	76	—	76	33	109
Total recoveries	247	11	258	44	302
Net charge-offs	(369)	(138)	(507)	33	(474)
Provision for loan losses	257	86	343	(14)	329
Foreign provision for loan losses	115	—	115	(50)	65
Deconsolidation of ResCap	—	(9)	(9)	—	(9)
Other (a)	(194)	(3)	(197)	(47)	(244)
Allowance at December 31, 2012	\$ 575	\$ 452	\$ 1,027	\$ 143	\$ 1,170
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2012 (b)	1.1%	4.6%	1.6%	0.4 %	1.2%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2012 (b)	0.5%	1.4%	0.7%	(0.1)%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2012 (b)	221.3%	118.0%	159.8%	66.4 %	136.3%
Ratio of allowance for loans losses to net charge-offs at December 31, 2012	1.6	3.3	2.0	(4.3)	2.5

(a) Other includes the allowance of foreign Automotive Finance operations finance receivables and loans that were reclassified as discontinued operations.

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

The allowance for consumer loan losses at December 31, 2012, declined \$255 million compared to December 31, 2011. The decline reflects the reclassification of the foreign Automotive Finance operations to discontinued operations and the runoff of legacy portfolios, which was partially offset by an increase in loans outstanding.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

The allowance for commercial loan losses declined \$78 million at December 31, 2012, compared to December 31, 2011, primarily related to the ongoing strength in dealer performance, the reclassification of foreign Automotive Finance operations to discontinued operations, and general overall improvement in the Commercial Finance Group's portfolio.

<i>(\$ in millions)</i>	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2011	\$ 970	\$ 580	\$ 1,550	\$ 323	\$ 1,873
Charge-offs					
Domestic	(435)	(205)	(640)	(27)	(667)
Foreign	(145)	(5)	(150)	(63)	(213)
Total charge-offs	(580)	(210)	(790)	(90)	(880)
Recoveries					
Domestic	186	16	202	25	227
Foreign	73	1	74	26	100
Total recoveries	259	17	276	51	327
Net charge-offs	(321)	(193)	(514)	(39)	(553)
Provision for loan losses	102	129	231	(43)	188
Foreign provision for loan losses	52	—	52	(21)	31
Other	(37)	—	(37)	1	(36)
Allowance at December 31, 2011	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2011 (a)	1.2%	5.2%	1.7%	0.5%	1.3%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2011 (a)	0.5%	1.9%	0.7%	0.1%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2011 (a)	335.8%	152.1%	226.0%	65.3%	165.9%
Ratio of allowance for loans losses to net charge-offs at December 31, 2011	2.4	2.7	2.5	5.7	2.7

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

The allowance for consumer loan losses was \$1.3 billion at December 31, 2011, compared to \$1.6 billion at December 31, 2010. The decline reflected overall improved credit quality of newer vintages reflecting tightened underwriting standards which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses was \$221 million at December 31, 2011, compared to \$323 million at December 31, 2010. The decline was primarily related to improvement in dealer performance and continued wind-down of non-core commercial assets.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

December 31, (\$ in millions)	2012			2011		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	\$ 575	1.1%	49.2%	\$ 600	1.3%	39.9%
Consumer mortgage						
1st Mortgage	245	3.4	20.9	275	4.0	18.3
Home equity	207	7.8	17.7	237	7.7	15.8
Total domestic	1,027	1.6	87.8	1,112	2.0	74.0
Foreign						
Consumer automobile	—	—	—	166	1.0	11.1
Consumer mortgage						
1st Mortgage	—	—	—	4	14.5	0.2
Home equity	—	—	—	—	—	—
Total foreign	—	—	—	170	1.0	11.3
Total consumer loans	1,027	1.6	87.8	1,282	1.7	85.3
Commercial						
Domestic						
Commercial and industrial						
Automobile	55	0.2	4.7	62	0.2	4.0
Mortgage	—	—	—	1	—	0.1
Other	48	1.8	4.1	52	4.4	3.5
Commercial real estate						
Automobile	40	1.6	3.4	39	1.7	2.6
Mortgage	—	—	—	—	—	—
Total domestic	143	0.4	12.2	154	0.5	10.2
Foreign						
Commercial and industrial						
Automobile	—	—	—	48	0.6	3.2
Mortgage	—	—	—	10	43.1	0.7
Other	—	—	—	1	1.9	0.1
Commercial real estate						
Automobile	—	—	—	3	1.7	0.2
Mortgage	—	—	—	5	33.2	0.3
Total foreign	—	—	—	67	0.8	4.5
Total commercial loans	143	0.4	12.2	221	0.5	14.7
Total allowance for loan losses	\$ 1,170	1.2	100.0%	\$ 1,503	1.3	100.0%

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

Year ended December 31, (\$ in millions)	2012	2011	2010
Consumer			
Domestic			
Consumer automobile	\$ 257	\$ 102	\$ 228
Consumer mortgage			
1st Mortgage	52	68	72
Home equity	34	55	90
Total domestic	343	225	390
Foreign			
Consumer automobile	—	—	(2)
Consumer mortgage			
1st Mortgage	—	6	2
Home equity	—	—	—
Total foreign	—	6	—
Total consumer loans	343	231	390
Commercial			
Domestic			
Commercial and industrial			
Automobile	(3)	(3)	2
Mortgage	(1)	(3)	(13)
Other	(10)	(51)	(47)
Commercial real estate			
Automobile	—	(10)	34
Mortgage	—	(1)	(10)
Total domestic	(14)	(68)	(34)
Foreign			
Commercial and industrial			
Automobile	—	—	(2)
Mortgage	—	5	(5)
Other	—	—	—
Commercial real estate			
Automobile	—	—	—
Mortgage	—	20	8
Total foreign	—	25	1
Total commercial loans	(14)	(43)	(33)
Total provision for loan losses	\$ 329	\$ 188	\$ 357

Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. The following factors most significantly influence lease residual risk. For additional information on our valuation of automobile lease assets and residuals, refer to the Critical Accounting Estimates — Valuation of Automobile Lease Assets and Residuals section within this MD&A.

- **Used vehicle market** — We have exposure to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle market prices heavily influence used vehicle prices.
- **Residual value projections** — We establish risk adjusted residual values at lease inception by consulting independently published guides and proprietary statistical models. The residual values are consistently monitored during the lease term. These values are

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

projections of expected values in the future (typically between two and four years) based on current assumptions for the respective make and model. Actual realized values often differ.

- **Remarketing abilities** — Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales.
- **Manufacturer vehicle and marketing programs** — Automotive manufacturers influence lease residual results in the following ways:
 - The brand image of automotive manufacturers and consumer demand for their products affect residual risk.
 - Automotive manufacturer marketing programs may influence the used vehicle market for those vehicles through programs such as incentives on new vehicles, programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of a new vehicle (referred to as pull-ahead programs), and special rate used vehicle programs.
 - Automotive manufacturers may provide support to us for certain residual deficiencies.

The following table summarizes the volume of our serviced lease terminations in the United States over recent periods. It also summarizes the average sales proceeds on 24-, 36-, and 48-month scheduled lease terminations for those same periods. The mix of terminated vehicles in 2012 was used to normalize results over previous periods to more clearly demonstrate market pricing trends.

Year ended December 31,	2012	2011	2010
Off-lease vehicles remarketed (<i>in units</i>)	63,315	248,624	376,203
Average sales proceeds on scheduled lease terminations (\$ per unit)			
24-month (a)	\$ 22,586	n/m	\$ 22,400
36-month (b)	n/m	n/m	n/m
48-month	18,124	16,134	14,289

n/m = not meaningful

- (a) During 2011, 24-month lease terminations were not materially sufficient to create a historical comparison due to our temporary curtailment of leasing in 2009.
- (b) The 36-month lease terminations were not materially sufficient to create a historical multi-year comparison from that term due to our temporary curtailment of leasing in 2009.

The number of off-lease vehicles remarketed in 2012 reached a historic low, declining 75% from 2011. The significant decrease was due to our temporary curtailment of leasing in late 2008 through 2009. Sales proceeds have strengthened since 2009 due primarily to the lower supply of attractive used vehicles, which can be largely attributed to the significant drop in new vehicle sales and leasing activity during the last economic downturn. For information on our Investment in Operating Leases, refer to Note 9 to the Consolidated Financial Statements.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 22 to the Consolidated Financial Statements for further information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Fair Value Sensitivity Analysis

The following table and subsequent discussion presents a fair value sensitivity analysis of our assets and liabilities using isolated hypothetical movements in specific market rates. The analysis assumes adverse instantaneous, parallel shifts in market-exchange rates, interest rate yield curves, and equity prices. Additionally, since only adverse fair value impacts are included, the natural offset between asset and liability rate sensitivities that arise within a diversified balance sheet, such as ours, is not considered.

December 31, (\$ in millions)	2012		2011	
	Nontrading	Trading	Nontrading	Trading
Financial instruments exposed to changes in:				
Interest rates				
Estimated fair value	(a) \$	—	(a) \$	549
Effect of 10% adverse change in rates	(a)	—	(a)	(2)
Foreign-currency exchange rates				
Estimated fair value	\$ 2,791	\$ —	\$ 6,724	\$ —
Effect of 10% adverse change in rates	(279)	—	(672)	—
Equity prices				
Estimated fair value	\$ 1,152	\$ —	\$ 1,059	\$ —
Effect of 10% decrease in prices	(115)	—	(106)	—

(a) Refer to the next section titled *Net Interest Income Sensitivity Analysis* for information on the interest rate sensitivity of our nontrading financial instruments.

The fair value of our foreign-currency exchange-rate sensitive financial instruments decreased during the year ended December 31, 2012, compared to 2011, due to decreases in finance receivables and loans that were reclassified to discontinued operations partially offset by a decrease in foreign-denominated short-term borrowings and foreign-denominated long-term debt that were also reclassified to discontinued operations. The net decrease consequently drove the decrease in the fair value estimate and associated adverse 10% change in rates impact. The increase in the fair value of our equity sensitive financial instruments was due to a slightly higher equity investment balance compared to prior year. This change in equity exposure drove our increased sensitivity to a 10% decrease in equity prices.

Net Interest Income Sensitivity Analysis

We use net interest income sensitivity analysis as our primary metric to measure and manage the interest rate sensitivities of our nontrading financial instruments. Interest rate risk represents the most significant market risk to the nontrading exposures. We actively monitor the level of exposure so that movements in interest rates do not adversely affect future earnings.

We prepare forward-looking forecasts of net interest income, which take into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. Simulations are used to assess changes in net interest income in multiple interest rates scenarios relative to the baseline forecast. The changes in net interest income relative to the baseline are defined as the sensitivity. The net interest income sensitivity tests measure the potential change in our pretax net interest income over the following twelve months. A number of alternative rate scenarios are tested including immediate parallel shocks to the forward yield curve, nonparallel shocks to the forward yield curve, and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

Included in our forward-looking forecast is the planned sale of our international and Canadian operations. These instruments were moved to discontinued operations at year end 2012 based on their expected sale in 2013. Consequently, the interest income and expense from these instruments is not included in net interest income and their interest sensitivity is managed using a fair value approach. Therefore, we no longer include the interest sensitivity of these financial instruments in our net interest income simulations.

Our twelve-month pretax net interest income sensitivity based on the forward-curve was as follows.

Year ended December 31, (\$ in millions)	2012	2011
Parallel rate shifts		
-100 basis points	\$ (7)	\$ 73
+100 basis points	(46)	(84)
+200 basis points	48	88

The adverse change in net interest income in the -100 basis point scenario in the 2012 analysis is mainly due to the low interest rate environment as further declines in deposit and short funding rates are limited. The positive change in net interest income in the +200 basis point scenario is mainly due to income on certain commercial loans that have rate index floors. Interest income on these loans increases significantly as interest rates and the related rate index rises above the level of the floor.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

The change in net interest income sensitivity from the prior year was due to the lower and flatter yield curve and to a lesser extent the planned sale of our international operations.

Operational Risk

We define operational risk as the risk of loss resulting from inadequate or failed processes or systems, human factors, or external events. Operational risk is an inherent risk element in each of our businesses and related support activities. Such risk can manifest in various ways, including errors, business interruptions, and inappropriate behavior of employees, and can potentially result in financial losses and other damage to us. Examples of operational risk include legal/compliance, vendor management, model, reputational, and representation and warranty obligation risks (See the Purchase Obligations discussion within this MD&A).

To monitor and control such risk, we maintain a system of policies and a control framework designed to provide a sound and well-controlled operational environment. This framework employs practices and tools designed to maintain risk governance, risk and control assessment and testing, risk monitoring, and transparency through risk reporting mechanisms. The goal is to maintain operational risk at appropriate levels in view of our financial strength, the characteristics of the businesses and the markets in which we operate, and the related competitive and regulatory environment.

Notwithstanding these risk and control initiatives, we may incur losses attributable to operational risks from time to time, and there can be no assurance these losses will not be incurred in the future.

Insurance / Underwriting Risk

In underwriting our vehicle service contracts and insurance policies, we assess the particular risk involved, including losses and loss adjustment expenses, and determine the acceptability of the risk as well as the categorization of the risk for appropriate pricing. We base our determination of the risk on various assumptions tailored to the respective insurance product. With respect to vehicle service contracts, assumptions include the quality of the vehicles produced, the price of replacement parts, repair labor rates in the future, and new model introductions. Insurance risk also includes event risk, which is synonymous with pure risk, hazard risk, or insurance risk, and presents no chance of gain, only of loss.

In some instances, reinsurance is used to reduce the risk associated with volatile businesses, such as catastrophe risk in U.S. dealer vehicle inventory insurance. Our commercial products business is covered by traditional catastrophe protection, aggregate stop loss protection, and an extension of catastrophe coverage for hurricane events. In addition, loss control techniques, such as hail nets or storm path monitoring to assist dealers in preparing for severe weather, help to mitigate loss potential.

We mitigate losses by the active management of claim settlement activities using experienced claims personnel and the evaluation of current period reported claims. Losses for these events may be compared to prior claims experience, expected claims, or loss expenses from similar incidents to assess the reasonableness of incurred losses.

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, we maintain reserves for reported losses, losses incurred but not reported, and loss adjustment expenses. The estimated values of our prior reported loss reserves and changes to the estimated values are routinely monitored by credentialed actuaries. Our reserve estimates are regularly reviewed by management; however, since the reserves are based on estimates and numerous assumptions, the ultimate liability may differ from the amount estimated.

Country Risk

We have exposures to obligors domiciled in foreign countries; and therefore, our portfolio is subject to country risk. Country risk is the risk that conditions in a foreign country will impair the value of our assets, restrict our ability to repatriate equity or profits, or adversely impact the ability of the guarantor to uphold their obligations to us. Country risk includes risks arising from the economic, political, and social conditions prevalent in a country, as well as the strengths and weaknesses in the legal and regulatory framework. These conditions may have potentially favorable or unfavorable consequences for our investments in a particular country.

Country risk is measured by determining our cross-border outstandings in accordance with Federal Financial Institutions Examination Council guidelines. Cross-border outstandings are reported as assets within the country of which the obligor or guarantor resides. Furthermore, outstandings backed by tangible collateral are reflected under the country in which the collateral is held. For securities received as collateral, cross-border outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are presented based on the domicile of the counterparty.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

The following table lists all countries in which cross-border outstandings exceed 1.0% of consolidated assets.

<i>(\$ in millions)</i>	Banks	Sovereign	Other	Net local country assets	Derivatives	Total cross-border outstandings (a)
2012 (b)						
Canada	\$ 396	\$ 305	\$ 190	\$ 2,953	\$ 6	\$ 3,850
Germany	10	30	3	3,340	450	3,833
United Kingdom	265	—	16	2,348	237	2,866
2011 (b)						
Canada	\$ 343	\$ 250	\$ 451	\$ 3,746	\$ 20	\$ 4,810
Germany	47	32	5	3,219	576	3,879
United Kingdom	311	6	13	962	1,356	2,648

- (a) As we continue to execute on our strategy of selling or liquidating our nonstrategic operations, our total cross-border outstandings will significantly decline upon the completion of the transactions.
- (b) Our total cross-border exposure to Portugal, Ireland, Italy, Greece, and Spain was \$649 million and \$327 million as of December 31, 2012, and 2011, respectively, most of which was nonsovereign exposure.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Liquidity Management, Funding, and Regulatory Capital Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, currency, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet uncertain cash flow obligations caused by unanticipated events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to their solvency.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO and the Risk and Compliance Committee of the Ally Financial Board of Directors. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each business segment, along with Ally Bank, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline economic projections as well as more severe economic stressed environments. Corporate Treasury, in turn, plans, and executes our funding strategies.

Ally uses multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established several internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At December 31, 2012, we maintained \$15.6 billion of total available parent company liquidity and \$13.2 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the subsidiaries of Ally Insurance's holding company. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. At December 31, 2012, \$1.6 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank.

In December 2010, the Basel Committee on Banking Supervision issued "Basel III: International framework for liquidity risk measurement, standards and monitoring", which includes two minimum liquidity risk standards. The first standard is the Liquidity Coverage Ratio (LCR). The LCR measures the ratio of unencumbered, high-quality liquid assets to liquidity needs for a 30-calendar-day time horizon under a severe liquidity stress scenario specified by supervisors. The second standard is the Net Stable Funding Ratio (NSFR). The NSFR is structured to ensure that long term assets are funded with at least a minimum amount of stable liabilities in relation to their liquidity risk profiles. It aims to encourage better assessment of liquidity risk across all on- and off-balance sheet items. In January 2013, the Group of Governors and Heads of Supervision (GHOS), the oversight body of the Basel Committee on Banking Supervision unanimously endorsed amendments to the Liquidity Coverage Ratio announced in December 2010. A summary of changes include: a phased-in implementation with minimum ratio of 60% in 2015, growing by 10% per year to reach 100% by 2019; an expanded definition of high quality liquid assets; and adjustments to net cash outflows. The GHOS indicated that the NSFR will be a priority for the Basel Committee over the next two years and the scheduled implementation date remains unchanged at January 2018. We continue to monitor the potential impacts of these developments and expect to be able to meet the final requirements.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on our timely and cost-effective access to retail deposits and funding in different segments of the capital markets. We continue to be focused on maintaining and enhancing our liquidity. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, unsecured retail term notes, public and private asset-backed securitizations, committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company or nonbank funding.

We diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying our funding sources, in particular at Ally Bank by growing retail deposits, expanding public and private securitization programs, maintaining the maturity profile of our brokered deposit portfolio while not exceeding a \$10.0 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our Automotive Finance and Mortgage operations with a stable and low-cost funding source. At December 31, 2012, Ally Bank had \$46.9 billion of total external deposits, including \$35.0 billion of retail deposits.

At December 31, 2012, Ally Bank maintained cash liquidity of \$2.7 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$5.9 billion. In addition, at December 31, 2012, Ally Bank had unused capacity in committed secured funding facilities of \$6.2 billion, including an equal allocation of shared unused capacity of \$3.0 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize use of cash and secured facility capacity between entities, Ally Financial lends cash to Ally Bank from time to time under an intercompany agreement. Amounts outstanding on this loan are repayable to Ally Financial at any time. Ally Bank has total available liquidity of \$13.2 billion at December 31, 2012, which excludes the intercompany loan of \$1.6 billion.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. During 2012, the deposit base at Ally Bank grew \$7.3 billion, ending the year at \$46.9 billion from \$39.6 billion at December 31, 2011. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market checking accounts, and our CDs. Strong retention rates continue to materially contribute to our growth in retail deposits. In the fourth quarter of 2012 we retained 93% of maturing CD balances up for renewal in the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve's Discount Window. At December 31, 2012, debt outstanding from the FHLB totaled \$4.8 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term. At December 31, 2012, Ally Bank had no debt outstanding under repurchase agreements. Refer to Note 14 to the Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2011.

(\$ in millions)	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011
Number of retail accounts	1,219,791	1,142,837	1,082,753	1,036,468	976,877	919,670	851,991	798,622
Deposits								
Retail	\$ 35,041	\$ 32,139	\$ 30,403	\$ 29,323	\$ 27,685	\$ 26,254	\$ 24,562	\$ 23,469
Brokered	9,914	9,882	9,905	9,884	9,890	9,911	9,903	9,836
Other (a)	1,977	2,487	2,411	2,314	2,029	2,704	2,405	2,064
Total deposits	\$ 46,932	\$ 44,508	\$ 42,719	\$ 41,521	\$ 39,604	\$ 38,869	\$ 36,870	\$ 35,369

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During 2012, Ally Bank completed eleven term securitization transactions backed by retail and dealer floorplan automotive loans and lease notes raising \$11.8 billion. Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

and leases for the life of the underlying asset creating an effective tool for managing interest rate and liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At December 31, 2012, Ally Bank had exclusive access to \$8.5 billion from committed credit facilities. Ally Bank also had access to a \$4.1 billion committed facility that is shared with the parent company.

Nonbank Funding

At December 31, 2012, the parent company maintained liquid cash in the amount of \$4.2 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$0.9 billion. In addition, at December 31, 2012, the parent company had available liquidity from unused capacity in committed credit facilities of \$7.2 billion, including an equal allocation of shared unused capacity of \$3.0 billion from a facility also available to Ally Bank. Parent company funding is defined as our consolidated operations less our Insurance operations and Ally Bank. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the funding also relies on the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. To optimize use of cash and secured facility capacity between entities, Ally Financial lends cash to Ally Bank from time to time under an intercompany agreement. Amounts outstanding on this loan are repayable to Ally Financial at any time. The parent company has total available liquidity of \$15.6 billion at December 31, 2012, which includes the intercompany loan of \$1.6 billion. The total available liquidity amount at December 31, 2012 also includes \$1.7 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next twelve months.

During 2012, we completed five transactions totaling \$3.6 billion in funding through the U.S. debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a legacy retail term note program known as SmartNotes. This program generally consisted of fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that were issued through a network of participating broker-dealers. During 2012, we launched a new retail term note program known as Ally Term Notes. There were \$7.9 billion and \$9.0 billion of combined retail term notes outstanding at December 31, 2012, and December 31, 2011, respectively.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were \$3.1 billion at December 31, 2012, compared to \$2.8 billion at December 31, 2011. Unsecured short-term bank loans also provide short-term funding. At December 31, 2012, we had \$167 million in short-term bank loans, a decrease of \$1.4 billion from December 31, 2011. Refer to Note 15 and Note 16 to the Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. During 2012, the parent company completed automotive-related transactions that included the renewal and extension of \$22.3 billion of committed secured funding capacity, the creation of incremental private secured funding capacity totaling \$7.1 billion, and \$2.4 billion in public term securitizations in Europe and Canada. In January 2013 we completed a public retail securitization using the Capital Auto Receivables Asset Trust (CARAT) platform, our first since 2008, raising more than \$1.5 billion. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including a \$7.5 billion syndicated facility that can fund automotive retail and commercial loans, as well as leases. In March 2012, this facility was renewed by a syndicate of nineteen lenders and extended such that half of the capacity will mature in March 2013 and the other half will mature in March 2014. In addition to this facility, there are a variety of others that provide funding in various countries. At December 31, 2012, the parent company had \$30.3 billion of exclusive commitments globally in various facilities secured by automotive assets. The parent company also had access to a \$4.1 billion committed facility that is shared with Ally Bank.

Recent Funding Developments

In summary, during 2012, we completed funding transactions totaling more than \$28.0 billion and renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2012 and 2013 to date were as follows:

- We accessed the unsecured debt capital markets in February, June, August, and December of 2012 and raised \$3.6 billion.
- In 2012, we have continued to access the public asset-backed securitization markets completing eleven U.S. transactions that raised \$11.8 billion. Included within the total amount is Ally Bank's inaugural term lease transaction in the U.S. totaling \$1.3 billion in funding. Additionally, we completed European and Canadian (retail and dealer floorplan) transactions that raised \$1.9 billion and \$516 million, respectively.
- We created \$7.1 billion of new private capacity to fund automotive assets.
- We renewed and extended more than \$22.0 billion of key automotive funding facilities. The automotive facility renewal amount includes the March 2012 refinancing of \$15.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The \$15.0 billion capacity is secured by retail, lease and dealer floorplan automotive assets and is allocated to two separate \$7.5 billion facilities, one of which is available to the parent company and a Canadian subsidiary while the other is available to Ally Bank. Half of the capacity matures in March 2013 and the other half matures in March 2014. We are currently working on the renewal of the \$15.0 billion facility and expect to reduce the total capacity.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

- In January 2013, Ally Financial issued its first public securitization since 2008 using its existing CARAT platform. This transaction raised more than \$1.5 billion in funding.
- In February 2013, Ally Bank issued a public dealer floorplan securitization. This deal raised \$1.0 billion in funding.

In October and December of 2012, we repaid \$2.9 billion and \$4.5 billion in debt issued under the FDIC's Temporary Liquidity Guarantee Program, respectively. As of December 31, 2012, there is no outstanding TLGP debt.

Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2012 from 2011 levels. In addition, deposits represent a larger portion of the overall funding mix.

December 31, (\$ in millions)	Bank	Nonbank	Total	%
2012				
Secured financings	\$ 29,161	\$ 15,950	\$ 45,111	35
Institutional term debt	—	22,200	22,200	17
Retail debt programs (a)	—	13,451	13,451	10
Bank loans and other	2	164	166	—
Total debt (b)	29,163	51,765	80,928	62
Deposits (c)	46,932	983	47,915	38
Total on-balance sheet funding	\$ 76,095	\$ 52,748	\$ 128,843	100
2011				
Secured financings	\$ 25,533	\$ 27,432	\$ 52,965	37
Institutional term debt	—	22,456	22,456	15
Retail debt programs (a)	—	14,148	14,148	10
Temporary Liquidity Guarantee Program (d)	—	7,400	7,400	5
Bank loans and other	1	2,446	2,447	2
Total debt (b)	25,534	73,882	99,416	69
Deposits (c)	39,604	5,446	45,050	31
Total on-balance sheet funding	\$ 65,138	\$ 79,328	\$ 144,466	100
Off-balance sheet securitizations				
Mortgage loans	\$ —	\$ 60,630	\$ 60,630	
Total off-balance sheet securitizations	\$ —	\$ 60,630	\$ 60,630	

(a) Primarily includes \$7.9 billion and \$9.0 billion of Retail Term Notes at December 31, 2012 and December 31, 2011, respectively.

(b) Excludes fair value adjustment as described in Note 25 to the Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Nonbank deposits include dealer deposits. Intercompany deposits are not included.

(d) The \$7.4 billion of TLGP matured and was repaid in the fourth quarter of 2012.

Refer to Note 16 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at December 31, 2012.

Funding Facilities

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

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At December 31, 2012, \$34.3 billion of our \$43.0 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2012, we had \$13.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Committed Funding Facilities

December 31, (\$ in billions)	Outstanding		Unused capacity (a)		Total capacity	
	2012	2011	2012	2011	2012	2011
Bank funding						
Secured - U.S.	\$ 3.8	\$ 5.8	\$ 4.7	\$ 3.7	\$ 8.5	\$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance — U.S.	—	—	—	0.5	—	0.5
Automotive Finance — International	0.1	0.3	—	—	0.1	0.3
Secured						
Automotive Finance — U.S. (b) (c)	12.9	4.2	5.4	10.2	18.3	14.4
Automotive Finance — International (b)	9.6	10.1	2.4	3.0	12.0	13.1
Mortgage operations	—	0.7	—	0.5	—	1.2
Total nonbank funding	22.6	15.3	7.8	14.2	30.4	29.5
Shared capacity (d)						
U.S.	1.0	1.5	3.0	2.5	4.0	4.0
International	0.1	0.1	—	—	0.1	0.1
Total committed facilities	\$ 27.5	\$ 22.7	\$ 15.5	\$ 20.4	\$ 43.0	\$ 43.1

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Total unused capacity includes \$2.2 billion as of December 31, 2012, and \$4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.
- (c) Includes the secured facilities of our Commercial Finance Group.
- (d) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

December 31, (\$ in billions)	Outstanding		Unused capacity		Total capacity	
	2012	2011	2012	2011	2012	2011
Bank funding						
Secured — U.S.						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.8	\$ 3.2	\$ 1.8	\$ 3.2
FHLB advances	4.8	5.4	0.4	—	5.2	5.4
Total bank funding	4.8	5.4	2.2	3.2	7.0	8.6
Nonbank funding						
Unsecured						
Automotive Finance — International	2.1	1.9	0.4	0.5	2.5	2.4
Secured						
Automotive Finance — International	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	—	—	—	0.1	—	0.1
Total nonbank funding	2.2	2.0	0.5	0.7	2.7	2.7
Total uncommitted facilities	\$ 7.0	\$ 7.4	\$ 2.7	\$ 3.9	\$ 9.7	\$ 11.3

Ally Bank Funding Facilities

Facilities for Automotive Finance Operations — Secured

At December 31, 2012, Ally Bank had exclusive access to \$8.5 billion from committed credit facilities. Ally Bank's largest facility is a \$7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. At December 31, 2012, the amount outstanding under this facility was \$3.8 billion. Ally Bank also had access to a \$4.1 billion committed facility that is shared with the parent company. In the event these facilities are not renewed in the future, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Nonbank Funding Facilities

Facilities for Automotive Finance Operations — Unsecured

We maintain \$144 million in revolving committed unsecured bank facilities in our international operations, most of which mature in March 2013.

Facilities for Automotive Finance Operations — Secured

The parent company's largest facility is a \$7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At December 31, 2012, there was \$7.5 billion outstanding under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities in multiple countries that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At December 31, 2012, the parent company maintained exclusive access to \$30.3 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a \$4.1 billion committed facility that is shared with Ally Bank.

Cash Flows

Net cash provided by operating activities was \$5.0 billion for the year ended December 31, 2012, compared to \$5.5 billion for the same period in 2011. During the year ended December 31, 2012, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by \$1.0 billion. During the year ended December 31, 2011, this activity resulted in a net cash inflow of \$0.9 billion.

Net cash used in investing activities was \$16.6 billion for the year ended December 31, 2012, compared to \$14.1 billion for the same period in 2011. The net cash outflow from finance receivables and loans decreased \$4.5 billion for the year ended December 31, 2012, compared to 2011. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by \$5.7 billion for the year ended December 31, 2012, compared to a net cash outflow of \$1.0 billion for the year ended December 31, 2011. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to a decrease in cash received on lease dispositions. Cash received from sales, maturities, and repayments of available-for-sale investment securities, net of purchases, increased \$0.7 billion during the year ended December 31, 2012, compared to 2011.

Net cash provided by financing activities for the year ended December 31, 2012, totaled \$8.0 billion, compared to \$10.1 billion in the same period in 2011. Cash provided by short-term debt increased \$2.2 billion in the year ended December 31, 2012, compared to 2011, while cash provided by bank deposits increased by \$1.7 billion. Cash used to repay long-term debt exceeded cash generated from long-term debt issuances by \$0.5 billion for the year ended December 31, 2012. In 2011, cash from issuances of long-term debt exceed repayments by \$4.3 billion.

Capital Planning and Stress Tests

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital action plan before Ally may take any proposed capital action covered by the new regime. Ally submitted its annual capital plan in January 2012, and then submitted a revised capital plan in June of 2012. In connection with its reviews, the FRB provided notice of non-objection to Ally's planned preferred dividends and interest on the trust preferred securities and subordinated debt. We continue to have active, frequent and constructive dialogue with the FRB, and have submitted the required 2013 capital plan on January 7, 2013.

Regulatory Capital

Refer to Note 21 to the Consolidated Financial Statements.

Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Rating Watch Negative	April 18, 2012 (a)
Moody's	Not-Prime	B1	Positive	February 25, 2013 (b)
S&P	C	B+	Positive	May 17, 2012 (c)
DBRS	R-4	BB-Low	Review - Developing	May 15, 2012 (d)

- (a) Fitch placed our senior debt on Rating Watch Negative and affirmed the short-term rating of B on April 18, 2012.
 (b) Moody's confirmed our senior debt rating of B1 and changed the outlook to Positive on February 25, 2013.
 (c) Standard & Poor's affirmed our senior debt rating of B+ and the short-term rating of C, and changed the outlook to Positive on May 17, 2012.
 (d) DBRS placed our ratings Under Review - Developing on May 15, 2012.

Insurance Financial Strength Ratings

Substantially all of our Insurance operations have a Financial Strength Rating (FSR) and an Issuer Credit Rating (ICR) from the A.M. Best Company. The FSR is intended to be an indicator of the ability of the insurance company to meet its senior most obligations to policyholders. Lower ratings generally result in fewer opportunities to write business as insureds, particularly large commercial insureds, and insurance companies purchasing reinsurance have guidelines requiring high FSR ratings. On February 14, 2013, A.M. Best affirmed the FSR of B++ (good) and the ICR of BBB.

Off-balance Sheet Arrangements

Refer to Note 10 to the Consolidated Financial Statements.

Securitization

Securitization of assets allows us to diversify funding sources by enabling us to convert assets into cash earlier than what would have occurred in the normal course of business. Information regarding our securitization activities is further described in Note 10 to the Consolidated Financial Statements. As part of these activities, assets are generally sold to securitization entities. These securitization entities are separate legal entities that assume the risk and reward of ownership of the receivables. Neither we nor those subsidiaries are responsible for the other entities' debts, and the assets of the subsidiaries are not available to satisfy our claim or those of our creditors. In turn, the securitization entities establish separate trusts to which they transfer the assets in exchange for the proceeds from the sale of asset- or mortgage-backed securities issued by the trust. The trusts' activities are generally limited to acquiring the assets, issuing asset- or mortgage-backed securities, making payments on the securities, and periodically reporting to the investors. We may account for the transfer of assets as a sale if we either do not hold a significant variable interest or do not provide servicing or asset management functions for the financial assets held by the securitization entity.

Certain of our securitization transactions, while similar in legal structure to the transaction described in the foregoing do not meet the required criteria to be accounted for as off-balance sheet arrangements; therefore, they are accounted for as secured financings. As secured financings, the underlying automobile finance retail contracts, wholesale loans, automobile leases, commercial loans, or mortgage loans remain on our Consolidated Balance Sheet with the corresponding obligation (consisting of the beneficial interests issued by the securitization entity) reflected as debt. We recognize interest income on the finance receivables, automobile leases and loans, and interest expense on the beneficial interests issued by the securitization entity; and we provide for loan losses on the finance receivables and loans as incurred or adjust to fair value for fair value-elected loans. At December 31, 2012 and 2011, \$68.0 billion and \$78.5 billion of our total assets, respectively, were related to secured financings. Refer to Note 16 to the Consolidated Financial Statements for further discussion.

As part of our securitization activities, we typically agree to service the transferred assets for a fee, and we may earn other related ongoing income. The amount of the fees earned is disclosed in Note 11 to the Consolidated Financial Statements. We may also retain a portion of senior and subordinated interests issued by the trusts; these interests are reported as investment securities, or other assets on our Consolidated Balance Sheet and are disclosed in Note 6 and Note 13 to the Consolidated Financial Statements. For secured financings, retained interests are not recognized as a separate asset on our Consolidated Balance Sheet. Subordinate interests typically provide credit support to the more highly rated senior interest in a securitization transaction and may be subject to all or a portion of the first loss position related to the sold assets.

The FDIC, which regulates Ally Bank, promulgated safe harbor regulation for securitizations by banks. Compliance with this regulation requires the sponsoring bank to retain either five percent of each class of beneficial interests issued in the securitization or a representative sample of similar financial assets equal to five percent of the securitized financial assets to comply with the regulation. The retained interests or assets must be held for the life of the securitization and may not be sold, pledged or hedged, except that interest rate and currency hedging is permitted. This risk retention requirement adversely affects the efficiency of securitizations, because it reduces the amount of funds that can be raised against a given pool of financial assets.

We sometimes use derivative financial instruments to facilitate securitization activities, as further described in Note 22 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Our economic exposure related to the securitization trusts is generally limited to cash reserves, our other interests retained in financial asset sales, and our customary representation and warranty provisions described in Note 10 to the Consolidated Financial Statements. The trusts have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise by us, as servicer of a cleanup call option, when the servicing of the sold contracts becomes burdensome. In addition, the trusts do not invest in our equity or in the equity of any of our affiliates.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

ResCap Bankruptcy Filing

As described in Note 1 and Note 29 to the Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the deconsolidation of ResCap, a significant portion of our representation and warranty reserve was eliminated. Representation and warranty reserve was \$105 million at December 31, 2012 with respect to Ally Bank's sold and serviced loans.

Overview

Ally Bank, within our Mortgage operations, sells loans that take the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, is provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Ally Bank at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Ally Bank to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. See *Repurchase Process* below.

Originations

Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

The following table summarizes domestic mortgage loans sold by ResCap where Ally Bank maintained the mortgage servicing rights; and following the deconsolidation of ResCap, the loans that were sold by Ally Bank. The following table presents domestic mortgage loans sold categorized by GSE (original unpaid principal balance).

Year ended December 31, (\$ in billions)	2012	2011	2010	2009	2008	2007
Fannie Mae	\$ 21.5	\$ 33.8	\$ 35.2	\$ 21.1	\$ 17.7	\$ 6.7
Freddie Mac	6.9	15.8	15.7	8.5	8.6	2.3
Total sales (a)	\$ 28.4	\$ 49.6	\$ 50.9	\$ 29.6	\$ 26.3	\$ 9.0

(a) Representation and warranty obligations vary by loan and may not apply to all loans sold by Ally Bank.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at Ally Bank. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Consolidated Statement of Comprehensive Income. The repurchase reserve at December 31, 2012, relates exclusively to GSE exposure. Ally Bank experienced a decrease in new claims for the year ended December 31,

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

2012 compared to 2011. The decrease in repurchase claims was driven by significantly fewer new claims during the fourth quarter of 2012. The following table presents Ally Bank's new claims by GSEs (original unpaid principal balance).

Year ended December 31, (\$ in millions)	2012	2011
Fannie Mae	\$ 255	\$ 210
Freddie Mac	108	160
Total claims	\$ 363	\$ 370

The following table presents the total number and original unpaid principal balance (UPB) of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but have not been agreed to by the investor. Total unresolved representation and warranty demands where Ally Bank has requested the investor to rescind increased to \$23 million or 40% of outstanding claims at December 31, 2012, compared to \$11 million or 24% of outstanding claims at December 31, 2011.

December 31, (\$ in millions)	2012		2011	
	Number of Loans	Original UPB of Loans	Number of Loans	Original UPB of Loans
Fannie Mae	187	\$ 41	72	\$ 15
Freddie Mac	72	17	138	31
Total number of loans and unpaid principal balance	259	\$ 58	210	\$ 46

Repurchase Process

After receiving a claim under representation and warranty obligations, Ally Bank will review the claim to determine the appropriate response (e.g., appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. Ally Bank actively contests claims to the extent they are not considered valid. Ally Bank is not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. Ally Bank believes that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, Ally Bank bears the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

The following table presents Ally Bank's new claims by vintage (original unpaid principal balance).

Year ended December 31, (\$ in millions)	2012	2011
Pre 2008	\$ 73	\$ 42
2008	181	149
Post 2008	109	179
Total claims	\$ 363	\$ 370

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, Ally Bank will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, Ally Bank attempts to remedy the defect. In the event the mortgage insurance cannot be reinstated, Ally Bank may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While Ally Bank makes every effort to reinstate the mortgage insurance, it has had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At December 31, 2012, Ally Bank has approximately \$9 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where it has not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in an underlying agreement that is related to a guaranteed party. Our guarantees include standby letters of credit and certain

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

contract provisions regarding securitizations and sales. Refer to Note 28 to the Consolidated Financial Statements for more information regarding our outstanding guarantees to third parties.

Aggregate Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations disclosed elsewhere in our Consolidated Financial Statements.

December 31, 2012 (\$ in millions)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Description of obligation					
Long-term debt					
Total (a)	\$ 75,307	\$ 12,834	\$ 32,881	\$ 11,797	\$ 17,795
Scheduled interest payments for fixed-rate long-term debt	23,123	2,473	4,410	3,004	13,236
Estimated interest payments for variable-rate long-term debt (b)	1,053	437	516	94	6
Estimated net payments under interest rate swap agreements (b)	68	—	—	—	68
Originate/purchase mortgages or securities	4,249	4,249	—	—	—
Commitments to provide capital to investees	86	80	2	3	1
Home equity lines of credit	411	—	4	38	369
Lending commitments	768	184	176	380	28
Lease commitments	252	70	112	47	23
Purchase obligations	511	253	159	74	25
Bank certificates of deposit	31,084	15,688	10,469	4,927	—
Total	\$ 136,912	\$ 36,268	\$ 48,729	\$ 20,364	\$ 31,551

- (a) Total amount reflects the remaining principal obligation and excludes original issue discount of \$1.8 billion and fair value adjustments of \$1.1 billion related to fixed-rate debt designated as a hedged item.
- (b) Estimate utilized a forecasted variable interest model, when available, or the applicable variable interest rate as of the most recent reset date prior to December 31, 2012.

The foregoing table does not include our reserves for insurance losses and loss adjustment expenses, which total \$341 million at December 31, 2012. While payments due on insurance losses are considered contractual obligations because they related to insurance policies issued by us, the ultimate amount to be paid and the timing of payment for an insurance loss is an estimate subject to significant uncertainty. Furthermore, the timing on payment is also uncertain; however, the majority of the balance is expected to be paid out in less than five years. Similarly, due to uncertainty in the timing of future cash flows related to our unrecognized tax benefits, the contractual obligations detailed above do not include \$102 million in unrecognized tax benefits.

The following provides a description of the items summarized in the preceding table of contractual obligations.

Long-term Debt

Amounts represent the scheduled maturity of long-term debt at December 31, 2012, assuming that no early redemptions occur. The maturity of secured debt may vary based on the payment activity of the related secured assets. The amounts presented are before the effect of any unamortized discount or fair value adjustment. Refer to Note 15 and Note 16 to the Consolidated Financial Statements for additional information on our debt obligations.

Originate/Purchase Mortgages or Securities

As part of our Mortgage operations, we enter into commitments to originate and purchase mortgages and MBS. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Commitments to Provide Capital to Investees

As part of arrangements with specific private equity funds, we are obligated to provide capital to investees. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Home Equity Lines of Credit

We are committed to fund the future remaining balance on unused lines of credit on mortgage loans. The funding is subject to customary lending conditions, such as a satisfactory credit rating, delinquency status, and adequate home equity value. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Lending Commitments

Our Automotive Finance operations and Commercial Finance Group have outstanding revolving lending commitments with customers. The amounts presented represent the unused portion of those commitments at December 31, 2012. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Lease Commitments

We have obligations under various operating lease arrangements (primarily for real property) with noncancelable lease terms that expire after December 31, 2012. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Purchase Obligations

We enter into multiple contractual arrangements for various services. The arrangements represent fixed payment obligations under our most significant contracts and primarily relate to contracts with information technology providers. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Bank Certificates of Deposit

Refer to Note 14 to the Consolidated Financial Statements for additional information.

Critical Accounting Estimates

Accounting policies are integral to understanding our Management's Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements; critical accounting estimates are described in this section. An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Our management has discussed the development, selection, and disclosure of these critical accounting estimates with the Audit Committee of the Board, and the Audit Committee has reviewed our disclosure relating to these estimates.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 25 to the Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 25 to the Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

Year ended December 31, (\$ in millions)	2012	2011
Assets at fair value	\$ 20,408	\$ 30,172
As a percentage of total assets	11%	16%
Liabilities at fair value	\$ 2,468	\$ 6,299
As a percentage of total liabilities	2%	4%
Assets at fair value using Level 3 inputs	\$ 1,288	\$ 4,666
As a percentage of assets at fair value	6%	15%
Liabilities at fair value using Level 3 inputs	\$ 3	\$ 878
As a percentage of liabilities at fair value	n/m	14%

n/m = not meaningful

Level 3 assets declined 72% or \$3.4 billion primarily due to the deconsolidation of ResCap during the year ended December 31, 2012, which resulted in a significant decline in mortgage servicing rights, mortgage loans held-for-sale, net, and consumer mortgage finance receivables and loans, net. Refer to Note 1 to the Consolidated Financial Statements for further information on the deconsolidation of ResCap. As the value of the consumer mortgage finance receivables and loans, net, declined, the value of the related on-balance sheet securitization debt also declined, which was the primary reason Level 3 liabilities declined by 99.9% or \$875 million.

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Allowance for Loan Losses

We maintain an allowance for loan losses (the allowance) to absorb probable loan credit losses inherent in the held-for-investment portfolio, excluding those loans measured at fair value in accordance with applicable accounting standards. The allowance is maintained at a level that management considers to be adequate based upon ongoing quarterly assessments and evaluations of collectability and historical loss experience in our lending portfolio. The allowance is management's estimate of incurred losses in our lending portfolio and involves significant judgment. Management performs quarterly analysis of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance based on historical and current trends and other factors affecting credit losses. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, while amounts recovered on previously charged-off accounts increase the allowance. Determining the appropriateness of the allowance requires management to exercise significant judgment about matters that are inherently uncertain, including the timing, frequency, and severity of credit losses that could materially affect the provision for loan losses and, therefore, net income. The methodology for determining the amount of the allowance differs between the consumer automobile, consumer mortgage, and commercial portfolio segments. For additional information regarding our portfolio segments and classes, refer to Note 8 to the Consolidated Financial Statements. While we attribute portions of the allowance across our lending portfolios, the entire allowance is available to absorb probable loan losses inherent in our total lending portfolio.

The consumer portfolio segments consist of smaller-balance, homogeneous loans. Excluding certain loans that are identified as individually impaired, the allowance for each consumer portfolio segment (automobile and mortgage) is evaluated collectively. The allowance is based on aggregated portfolio segment evaluations that begin with estimates of incurred losses in each portfolio segment based on various statistical analyses. We leverage proprietary statistical models, including vintage and migration analyses, based on recent loss trends, to develop a systematic incurred loss reserve. These statistical loss forecasting models are utilized to estimate incurred losses and consider several credit quality indicators including, but not limited to, historical loss experience, estimated foreclosures or defaults based on observable trends, delinquencies, and general economic and business trends. Management believes these factors are relevant to estimate incurred losses and are updated on a quarterly basis in order to incorporate information reflective of the current economic environment, as changes in these assumptions could have a significant impact. In order to develop our best estimate of probable incurred losses inherent in the loan portfolio, management reviews and analyzes the output from the models and may adjust the reserves to take into consideration environmental, qualitative and other factors that may not be captured in the models. These adjustments are documented and reviewed through our risk management processes. Management reviews, updates, and validates its systematic process and loss assumptions on a periodic basis. This process involves an analysis of loss information, such as a review of loss and credit trends, a retrospective evaluation of actual loss information to loss forecasts, and other analyses.

The commercial loan portfolio segment is primarily composed of larger-balance, nonhomogeneous exposures within our Automotive Finance operations, Commercial Finance Group, and Mortgage operations. As of December 31, 2012, we no longer have any commercial loans within our mortgage operations. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loans' effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate. In addition to the specific allowances for impaired loans, loans that are not identified as individually impaired are grouped into pools based on similar risk characteristics and collectively evaluated. These allowances are based on historical loss experience, concentrations, current economic conditions, and performance trends within specific geographic locations. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. The critical assumptions underlying the allowance include: (1) segmentation of each portfolio based on common risk characteristics; (2) identification and estimation of portfolio indicators and other factors that management believes are key to estimating incurred credit losses; and (3) evaluation by management of borrower, collateral,

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

and geographic information. Management monitors the adequacy of the allowance and makes adjustments as the assumptions in the underlying analyses change to reflect an estimate of incurred loan losses at the reporting date, based on the best information available at that time. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans. If an automotive manufacturer is unable to fully honor its obligations, our ultimate loan losses could be higher. To the extent that actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce earnings.

Valuation of Automobile Lease Assets and Residuals

We have significant investments in vehicles in our operating lease portfolio. In accounting for operating leases, management must make a determination at the beginning of the lease contract of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from two to four years. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. Risk adjustments are determined at lease inception and are based on current auction results adjusted for key variables that historically have shown an impact on auction values (as further described in the Lease Residual Risk discussion in the Risk Management section of this MD&A). The customer is obligated to make payments during the term of the lease for the difference between the purchase price and the contract residual value plus a finance charge. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception. Management periodically performs a detailed review of the estimated realizable value of leased vehicles to assess the appropriateness of the carrying value of lease assets.

To account for residual risk, we depreciate automobile operating lease assets to estimated realizable value on a straight-line basis over the lease term. The estimated realizable value is initially based on the residual value established at contract inception. Over the life of the lease, management evaluates the adequacy of the estimate of the realizable value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Any adjustments would result in a change in the depreciation rate of the lease asset, thereby affecting the carrying value of the operating lease asset.

In addition to estimating the residual value at lease termination, we must also evaluate the current value of the operating lease assets and test for impairment to the extent necessary in accordance with applicable accounting standards. Impairment is determined to exist if the undiscounted expected future cash flows (including the expected residual value) are lower than the carrying value of the asset. There were no such impairment charges in 2012, 2011, or 2010.

Our depreciation methodology on operating lease assets considers management's expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used vehicle values. The critical assumptions underlying the estimated carrying value of automobile lease assets include: (1) estimated market value information obtained and used by management in estimating residual values, (2) proper identification and estimation of business conditions, (3) our remarketing abilities, and (4) automotive manufacturer vehicle and marketing programs. Changes in these assumptions could have a significant impact on the value of the lease residuals. Expected residual values include estimates of payments from automotive manufacturers related to residual support and risk-sharing agreements. To the extent an automotive manufacturer is not able to fully honor its obligation relative to these agreements, our depreciation expense would be negatively impacted.

Valuation of Mortgage Servicing Rights

Mortgage servicing rights represent the capitalized value of the right to receive future cash flows from the servicing of mortgage loans for others. Mortgage servicing rights are a significant source of value derived from the sale or securitization of mortgage loans. Because residential mortgage loans typically contain a prepayment option, borrowers may often elect to prepay their mortgage loans by refinancing at lower rates during declining interest rate environments. The borrower's ability to prepay is at times impacted by other factors in the current environment that may limit their eligibility to refinance (e.g. a high loan-to-value ratio). When this occurs, the stream of cash flows generated from servicing the original mortgage loan is terminated. As such, the market value of mortgage servicing rights has historically been very sensitive to changes in interest rates and tends to decline as market interest rates decline and increase as interest rates rise.

We capitalize mortgage servicing rights on residential mortgage loans that we have originated and purchased based on the fair market value of the servicing rights associated with the underlying mortgage loans at the time the loans are sold or securitized. GAAP requires that the value of mortgage servicing rights be determined based on market transactions for comparable servicing assets, if available. In the absence of representative market trade information, valuations should be based on other available market evidence and modeled market expectations of the present value of future estimated net cash flows that market participants would expect from servicing. When observable prices are not available, management uses internally developed discounted cash flow models to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants, combined with market-based assumptions for loan prepayment rates, interest rates, default rates and discount rates that management believes approximate yields required by investors for these assets. Servicing cash flows primarily include servicing fees, escrow account income, ancillary income and late fees, less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. Management considers the best available information and exercises significant judgment in estimating and assuming values for key variables in the modeling and discounting process. All of our mortgage servicing rights are carried at estimated fair value.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

We use the following key assumptions in our valuation approach.

- **Prepayment** — The most significant drivers of mortgage servicing rights value are actual and forecasted portfolio prepayment behavior. Prepayment speeds represent the rate at which borrowers repay their mortgage loans prior to scheduled maturity. Prepayment speeds are influenced by a number of factors such as the value of collateral, competitive market factors, government programs or incentives, or levels of foreclosure activity. However, the most significant factor influencing prepayment speeds is generally the interest rate environment. As interest rates rise, prepayment speeds generally slow, and as interest rates decline, prepayment speeds generally accelerate. When mortgage loans are paid or expected to be paid earlier than originally estimated, the expected future cash flows associated with servicing such loans are reduced. We primarily use third-party models to project residential mortgage loan payoffs. In other cases, we estimate prepayment speeds based on historical and expected future prepayment rates. We measure model performance by comparing prepayment predictions against actual results at both the portfolio and product level.
- **Discount rate** — The cash flows of our mortgage servicing rights are discounted at prevailing market rates, which include an appropriate risk-adjusted spread, which management believes approximates yields required by investors for these assets.
- **Base mortgage rate** — The base mortgage rate represents the current market interest rate for newly originated mortgage loans. This rate is a key component in estimating prepayment speeds of our portfolio because the difference between the current base mortgage rate and the interest rates on existing loans in our portfolio is an indication of the borrower's likelihood to refinance.
- **Cost to service** — In general, servicing cost assumptions are based on internally projected actual expenses directly related to servicing. These servicing cost assumptions are compared to market-servicing costs when market information is available. Our servicing cost assumptions include expenses associated with our activities related to loans in default.
- **Volatility** — Volatility represents the expected rate of change of interest rates. The volatility assumption used in our valuation methodology is intended to estimate the range of expected outcomes of future interest rates. We use implied volatility assumptions in connection with the valuation of our mortgage servicing rights. Implied volatility is defined as the expected rate of change in interest rates derived from the prices at which options on interest rate swaps, or swaptions, are trading. We update our volatility assumptions for the change in implied swaptions volatility during the period, adjusted by the ratio of historical mortgage to swaption volatility.

We also periodically perform a series of reasonableness tests as we deem appropriate, including the following.

- **Review and compare data provided by an independent third-party broker.** We evaluate and compare our fair value price, multiples, and underlying assumptions to data provided by independent third-party broker, including prepayment speeds, discount rates, cost to service, and fair value multiples.
- **Review and compare pricing of publicly traded interest-only securities.** We evaluate and compare our fair value to publicly traded interest-only stripped MBS by age and coupon for reasonableness.
- **Review and compare fair value price and multiples.** We evaluate and compare our fair value price and multiples to market fair value price and multiples in external surveys produced by third parties.
- **Compare actual monthly cash flows to projections.** We reconcile actual monthly cash flows to those projected in the mortgage servicing rights valuation. Based on the results of this reconciliation, we assess the need to modify the individual assumptions used in the valuation. This process ensures the model is calibrated to actual servicing cash flow results.
- **Review and compare recent bulk mortgage servicing right acquisition activity.** We evaluate market trades for reliability and relevancy and then consider, as appropriate, our estimate of fair value of each significant transaction to the traded price. Currently, there are limited market transactions that are directly observable, which are the best indicators of fair value. However, we continue to monitor and track market activity on an ongoing basis.

We generally expect our valuation to be within a reasonable range of that implied by these tests. Changes in these assumptions could have a significant impact on the determination of fair market value. In order to develop our best estimate of fair value, management reviews and analyzes the output from the models and may adjust the assumptions to take into consideration other factors that may not be captured. If we determine our valuation has exceeded the reasonable range, we may adjust it accordingly. At December 31, 2012, based on the market information obtained, we determined that our mortgage servicing rights valuations and assumptions used to value those servicing rights were reasonable and consistent with what an independent market participant would use to value the asset.

The assumptions used in modeling expected future cash flows of mortgage servicing rights have a significant impact on the fair value of mortgage servicing rights and potentially a corresponding impact to earnings. Refer to Note 11 to the Consolidated Financial Statements for sensitivity analysis.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Goodwill

The accounting for goodwill is discussed in Note 1 to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis, as of August 31, or in interim periods if events or circumstances indicate a potential impairment. Goodwill is allocated to the reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identified with the reporting unit as a whole. As a result, all of the fair value of each reporting unit is available to support the value of goodwill allocated to the unit. Goodwill impairment testing is performed at the reporting unit level, one level below the business segment. For more information on our segments, refer to Note 26 to the Consolidated Financial Statements.

Goodwill impairment testing involves management's judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by the fair value of the individual reporting unit using widely accepted valuation techniques, such as the market approach (earnings, transaction, pricing multiples and/or other market intelligence that would indicate what a market participant would pay) and the income approach (discounted cash flow methods). In applying these methodologies we utilize a number of factors, including actual operating results, future business plans, economic projections, and market data. A combination of methodologies is used and weighted appropriately for each reporting unit. If actual results differ from these estimates, it may have an adverse impact on the valuation of goodwill that could result in a reduction of the excess over carrying value and possible impairment of goodwill. At December 31, 2012, we did not have material goodwill at our reporting units that is at risk of failing Step 1 of the goodwill impairment test.

Legal and Regulatory Reserves

Our legal and regulatory reserves reflect management's best estimate of probable losses on legal and regulatory matters. As a legal or regulatory matter develops, management, in conjunction with internal and external counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency related to a legal or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. When the loss contingency related to a legal or regulatory matter is deemed to be both probable and estimable, we will establish a liability with respect to such loss contingency and record a corresponding amount to other operating expenses. To estimate the probable loss, we evaluate the individual facts and circumstances of the case including information learned through the discovery process, rulings on dispositive motions, settlement discussions, our prior history with similar matters and other rulings by courts, arbitrators or others. The reserves are continuously monitored and updated to reflect the most recent information related to each matter.

Additionally, in matters for which a loss event is not deemed probable, but rather reasonably possible to occur, we would attempt to estimate a loss or range of loss related to that event, if possible. For these matters, we do not record a liability. However, if we are able to estimate a loss or range of loss, we would disclose this loss, if it is material to our financial statements. To estimate a range of probable or reasonably possible loss, we evaluate each individual case in the manner described above. We do not accrue for matters for which a loss event is deemed remote.

For details regarding the nature of all material contingencies, refer to Note 29 to the Consolidated Financial Statements.

Loan Repurchase and Obligations Related to Loan Sales

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

Determination of Provision for Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued and deconsolidated operations and incorporate assumptions about the amount of future state, federal and foreign pretax operating income. These assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

A valuation allowance of \$1.6 billion and \$2.1 billion was recorded against the net U.S. deferred tax asset balance as of December 31, 2012, and December 31, 2011, respectively. For the year ended December 31, 2012, our results from operations benefited \$1.3 billion from the release of U.S. federal and state valuation allowances and related effects on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

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. As of December 31, 2012, we determined that positive evidence existed to conclude that it is more likely than not that ordinary-in-character deferred tax assets are realizable, and therefore, we reduced the valuation allowance accordingly. Positive evidence in this assessment consisted of forecasts of future taxable income that are sufficient to realize net operating loss carryforwards before their expiration, coupled with our emergence from a cumulative three-year U.S. pretax loss (after removing the effects of non-recurring charges and discontinued operations). Certain U.S. deferred tax assets remain offset with a valuation allowance as discussed below.

We believe it is more likely than not that the benefit for certain U.S. net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$1.6 billion on the deferred tax assets relating to these carryforwards. In particular, the deferred tax assets and liabilities as of December 31, 2012, reflect the U.S. income tax effects of the anticipated sale of entities held-for-sale at net book value. In concluding to maintain a valuation allowance against our capital loss carryforwards, we considered the positive evidence that we have entered into agreements to sell our held-for-sale entities for amounts in excess of book value. We also considered and ultimately weighted more heavily the negative evidence that we have historically had difficulty generating significant capital gains; capital loss carryforwards have a relatively short carryforward period; the timing of disposal of the held-for-sale entities is uncertain; and the disposal of the held-for-sale entities are subject to various levels of regulatory approval in numerous countries. Successful completion during 2013 of the sales of entities currently held-for-sale may result in capital gains that would allow us to realize capital loss carryforwards. A related reversal of valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization.

For additional information regarding our provision for income taxes, refer to Note 23 to the Consolidated Financial Statements.

Recently Issued Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for further information related to recently adopted and recently issued accounting standards.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Statistical Table

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Annual Report.

Net Interest Margin Table

The following table presents an analysis of net interest margin excluding discontinued operations for the periods shown.

Year ended December 31, (\$ in millions)	2012			2011			2010		
	Average balance (a)	Interest income/ interest expense	Yield/ rate	Average balance (a)	Interest income/ interest expense	Yield/ rate	Average balance (a)	Interest income/ interest expense	Yield/ rate
Assets									
Interest-bearing cash and cash equivalents	\$ 10,731	\$ 26	0.24%	\$ 10,939	\$ 21	0.19%	\$ 12,634	\$ 34	0.27%
Trading assets	273	13	4.76	359	19	5.29	163	15	9.20
Investment securities (b)	12,336	262	2.12	13,100	326	2.49	10,200	306	3.00
Loans held-for-sale, net	4,406	155	3.52	9,062	332	3.66	13,165	587	4.46
Finance receivables and loans, net (c) (d)	95,715	4,603	4.81	84,392	4,409	5.22	67,296	4,475	6.65
Investment in operating leases, net (e)	11,185	980	8.76	7,968	988	12.40	8,827	1,332	15.09
Total interest-earning assets	134,646	6,039	4.49	125,820	6,095	4.84	112,285	6,749	6.01
Noninterest-bearing cash and cash equivalents	1,917			1,180			427		
Other assets	17,500			22,274			30,492		
Allowance for loan losses	(1,246)			(1,543)			(2,113)		
Assets of discontinued operations (f)	30,924			33,106			35,594		
Total assets	\$ 183,741			\$ 180,837			\$ 176,685		
Liabilities									
Interest-bearing deposit liabilities	\$ 42,440	\$ 644	1.52%	\$ 37,423	\$ 614	1.64%	\$ 30,456	\$ 579	1.90%
Short-term borrowings	3,945	90	2.28	4,345	116	2.67	5,309	141	2.66
Long-term debt (g) (h) (i)	79,044	3,466	4.38	76,780	4,309	5.61	72,526	4,740	6.54
Total interest-bearing liabilities (g) (h) (j)	125,429	4,200	3.35	118,548	5,039	4.25	108,291	5,460	5.04
Noninterest-bearing deposit liabilities	2,261			2,237			2,070		
Total funding sources (h) (k)	127,690	4,200	3.29	120,785	5,039	4.17	110,361	5,460	4.95
Other liabilities	6,207			6,877			10,068		
Liabilities of discontinued operations (f)	30,924			33,106			35,594		
Total liabilities	164,821			160,768			156,023		
Total equity	18,920			20,069			20,662		
Total liabilities and equity	\$ 183,741			\$ 180,837			\$ 176,685		
Net financing revenue		\$ 1,839			\$ 1,056			\$ 1,289	
Net interest spread (l)			1.14%			0.59%			0.97%
Net interest spread excluding original issue discount (l)			1.46%			1.43%			2.21%
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (l)			1.51%			1.49%			2.28%
Net yield on interest-earning assets (m)			1.37%			0.84%			1.15%
Net yield on interest-earning assets excluding original issue discount (m)			1.62%			1.56%			2.22%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

(b) Excludes income on equity investments of \$30 million, \$25 million, and \$17 million at December 31, 2012, 2011, and 2010, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements.

(d) Includes other interest income of \$5 million, \$5 million, and \$3 million at December 31, 2012, 2011, and 2010, respectively.

(e) Includes gains on sale of \$116 million, \$217 million, and \$555 million at December 31, 2012, 2011, and 2010, respectively. Excluding these gains on sale, the annualized yield would be 7.72%, 9.68%, and 8.80% at December 31, 2012, 2011, and 2010, respectively.

(f) Average balances and rates are impacted by allocations made to match assets of discontinued operations with liabilities of discontinued operations.

(g) Includes the effects of derivative financial instruments designated as hedges.

(h) Average balance includes \$1,927 million, \$2,522 million, and \$3,710 million related to original issue discount at December 31, 2012, 2011, and 2010, respectively. Interest expense includes original issue discount amortization of \$336 million, \$912 million, and \$1,204 million during the year ended December 31, 2012, 2011, and 2010, respectively.

(i) Excluding original issue discount the rate on long-term debt was 3.87%, 4.28%, and 4.64% at December 31, 2012, 2011, and 2010, respectively.

(j) Excluding original issue discount the rate on total interest-bearing liabilities was 3.03%, 3.41%, and 3.80% at December 31, 2012, 2011, and 2010, respectively.

(k) Excluding original issue discount the rate on total funding sources was 2.98%, 3.35%, and 3.73% at December 31, 2012, 2011, and 2010, respectively.

(l) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

The following table presents an analysis of the changes in net interest income, volume and rate.

Year ended December 31, (\$ in millions)	2012 vs 2011 Increase (decrease) due to (a)			2011 vs 2010 Increase (decrease) due to (a)		
	Volume	Yield/ rate	Total	Volume	Yield/ rate	Total
Assets						
Interest-bearing cash and cash equivalents	\$ —	\$ 5	\$ 5	\$ (4)	\$ (9)	\$ (13)
Trading assets	(4)	(2)	(6)	12	(8)	4
Investment securities	(18)	(46)	(64)	78	(58)	20
Loans held-for-sale, net	(164)	(13)	(177)	(162)	(93)	(255)
Finance receivables and loans, net	562	(368)	194	1,005	(1,071)	(66)
Investment in operating leases, net	331	(339)	(8)	(121)	(223)	(344)
Total interest-earning assets	\$ 707	\$ (763)	\$ (56)	\$ 808	\$ (1,462)	\$ (654)
Liabilities						
Interest-bearing deposit liabilities	\$ 78	\$ (48)	\$ 30	\$ 121	\$ (86)	\$ 35
Short-term borrowings	(10)	(16)	(26)	(26)	1	(25)
Long-term debt	124	(967)	(843)	267	(698)	(431)
Total interest-bearing liabilities	\$ 192	\$ (1,031)	\$ (839)	\$ 362	\$ (783)	\$ (421)
Net financing revenue	\$ 515	\$ 268	\$ 783	\$ 446	\$ (679)	\$ (233)

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Outstanding Finance Receivables and Loans

The following table presents the composition of our on-balance sheet finance receivables and loans.

December 31, (\$ in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ 53,713	\$ 46,576	\$ 34,604	\$ 12,514	\$ 16,281
Consumer mortgage					
1st Mortgage	7,173	6,997	7,057	7,960	13,542
Home equity	2,648	3,575	3,964	4,238	7,777
Total domestic	63,534	57,148	45,625	24,712	37,600
Foreign					
Consumer automobile	2	16,883	16,650	17,731	21,705
Consumer mortgage					
1st Mortgage	—	256	742	405	4,604
Home equity	—	—	—	1	54
Total foreign	2	17,139	17,392	18,137	26,363
Total consumer loans	63,536	74,287	63,017	42,849	63,963
Commercial					
Domestic					
Commercial and industrial					
Automobile (a)	30,270	26,552	24,944	19,604	16,913
Mortgage	—	1,887	1,540	1,572	1,627
Other	2,679	1,178	1,795	2,688	3,257
Commercial real estate					
Automobile	2,552	2,331	2,071	2,008	1,941
Mortgage	—	—	1	121	1,696
Total domestic	35,501	31,948	30,351	25,993	25,434
Foreign					
Commercial and industrial					
Automobile (b)	—	8,265	8,398	7,943	10,749
Mortgage	—	24	41	96	195
Other	18	63	312	437	960
Commercial real estate					
Automobile	—	154	216	221	167
Mortgage	—	14	78	162	260
Total foreign	18	8,520	9,045	8,859	12,331
Total commercial loans	35,519	40,468	39,396	34,852	37,765
Total finance receivables and loans (c)	\$ 99,055	\$ 114,755	\$ 102,413	\$ 77,701	\$ 101,728
Loans held-for-sale	\$ 2,576	\$ 8,557	\$ 11,411	\$ 20,625	\$ 7,919

(a) Amount includes Notes Receivable from General Motors of \$3 million at December 31, 2009.

(b) Amounts include no Notes Receivable from General Motors at December 31, 2012 and \$529 million, \$484 million, \$908 million, and \$1.7 billion at December 31, 2011, 2010, 2009, and 2008, respectively.

(c) Includes historical cost, fair value, and repurchased loans.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Nonperforming Assets

The following table summarizes the nonperforming assets in our on-balance sheet portfolio.

December 31, (\$ in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ 260	\$ 139	\$ 129	\$ 267	\$ 294
Consumer mortgage					
1st Mortgage	342	316	452	782	2,547
Home equity	40	91	108	114	540
Total domestic	642	546	689	1,163	3,381
Foreign					
Consumer automobile	—	89	78	119	125
Consumer mortgage					
1st Mortgage	—	142	261	33	1,034
Home equity	—	—	—	—	—
Total foreign	—	231	339	152	1,159
Total consumer (a)	642	777	1,028	1,315	4,540
Commercial					
Domestic					
Commercial and industrial					
Automobile	146	105	261	281	1,448
Mortgage	—	—	—	37	140
Other	33	22	37	856	64
Commercial real estate					
Automobile	37	56	193	256	153
Mortgage	—	—	1	56	1,070
Total domestic	216	183	492	1,486	2,875
Foreign					
Commercial and industrial					
Automobile	—	118	35	66	7
Mortgage	—	—	40	35	—
Other	—	15	97	131	19
Commercial real estate					
Automobile	—	11	6	24	2
Mortgage	—	12	70	141	143
Total foreign	—	156	248	397	171
Total commercial (b)	216	339	740	1,883	3,046
Total nonperforming finance receivables and loans	858	1,116	1,768	3,198	7,586
Foreclosed properties	8	82	150	255	787
Repossessed assets (c)	62	56	47	58	95
Total nonperforming assets	\$ 928	\$ 1,254	\$ 1,965	\$ 3,511	\$ 8,468
Loans held-for-sale	\$ 25	\$ 2,820	\$ 3,273	\$ 3,390	\$ 731

- (a) Interest revenue that would have been accrued on total consumer finance receivables and loans at original contractual rates was \$54 million during the year ended December 31, 2012. Interest income recorded for these loans was \$23 million during the year ended December 31, 2012.
- (b) Interest revenue that would have been accrued on total commercial finance receivables and loans at original contractual rates was \$21 million during the year ended December 31, 2012. Interest income recorded for these loans was \$15 million during the year ended December 31, 2012.
- (c) Repossessed assets exclude \$3 million, \$3 million, \$14 million, \$23 million, and \$34 million of repossessed operating lease assets at December 31, 2012, 2011, 2010, 2009, and 2008, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Accruing Finance Receivables and Loans Past Due 90 Days or More

The following table presents our on-balance sheet accruing loans past due 90 days or more as to principal and interest.

December 31, (\$ in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ —	\$ —	\$ —	\$ —	\$ 19
Consumer mortgage					
1st Mortgage	1	1	1	1	33
Home equity	—	—	—	—	—
Total domestic	1	1	1	1	52
Foreign					
Consumer automobile	—	3	5	5	40
Consumer mortgage					
1st Mortgage	—	—	—	1	—
Home equity	—	—	—	—	—
Total foreign	—	3	5	6	40
Total consumer	1	4	6	7	92
Commercial					
Domestic					
Commercial and industrial					
Automobile	—	—	—	—	—
Mortgage	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					
Automobile	—	—	—	—	—
Mortgage	—	—	—	—	—
Total domestic	—	—	—	—	—
Foreign					
Commercial and industrial					
Automobile	—	—	—	—	—
Mortgage	—	—	—	—	—
Other	—	—	—	3	—
Commercial real estate					
Automobile	—	—	—	—	—
Mortgage	—	—	—	—	—
Total foreign	—	—	—	3	—
Total commercial	—	—	—	3	—
Total accruing finance receivables and loans past due 90 days or more	\$ 1	\$ 4	\$ 6	\$ 10	\$ 92
Loans held-for-sale	\$ —	\$ 73	\$ 25	\$ 33	\$ 7

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Allowance for Loan Losses

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

(\$ in millions)	2012	2011	2010	2009	2008
Balance at January 1,	\$ 1,503	\$ 1,873	\$ 2,445	\$ 3,433	\$ 2,755
Cumulative effect of change in accounting principles (a)	—	—	222	—	(616)
Charge-offs					
Domestic	(595)	(667)	(1,297)	(3,380)	(2,192)
Foreign	(181)	(213)	(349)	(633)	(347)
Write-downs related to transfers to held-for-sale	—	—	—	(3,438)	—
Total charge-offs	(776)	(880)	(1,646)	(7,451)	(2,539)
Recoveries					
Domestic	193	227	363	276	219
Foreign	109	100	85	76	71
Total recoveries	302	327	448	352	290
Net charge-offs	(474)	(553)	(1,198)	(7,099)	(2,249)
Provision for loan losses	329	188	357	5,174	2,857
Foreign provision for loan losses	65	31	81	996	553
Deconsolidation of ResCap	(9)	—	—	—	—
Other	(244)	(36)	(34)	(59)	133
Balance at December 31,	\$ 1,170	\$ 1,503	\$ 1,873	\$ 2,445	\$ 3,433

(a) Effect of change in accounting principle due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

December 31, (\$ in millions)	2012		2011		2010		2009		2008	
	Amount	% of total								
Consumer										
Domestic										
Consumer automobile	\$ 575	49.2	\$ 600	39.9	\$ 769	41.0	\$ 772	31.6	\$ 1,115	32.5
Consumer mortgage										
1st Mortgage	245	20.9	275	18.3	322	17.2	387	15.8	525	15.3
Home equity	207	17.7	237	15.8	256	13.7	251	10.3	177	5.2
Total domestic	1,027	87.8	1,112	74.0	1,347	71.9	1,410	57.7	1,817	53.0
Foreign										
Consumer automobile	—	—	166	11.1	201	10.7	252	10.2	279	8.1
Consumer mortgage										
1st Mortgage	—	—	4	0.2	2	0.1	2	0.1	409	11.9
Home equity	—	—	—	—	—	—	—	—	31	0.9
Total foreign	—	—	170	11.3	203	10.8	254	10.3	719	20.9
Total consumer loans	1,027	87.8	1,282	85.3	1,550	82.7	1,664	68.0	2,536	73.9
Commercial										
Domestic										
Commercial and industrial										
Automobile	55	4.7	62	4.0	73	3.9	157	6.4	178	5.2
Mortgage	—	—	1	0.1	—	—	10	0.4	93	2.7
Other	48	4.1	52	3.5	97	5.2	322	13.2	65	1.9
Commercial real estate										
Automobile	40	3.4	39	2.6	54	2.9	—	—	—	—
Mortgage	—	—	—	—	—	—	54	2.2	458	13.3
Total domestic	143	12.2	154	10.2	224	12.0	543	22.2	794	23.1
Foreign										
Commercial and industrial										
Automobile	—	—	48	3.2	33	1.7	54	2.2	45	1.3
Mortgage	—	—	10	0.7	12	0.7	20	0.8	3	0.1
Other	—	—	1	0.1	39	2.1	111	4.6	9	0.3
Commercial real estate										
Automobile	—	—	3	0.2	2	0.1	—	—	—	—
Mortgage	—	—	5	0.3	13	0.7	53	2.2	46	1.3
Total foreign	—	—	67	4.5	99	5.3	238	9.8	103	3.0
Total commercial loans	143	12.2	221	14.7	323	17.3	781	32.0	897	26.1
Total allowance for loan losses	\$ 1,170	100.0	\$ 1,503	100.0	\$ 1,873	100.0	\$ 2,445	100.0	\$ 3,433	100.0

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-K

Deposit Liabilities

The following table presents the average balances and interest rates paid for types of domestic deposits.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate
Domestic deposits						
Noninterest-bearing deposits	\$ 2,262	—%	\$ 2,237	—%	\$ 2,071	—%
Interest-bearing deposits						
Savings and money market checking accounts	10,953	0.88	9,696	0.88	8,015	1.21
Certificates of deposit	29,972	1.64	26,109	1.77	21,153	2.04
Dealer deposits	1,515	3.81	1,685	3.87	1,288	4.00
Total domestic deposit liabilities	\$ 44,702	1.44%	\$ 39,727	1.55%	\$ 32,527	1.78%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

The following table presents the amount of domestic certificates of deposit in denominations of \$100 thousand or more segregated by time remaining until maturity.

December 31, 2012 (\$ in millions)	Three months or less	Over three months through six months	Over six months through twelve months	Over twelve months	Total
Domestic certificates of deposit (\$100,000 or more)	\$ 1,735	\$ 1,793	\$ 2,779	\$ 5,666	\$ 11,973

Quantitative and Qualitative Disclosures about Market Risk

Ally Financial Inc. • Form 10-k

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk and the Operational Risk sections of Item 7, Management's Discussion and Analysis.

Management's Report on Internal Control over Financial Reporting

Ally Financial Inc. • Form 10-K

Item 8. Financial Statements and Supplementary Data

Ally management is responsible for establishing and maintaining effective internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Senior Executive Vice President of Finance and Corporate Planning to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted, under the supervision of the Company's Chief Executive Officer and Senior Executive Vice President of Finance and Corporate Planning, an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, management concluded that at December 31, 2012, Ally's internal control over financial reporting was effective based on the COSO criteria.

The independent registered public accounting firm, Deloitte & Touche LLP, has audited the Consolidated Financial Statements of Ally and has issued an attestation report on our internal control over financial reporting at December 31, 2012, as stated in its report, which is included herein.

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter

Chief Executive Officer

March 1, 2013

/s/ JEFFREY J. BROWN

Jeffrey J. Brown

Senior Executive Vice President of Finance and Corporate Planning

March 1, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ally Financial Inc.:

We have audited the accompanying Consolidated Balance Sheet of Ally Financial Inc. and subsidiaries (the "Company") as of December 31, 2012 and 2011, and the related Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2013, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Detroit, Michigan

March 1, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ally Financial Inc.:

We have audited the internal control over financial reporting of Ally Financial Inc. and subsidiaries (the “Company”) as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, as stated in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012, of the Company and our report dated March 1, 2013, expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Detroit, Michigan

March 1, 2013

Consolidated Statement of Income

Ally Financial Inc. • Form 10-K

Year ended December 31, (\$ in millions)	2012	2011	2010
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	\$ 4,603	\$ 4,409	\$ 4,475
Interest on loans held-for-sale	155	332	587
Interest on trading assets	13	19	15
Interest and dividends on available-for-sale investment securities	292	351	323
Interest-bearing cash	26	21	34
Operating leases	2,379	1,929	2,583
Total financing revenue and other interest income	7,468	7,061	8,017
Interest expense			
Interest on deposits	644	614	579
Interest on short-term borrowings	90	116	141
Interest on long-term debt	3,466	4,309	4,740
Total interest expense	4,200	5,039	5,460
Depreciation expense on operating lease assets	1,399	941	1,251
Net financing revenue	1,869	1,081	1,306
Other revenue			
Servicing fees	701	1,358	1,488
Servicing asset valuation and hedge activities, net	(8)	(789)	(394)
Total servicing income, net	693	569	1,094
Insurance premiums and service revenue earned	1,059	1,170	1,371
Gain on mortgage and automotive loans, net	532	470	1,239
Loss on extinguishment of debt	(148)	(64)	(124)
Other gain on investments, net	146	259	502
Other income, net of losses	747	493	334
Total other revenue	3,029	2,897	4,416
Total net revenue	4,898	3,978	5,722
Provision for loan losses	329	188	357
Noninterest expense			
Compensation and benefits expense	1,365	1,322	1,348
Insurance losses and loss adjustment expenses	461	483	547
Other operating expenses	3,498	2,936	3,078
Total noninterest expense	5,324	4,741	4,973
(Loss) income from continuing operations before income tax expense	(755)	(951)	392
Income tax (benefit) expense from continuing operations	(1,284)	51	104
Net income (loss) from continuing operations	529	(1,002)	288
Income from discontinued operations, net of tax	667	845	741
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Income

Ally Financial Inc. • Form 10-K

Year ended December 31, (<i>\$ in millions except per share data</i>)	2012	2011	2010
Net income (loss) attributable to common shareholders			
Net income (loss) from continuing operations	\$ 529	\$ (1,002)	\$ 288
Preferred stock dividends — U.S. Department of Treasury	(535)	(534)	(963)
Preferred stock dividends	(267)	(260)	(282)
Impact of preferred stock conversion or amendment (a)	—	32	(616)
Net loss from continuing operations attributable to common shareholders (b)	(273)	(1,764)	(1,573)
Income from discontinued operations, net of tax	667	845	741
Net income (loss) attributable to common shareholders	\$ 394	\$ (919)	\$ (832)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	800,597
Diluted weighted-average common shares outstanding (b)	1,330,970	1,330,970	800,597
Basic earnings per common share			
Net loss from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)
Income from discontinued operations, net of tax	501	635	926
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)
Diluted earnings per common share (b)			
Net loss from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)
Income from discontinued operations, net of tax	501	635	926
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)

(a) Refer to Note 18 to the Consolidated Financial Statements for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2012, 2011, and 2010, respectively, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Ally Financial Inc. • Form 10-K

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029
Other comprehensive income (loss), net of tax			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	331	196	320
Less: Net realized gains reclassified to net income	141	284	497
Net change	190	(88)	(177)
Translation adjustments and net investment hedges			
Translation adjustments	184	(237)	165
Hedges	(168)	173	(182)
Net change	16	(64)	(17)
Cash flow hedges			
Net unrealized (losses) gains arising during the period	(4)	—	33
Defined benefit pension plans			
Net losses, prior service costs, and transition obligations arising during the period	(36)	(27)	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(58)	(7)	(19)
Net change	22	(20)	(40)
Other comprehensive income (loss), net of tax	224	(172)	(201)
Cumulative effect of change in accounting principle (a)	—	—	(4)
Comprehensive income (loss)	\$ 1,420	\$ (329)	\$ 824

(a) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheet

Ally Financial Inc. • Form 10-K

December 31, (<i>\$ in millions</i>)	2012	2011
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,073	\$ 2,475
Interest-bearing	6,440	10,560
Total cash and cash equivalents	7,513	13,035
Trading assets	—	622
Investment securities	14,178	15,135
Loans held-for-sale, net (\$2,490 and \$3,919 fair value-elected)	2,576	8,557
Finance receivables and loans, net		
Finance receivables and loans, net (\$— and \$835 fair value-elected)	99,055	114,755
Allowance for loan losses	(1,170)	(1,503)
Total finance receivables and loans, net	97,885	113,252
Investment in operating leases, net	13,550	9,275
Mortgage servicing rights	952	2,519
Premiums receivable and other insurance assets	1,609	1,853
Other assets	11,908	18,741
Assets of operations held-for-sale	32,176	1,070
Total assets	\$ 182,347	\$ 184,059
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 1,977	\$ 2,029
Interest-bearing	45,938	43,021
Total deposit liabilities	47,915	45,050
Short-term borrowings	7,461	7,680
Long-term debt (\$— and \$830 fair value-elected)	74,561	92,885
Interest payable	932	1,587
Unearned insurance premiums and service revenue	2,296	2,576
Accrued expenses and other liabilities (\$— and \$29 fair value-elected)	6,585	14,664
Liabilities of operations held-for-sale	22,699	337
Total liabilities	162,449	164,779
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(7,021)	(7,415)
Accumulated other comprehensive income	311	87
Total equity	19,898	19,280
Total liabilities and equity	\$ 182,347	\$ 184,059

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheet

Ally Financial Inc. • Form 10-K

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.

December 31, (<i>\$ in millions</i>)	2012	2011
Assets		
Loans held-for-sale, net	\$ —	\$ 9
Finance receivables and loans, net		
Finance receivables and loans, net (\$— and \$835 fair value-elected)	31,510	40,935
Allowance for loan losses	(144)	(210)
Total finance receivables and loans, net	31,366	40,725
Investment in operating leases, net	6,060	4,389
Other assets	2,868	3,029
Assets of operations held-for-sale	12,139	—
Total assets	\$ 52,433	\$ 48,152
Liabilities		
Short-term borrowings	\$ 400	\$ 795
Long-term debt (\$— and \$830 fair value-elected)	26,461	33,143
Interest payable	1	14
Accrued expenses and other liabilities	16	405
Liabilities of operations held-for-sale	9,686	—
Total liabilities	\$ 36,564	\$ 34,357

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Changes in Equity

Ally Financial Inc. • Form 10-K

<i>(\$ in millions)</i>	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity
Balance at January 1, 2010 (a)	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,732)	\$ 464	\$ 20,741
Capital contributions	15					15
Net income				1,029		1,029
Preferred stock dividends - U.S. Department of Treasury				(963)		(963)
Preferred stock dividends				(282)		(282)
Dividends to shareholders				(11)		(11)
Conversion of preferred stock and related amendment (b)	5,824	(5,208)		(616)		—
Other comprehensive loss					(205)	(205)
Other (c)				74		74
Balance at December 31, 2010 (a)	\$ 19,668	\$ 5,685	\$ 1,287	\$ (6,501)	\$ 259	\$ 20,398
Net loss				(157)		(157)
Preferred stock dividends — U.S. Department of Treasury				(534)		(534)
Preferred stock dividends				(260)		(260)
Series A preferred stock amendment (b)			(32)	32		—
Other comprehensive loss					(172)	(172)
Other (c)				5		5
Balance at December 31, 2011	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,415)	\$ 87	\$ 19,280
Net income				1,196		1,196
Preferred stock dividends — U.S. Department of Treasury				(535)		(535)
Preferred stock dividends				(267)		(267)
Other comprehensive income					224	224
Balance at December 31, 2012	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,021)	\$ 311	\$ 19,898

- (a) Includes decreases of \$46 million and \$45 million, respectively, for the years ended December 31, 2010 and 2009, from previously reported balances for the correction of immaterial errors. Refer to Note 1 for further detail.
- (b) Refer to Note 18 to the Consolidated Financial Statements for further detail.
- (c) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Cash Flows

Ally Financial Inc. • Form 10-K

Year ended December 31, (\$ in millions)	2012	2011	2010
Operating activities			
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029
Reconciliation of net income (loss) to net cash provided by operating activities			
Depreciation and amortization	2,381	2,713	4,146
Other impairment	19	40	170
Changes in fair value of mortgage servicing rights	677	1,606	872
Provision for loan losses	405	217	469
Gain on sale of loans, net	(527)	(459)	(1,014)
Net gain on investment securities	(177)	(294)	(520)
Loss on extinguishment of debt	148	64	123
Originations and purchases of loans held-for-sale	(33,075)	(60,270)	(73,823)
Proceeds from sales and repayments of loans held-for-sale	34,073	61,187	80,093
Impairment and accruals related to Residential Capital, LLC deconsolidation	1,192	—	—
Net change in			
Trading securities	595	(483)	(39)
Deferred income taxes	(1,491)	(198)	(272)
Interest payable	(311)	(98)	177
Other assets	802	(311)	1,240
Other liabilities	(595)	1,390	(504)
Other, net	(263)	546	(540)
Net cash provided by operating activities	5,049	5,493	11,607
Investing activities			
Purchases of available-for-sale securities	(12,816)	(19,377)	(24,116)
Proceeds from sales of available-for-sale securities	7,662	14,232	17,872
Proceeds from maturities and repayment of available-for-sale securities	5,673	4,965	4,527
Net increase in finance receivables and loans	(11,943)	(16,998)	(17,344)
Proceeds from sales of finance receivables and loans	2,332	2,868	3,138
Purchases of operating lease assets	(7,444)	(6,528)	(3,551)
Disposals of operating lease assets	1,745	5,517	8,627
Proceeds from sale of business units, net (a)	516	50	161
Net cash effect from deconsolidation of Residential Capital, LLC	(539)	—	—
Other, net	(1,741)	1,143	3,119
Net cash used in investing activities	(16,555)	(14,128)	(7,567)

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Cash Flows

Ally Financial Inc. • Form 10-K

Year ended December 31, (\$ in millions)	2012	2011	2010
Financing activities			
Net change in short-term borrowings	2,694	514	(3,629)
Net increase in bank deposits	7,580	5,840	6,556
Proceeds from issuance of long-term debt	39,401	44,754	39,002
Repayments of long-term debt	(39,909)	(40,473)	(49,530)
Dividends paid	(802)	(819)	(1,253)
Other, net	(927)	234	869
Net cash provided by (used in) financing activities	8,037	10,050	(7,985)
Effect of exchange-rate changes on cash and cash equivalents	(58)	49	102
Net (decrease) increase in cash and cash equivalents	(3,527)	1,464	(3,843)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	(1,995)	(99)	725
Cash and cash equivalents at beginning of year	13,035	11,670	14,788
Cash and cash equivalents at end of year	\$ 7,513	\$ 13,035	\$ 11,670
Supplemental disclosures			
Cash paid for			
Interest	\$ 5,311	\$ 5,630	\$ 5,531
Income taxes	404	507	517
Noncash items			
Increase in finance receivables and loans due to a change in accounting principle (c)	—	—	17,990
Increase in long-term debt due to a change in accounting principle (c)	—	—	17,054
Transfer of mortgage servicing rights into trading securities through certification	—	266	—
Conversion of preferred stock to common equity	—	—	5,208
Other disclosures			
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	127	241	1,324
Consolidation of loans, net	—	—	137
Consolidation of variable interest entity debt	—	—	78
Deconsolidation of loans, net	—	—	1,969
Deconsolidation of variable interest entity debt	—	—	1,903

(a) The amounts are net of cash and cash equivalents of \$147 million at December 31, 2012, \$88 million at December 31, 2011, and \$1.2 billion at December 31, 2010 of business units at the time of disposition.

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

(c) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

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

Residential Capital, LLC

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). In connection with the filings in May, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtors' estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

On November 21, 2012, the Bankruptcy Court entered orders approving the sale of the Debtors' (i) mortgage servicing platform (the Platform Sale) to Ocwen Loan Servicing, LLC and Walter Investment Management Corp. and (ii) "whole-loan" portfolio (the Whole-Loan Sale) to Berkshire Hathaway Inc. under section 363 of the Bankruptcy Code, and not as part of the Plan as originally contemplated. The Whole-Loan Sale closed on February 5, 2013, and the Platform Sale closed on February 15, 2013.

As of the Petition Date, institutional investors in residential mortgage-backed securities (RMBS Investors) issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to settle alleged representation and warranty claims against the Debtors' estates in exchange for a total \$8.7 billion allowed claim in the Debtors' bankruptcy cases, subject to the applicable securitization trustees' acceptance of the terms of the settlements (the RMBS Settlements). The RMBS Investors also signed separate plan support agreements (PSAs) with the Debtors and AFI in support of the Plan at the time of entering into the RMBS Settlements. To date, RMBS Investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to the RMBS Settlements. These 336 securitizations have an aggregate original principal balance of approximately \$189 billion (out of a total of 392 outstanding securitizations with an original principal balance of \$221 billion). The RMBS Settlements are subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing to consider such approval in late May 2013. The PSAs are not part of this scheduled Bankruptcy Court hearing. A number of creditors have raised objections to the RMBS Settlements, and the trustees representing the securitization trusts and AFI have filed statements in support of the Debtors' motion to approve the RMBS Settlements. Separately, the Debtors have failed to meet several Plan milestones in their bankruptcy cases, each of which has given the RMBS Investors the right to terminate the PSAs upon three business days advance written notice to the Debtors and AFI. The RMBS Investors have not given the Debtors and AFI such a notice to date, but have the right to do so at any time. If the RMBS Settlements were not approved or the RMBS Investors were to decide not to support any proposed plan, it could adversely impact the likelihood that any such proposed plan is approved by the Bankruptcy Court. AFI continues to support the RMBS Settlements at this time.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the Examiner's investigation. The investigation includes, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors proposed to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. In the Examiner's original work plan, the Examiner estimated that his investigation and related report would be completed six months from approximately August 6, 2012. However, on February 7, 2013 the Examiner informed the Bankruptcy Court in the third supplement to the work plan that the investigation and related report will not be completed until early May 2013.

On December 26, 2012, the Bankruptcy Court, in an effort to facilitate plan negotiations, entered an order appointing bankruptcy judge James M. Peck, Esq. as mediator to assist the parties in resolving certain issues relating to the formulation and confirmation of the Plan. There can be no assurance that the mediation process will continue or will ultimately lead to a successful agreement among the parties.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

On February 26, 2013, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed with the Bankruptcy Court a response to the Debtors' motions for appointment of a chief restructuring officer and to extend their exclusive period to file a chapter 11 plan, which, among other things, states that the Creditors' Committee supports such extension through and including April 30, 2013, and during such time the Creditors' Committee will agree not to bring any claims against AFI. The response further states that the Debtors consent to the Creditors' Committee seeking standing in the Bankruptcy Court to prosecute and/or settle the Debtors' alleged claims against AFI and agree to settle claims against AFI only with Creditors' Committee consent.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors. If the Bankruptcy Court approves the motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material. The Debtors have requested that the motion be heard at a hearing on March 21, 2013.

We are currently named as defendants in various lawsuits relating to ResCap mortgage-backed securities and certain other mortgage-related matters, which are described in more detail in Note 29. Substantially all of these matters are currently subject to orders entered by the Bankruptcy Court staying the matters through either March 31, 2012 or April 30, 2013. Unless the Debtors seek and obtain Bankruptcy Court approval to extend these stay orders, these matters are expected to proceed against us once the applicable stay orders expire.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows. We would have strong legal and factual defenses with respect to any such claims, and would vigorously defend them.

As a result of the bankruptcy filing, effective May 14, 2012, we have deconsolidated ResCap from our financial statements and ResCap is prospectively accounted for using the cost method. Furthermore, circumstances indicated to us that as of May 14, 2012, our investment in ResCap would not be recoverable, and accordingly we recorded a full impairment of such investment. ResCap's results of operations have been removed from our Consolidated Financial Statements since May 14, 2012. As of December 31, 2012, due to Ally Bank performing certain mortgage activities during the bankruptcy process and the related uncertainty associated with the timing of resolution of the ResCap bankruptcy, we did not classify ResCap as a discontinued operation. Accordingly, ResCap's results are presented as continuing operations within our Consolidated Statement of Income for periods prior to May 14, 2012. Our Consolidated Statement of Income includes the following for ResCap's results of operations (amounts presented are before the elimination of balances and transactions with Ally).

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Total net revenue	\$ 476	\$ 632	\$ 2,051
Provision for loan losses	—	24	(7)
Total noninterest expense	437	1,438	1,526
Income (loss) from continuing operations before income tax expense	39	(830)	532
Income tax expense from continuing operations	7	15	7
Net income (loss) from continuing operations	\$ 32	\$ (845)	\$ 525

Based on our assessment of the effect of the deconsolidation of ResCap, obligations under the Plan, and other impacts related to the Chapter 11 filing, we recorded a charge of \$1.2 billion during 2012, within our other operating expenses. This charge primarily consists of the impairment of Ally's \$442 million equity investment in ResCap and the \$750 million cash contribution to be made by us to the Debtors' estate described above. As of December 31, 2012, we have \$1.3 billion of financing due from ResCap, which is classified as Finance Receivables and Loans, net on our Consolidated Balance Sheet. We maintain no allowance or impairment against these receivables because management considers them to be fully collectible. At December 31, 2012, our hedging arrangements with ResCap were fully collateralized. Additionally, under a shared services agreement (SSA), each entity agreed to provide services to the other for a period of one year. The SSA will automatically renew each year unless either entity provides written notice of nonrenewal to the other party at least three months prior to the expiration. The SSA fees received by Ally and the expenses paid to ResCap will be reflected within the Consolidated Statement of Income as a reduction or increase of noninterest expense. Because of the uncertain nature of the bankruptcy proceedings, we cannot predict the ultimate financial impact to Ally. Refer to Note 29 for additional information regarding these bankruptcy proceedings.

Consolidation and Basis of Presentation

The Consolidated Financial Statements include our accounts and accounts of our majority-owned subsidiaries after eliminating all significant intercompany balances and transactions and include all variable interest entities (VIEs) in which we are the primary beneficiary. Refer to Note 10 for further details on our VIEs. Our accounting and reporting policies conform to accounting principles generally accepted in

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities.

We operate our international subsidiaries in a similar manner as we operate in the United States of America (U.S. or United States), subject to local laws or other circumstances that may cause us to modify our procedures accordingly. The financial statements of subsidiaries that operate outside of the United States generally are measured using the local currency as the functional currency. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income. Income and expense items are translated at average exchange rates prevailing during the reporting period.

Correction of Immaterial Error

We have revised our consolidated financial statements for the years ended December 31, 2010 and 2009, for the correction of an immaterial error related to the accounting for a fair value derivative hedge associated with a specific bond affected by our 2008 bond exchange. The correction of the error resulted in an increase in long-term debt and an associated increase in interest on long-term debt that reduced previously reported net income by \$46 million and \$45 million for the years ended December 31, 2010 and 2009, respectively. Total equity at December 31, 2010 has also been reduced by \$91 million compared to amounts previously reported. We concluded based on our quantitative and qualitative analysis that these related amounts are not material to our results of operations or financial condition.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period 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.

Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and certain highly liquid investment securities with maturities of three months or less from the date of purchase. Cash and cash equivalents that have restrictions on our ability to withdraw the funds are included in other assets on our Consolidated Balance Sheet. The book value of cash equivalents approximates fair value because of the short maturities of these instruments. Certain securities with original maturities less than 90 days that are held as a portion of longer-term investment portfolios, primarily held by our Insurance operations, are classified as investment securities.

Securities

Our portfolio of securities includes government securities, corporate bonds, asset- and mortgage-backed securities (MBS), interests in securitization trusts, equity securities, and other investments. Securities are classified based on management's intent. Our trading assets primarily consisted of MBS and retained and purchased interests in certain securitizations. The trading assets are carried at fair value with changes in fair value recorded in current period earnings. All other securities are classified as available-for-sale and carried at fair value with unrealized gains and losses included in accumulated other comprehensive income or loss, on an after-tax basis. Premiums and discounts on debt securities are amortized as an adjustment to investment yield generally over the stated maturity of the security. We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. 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 our intent and ability to hold the investment.

Once a decline in fair value of an equity 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. Noncredit component losses of a debt security are recorded in other comprehensive income (loss) when we do not intend to sell the security or it is not more likely than not that we will have to sell the security prior to the security's anticipated recovery. Noncredit component losses are amortized over the remaining life of the debt security by offsetting the recorded value of the asset.

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 investment securities refer to Note 6.

Loans Held-for-sale

Loans held-for-sale may include consumer automobile, consumer mortgage, and commercial receivables and loans. Loans held-for-sale are carried at either fair value because of the fair value option election or lower of cost or estimated fair value. Loan origination fees, as well as discount points and incremental direct origination costs, are initially recorded as an adjustment of the cost basis of the loan and are reflected in the gain or loss on sale of loans when sold. Fair value is determined by type of loan and is generally based on contractually established commitments from investors, current investor yield requirements, current secondary market pricing, or cash flow models using

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

market-based yield requirements. Our fair value option election loans primarily consist of conforming and government-insured mortgage loans. Refer to Note 7 for information on loans held-for-sale and Note 25 for information on fair value measurement.

Finance Receivables and Loans

Finance receivables and loans are reported at the principal amount outstanding, net of unearned income, premiums and discounts, and allowances. Unearned income, which includes unearned rate support received from an automotive manufacturer on certain automotive loans and deferred origination fees reduced by origination costs, is amortized over the contractual life of the related finance receivable or loan using the effective interest method. We make incentive payments for consumer auto loan originations to automotive dealers under our Ally Dealer Rewards Program and account for these payments as direct loan origination costs. Loan commitment fees are generally deferred and amortized over the commitment period. For information on finance receivables and loans, refer to Note 8.

We classify finance receivables and loans between loans held-for-sale and loans held-for-investment based on management's assessment of our intent and ability to hold loans for the foreseeable future or until maturity. Management's intent and ability with respect to certain loans may change from time to time depending on a number of factors including economic, liquidity, and capital conditions. Management's view of the foreseeable future is based on the longest reasonably reliable net income, liquidity, and capital forecast period.

Our portfolio segments are based on the level at which we develop and document our methodology for determining the allowance for loan losses. Additionally, the classes of finance receivables are based on several factors including the method for monitoring and assessing credit risk, the method of measuring carrying value, and the risk characteristics of the finance receivable. Based on an evaluation of our process for developing the allowance for loan losses including the nature and extent of exposure to credit risk arising from finance receivables, we have determined our portfolio segments to be consumer automobile, consumer mortgage, and commercial.

- **Consumer automobile** — Consists of retail automobile financing for new and used vehicles.
- **Consumer mortgage** — Consists of the following classes of finance receivables.
 - *1st Mortgage* — Consists of residential mortgage loans that are secured in a first-lien position and have priority over all other liens or claims on the respective collateral.
 - *Home equity* — Consists of residential home equity loans or mortgages with a subordinate-lien position.
- **Commercial** — Consists of the following classes of finance receivables.
 - *Commercial and Industrial*
 - *Automobile* — Consists of financing operations to fund dealer purchases of new and used vehicle through wholesale or floorplan financing. Additional commercial offerings include automotive dealer term loans, revolving lines of credit, and dealer fleet financing.
 - *Mortgage* — Consists primarily of warehouse lending.
 - *Other* — Consists of senior secured commercial lending.
 - *Commercial Real Estate*
 - *Automobile* — Consists of term loans to finance dealership land and buildings.
 - *Mortgage* — Related primarily to activities within our business capital group, which provides financing to residential land developers and homebuilders. These activities are in wind-down and do not represent a material component of our business.

Nonaccrual Loans

Revenue recognition is suspended when any finance receivables and loans are placed on nonaccrual status. Generally, all classes of finance receivables and loans are placed on nonaccrual status when principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Exceptions include commercial real estate loans that are placed on nonaccrual status when delinquent for 60 days. These loans are reported as nonperforming loans in Note 8. Revenue accrued, but not collected, at the date finance receivables and loans are placed on nonaccrual status is reversed and subsequently recognized only to the extent it is received in cash or until it qualifies for return to accrual status. However, where there is doubt regarding the ultimate collectability of loan principal, all cash received is applied to reduce the carrying value of such loans. Finance receivables and loans are restored to accrual status only when contractually current and the collection of future payments is reasonably assured.

Generally, we recognize all classes of loans as past due when they are 30 days delinquent on making a contractually required payment.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Impaired Loans

All classes of loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

For all classes of consumer loans, impaired loans are loans that have been modified in troubled debt restructurings.

All classes of commercial loans are considered impaired on an individual basis and reported as 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 all classes of impaired loans, income recognition is consistent with that of nonaccrual loans discussed above. For collateral dependent loans, if the recorded investment in impaired loans exceeds the fair value of the collateral, a charge-off is recorded consistent with the TDR discussion below.

Troubled Debt Restructurings (TDRs)

When the terms of finance receivables or loans are modified, consideration must be given as to whether or not the modification results in a TDR. A modification is considered to be a TDR when both a) the borrower is experiencing financial difficulty and b) we grant a concession to the borrower. These considerations require significant judgment and vary by portfolio segment. In all cases, the cumulative impacts of all modifications are considered at the time of the most recent modification.

For all classes of consumer loans, various qualitative factors are utilized for assessing the financial difficulty of the borrower. These include, but are not limited to, the borrowers default status on any of its debts, bankruptcy and recent changes in financial circumstances (loss of job, etc.). A concession has been granted when as a result of the modification we do not expect to collect all amounts due, including interest accrued at the original contract rate. Types of modifications that may be considered concessions include but are not limited to extensions of terms at a rate that does not constitute a market rate, a reduction, deferral or forgiveness of principal or interest owed and loans that have been discharged in a Chapter 7 Bankruptcy and have not been reaffirmed by the borrower.

In addition to the modifications noted above, in our consumer automobile class of loans we also provide extensions or deferrals of payments to borrowers who we deem to be experiencing only temporary financial difficulty. In these cases, there are limits within our operational policies to minimize the number of times a loan can be extended, as well as limits to the length of each extension, including a cumulative cap over the life of the loan. Before offering an extension or deferral, we evaluate the capacity of the customer to make the scheduled payments after the deferral period. During the deferral period, we continue to accrue and collect interest on the loan as part of the deferral agreement. We grant these extensions or deferrals when we expect to collect all amounts due including interest accrued at the original contract rate.

A restructuring that results in only a delay in payment that is deemed to be insignificant is not a concession and such modification is not considered to be a TDR. In order to assess whether a restructuring that results in a delay in payment is insignificant, we consider the amount of the restructured payments subject to delay in conjunction with the unpaid principal balance or the collateral value of the loan, whether or not the delay is significant with respect to the frequency of payments under the original contract, or the loan's original expected duration. In the cases where payment extensions on our automobile loan portfolio cumulatively extend beyond 90 days and are more than 10% of the original contractual term or any cumulative extension beyond 180 days, we deem the delay in payment to be more than insignificant, and as such, classify these types of modifications as TDRs. Otherwise, we believe that the modifications do not represent a concessionary modification and accordingly, they are not classified as TDRs.

For all classes of commercial loans, similar qualitative factors are considered when assessing the financial difficulty of the borrower. In addition to the factors noted above, consideration is also given to the borrower's forecasted ability to service the debt in accordance with the contractual terms, possible regulatory actions and other potential business disruptions (e.g. the loss of a significant customer or other revenue stream). Consideration of a concession is also similar for commercial loans. In addition to the factors noted above, consideration is also given to whether additional guarantees or collateral have been provided.

For all loans, TDR classification typically results from our loss mitigation activities. For loans held-for-investment that are not carried at fair value and are TDRs, impairment is typically measured based on the differences between the net carrying value of the loan and the present value of the expected future cash flows of the loan. The loan may also be measured for impairment based on the fair value of the underlying collateral less costs to sell for loans that are collateral dependent. We recognize impairment by either establishing a valuation allowance or recording a charge-off.

The financial impacts of modifications that meet the definition of a TDR are reported in the period in which they are identified as TDRs. Additionally, if a loan that is classified as a TDR redefaults within twelve months of the modification, we are required to disclose such instances of redefault. For the purpose of this disclosure, we have determined that a loan is considered to have redefaulted when the loan meets the requirements for evaluation under our charge-off policy except for commercial loans where redefault is defined as 90 days past due.

Our policy is to generally place all TDRs on nonaccrual status until the loan has been brought fully current, the collection of contractual principal and interest is reasonably assured, and six consecutive months of repayment performance is achieved. In certain cases, if a borrower has been current up to the time of the modification and repayment of the debt subsequent to the modification is reasonably assured, we may choose to continue to accrue interest on the loan.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Charge-offs

As a general rule, consumer automobile loans are written down to estimated collateral value, less costs to sell, once a loan becomes 120 days past due. Consumer first-lien mortgage loans, which consists of our entire 1st mortgage class and a subset of our home equity class that are secured by real estate in a first-lien position are written down to the estimated fair value of the collateral, less costs to sell, once a mortgage loan becomes 180 days past due. Second-lien consumer mortgage loans within our home equity class are charged off at 180 days past due. Second-lien consumer mortgage loans in bankruptcy that are 60 days past due are fully charged off within 60 days of receipt of notification of filing from the bankruptcy court. Consumer automobile and first-lien consumer mortgage loans in bankruptcy that are 60 days past due are written down to the estimated fair value of the collateral, less costs to sell, within 60 days of receipt of notification of discharge from the bankruptcy court. Regardless of other timelines noted within this policy, loans are considered collateral dependent at the time foreclosure or repossession proceedings begin and are charged off to the estimated fair value of the underlying collateral, less costs to sell at that time.

Commercial loans are individually evaluated and where collectability of the recorded balance is in doubt are written down to the estimated fair value of the collateral less costs to sell. Generally, all commercial loans are charged off when it becomes unlikely that the borrower is willing or able to repay the remaining balance of the loan and any underlying collateral is not sufficient to recover the outstanding principal. Collateral dependent loans are charged-off to the fair market value of collateral less costs to sell and non-collateral dependent loans are fully written-off.

Allowance for Loan Losses

The allowance for loan losses (the allowance) is management's estimate of incurred losses in the lending portfolios. We determine the amount of the allowance required for each of our portfolio segments based on its relative risk characteristics. The evaluation of these factors for both consumer and commercial finance receivables and loans involves complex, subjective judgments. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, net of amounts recovered on previously charged-off accounts.

The allowance is comprised of two components: specific reserves established for individual loans evaluated as impaired and portfolio-level reserves established for large groups of typically smaller balance homogeneous loans that are collectively evaluated for impairment. We evaluate the adequacy of the allowance based on the combined total of these two components. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Measurement of impairment for specific reserves is generally determined on a loan-by-loan basis. Loans determined to be specifically impaired are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, an observable market price, or the estimated fair value of the collateral less estimated costs to sell, whichever is determined to be the most appropriate. When these measurement values are lower than the carrying value of that loan, impairment is recognized. Loans that are not identified as individually impaired are pooled with other loans with similar risk characteristics for evaluation of impairment for the portfolio-level allowance.

For the purpose of calculating portfolio-level reserves, we have grouped our loans into three portfolio segments: consumer automobile, consumer mortgage, and commercial. The allowance consists of the combination of a quantitative assessment component based on statistical models, a retrospective evaluation of actual loss information to loss forecasts, and includes a qualitative component based on management judgment. Management takes into consideration relevant qualitative factors, including external and internal trends such as the impacts of changes in underwriting standards, collections and account management effectiveness, geographic concentrations, and economic events, among other factors, that have occurred but are not yet reflected in the quantitative assessment component. All qualitative adjustments are adequately documented, reviewed, and approved through our established risk governance processes. Refer to Note 8 for information on the allowance for loan losses.

Consumer Loans

Our consumer automobile and consumer mortgage portfolio segments are reviewed for impairment based on an analysis of loans that are grouped into common risk categories (i.e., past due status, loan or lease type, collateral type, borrower, industry or geographic concentrations). We perform periodic and systematic detailed reviews of our lending portfolios to identify inherent risks and to assess the overall collectability of those portfolios. Loss models are utilized for these portfolios, which consider a variety of credit quality indicators including, but not limited to, historical loss experience, current economic conditions, anticipated repossessions or foreclosures based on portfolio trends, delinquencies and credit scores, and expected loss factors by loan type.

Consumer Automobile Portfolio Segment

The allowance for loan losses within the consumer automobile portfolio segment is calculated using proprietary statistical models and other risk indicators applied to pools of loans with similar risk characteristics, including credit bureau score and loan-to-value ratios to arrive at an estimate of incurred losses in the portfolio. These statistical loss forecasting models are utilized to estimate incurred losses and consider a variety of factors including, but not limited to, historical loss experience, estimated defaults based on portfolio trends, delinquencies, and general economic and business trends. These statistical models predict forecasted losses inherent in the portfolio based on both vintage and migration analyses.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

The forecasted losses consider historical factors such as frequency (the number of contracts that we expect to default) and loss severity (the expected loss on a per vehicle basis). The loss severity within the consumer automobile portfolio segment is impacted by the market values of vehicles that are repossessed. Vehicle market values are affected by numerous factors including vehicles supply, the condition of the vehicle upon repossession, the overall price and volatility of gasoline or diesel fuel, consumer preference related to specific vehicle segments, and other factors. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The quantitative assessment component may be supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred but are not yet reflected in the forecasted losses and may affect the performance of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our consumer automobile portfolio segment did not change during 2012.

Consumer Mortgage Portfolio Segment

The allowance for loan losses within the consumer mortgage portfolio segment is calculated by using proprietary statistical models based on pools of loans with similar risk characteristics, including credit score, loan-to-value, loan age, documentation type, product type, and loan purpose, to arrive at an estimate of incurred losses in the portfolio. These statistical loss forecasting models are utilized to estimate incurred losses and consider a variety of factors including, but not limited to, historical loss experience, estimated foreclosures or defaults based on portfolio trends, delinquencies, and general economic and business trends.

The forecasted losses are statistically derived based on a suite of behavioral based transition models. This transition framework predicts various stages of delinquency, default, and voluntary prepayment over the course of the life of the loan. The transition probability is a function of the loan and borrower characteristics and economic variables and considers historical factors such as frequency (the number of contracts that we expect to default) and loss severity (the expected loss on a per loan basis). When a default event is predicted, a severity model is applied to estimate future loan losses. Loss severity within the consumer mortgage portfolio segment is impacted by the market values of foreclosed properties, which is affected by numerous factors, including geographic considerations and the condition of the foreclosed property. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The quantitative assessment component is supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred but are not yet reflected in the forecasted losses and may affect the credit quality of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our consumer mortgage portfolio segment did not change during 2012.

Commercial

The allowance for loan losses within the commercial portfolio is comprised of reserves established for specific loans evaluated as impaired and portfolio-level reserves based on nonimpaired loans grouped into pools based on similar risk characteristics and collectively evaluated.

A commercial loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loan's effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate.

Loans not identified as impaired are grouped into pools based on similar risk characteristics and collectively evaluated. Our risk rating models use historical loss experience, concentrations, current economic conditions, and performance trends. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. In assessing the risk rating of a particular loan, several factors are considered including an evaluation of historical and current information involving subjective assessments and interpretations. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans.

The quantitative assessment component may be supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred and may affect the credit quality of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our commercial portfolio segment did not change during 2012.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Securitizations and Variable Interest Entities

We securitize, sell, and service consumer automobile loans, operating leases, wholesale loans, and consumer mortgage loans. Securitization transactions typically involve the use of variable interest entities and are accounted for either as sales or secured financings. We may retain economic interests in the securitized and sold assets, which are generally retained in the form of senior or subordinated interests, interest- or principal-only strips, cash reserve accounts, residual interests, and servicing rights.

In order to conclude whether or not a variable interest entity is required to be consolidated, careful consideration and judgment must be given to our continuing involvement with the variable interest entity. In circumstances where we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, we would conclude that we would consolidate the entity, which would also preclude us from recording an accounting sale on the transaction. In the case of a consolidated variable interest entity, the accounting is consistent with a secured financing, i.e., we continue to carry the loans and we record the related securitized debt on our balance sheet. Unrecorded economic interests in consolidated variable interest entities can be determined as the difference between the recognized assets and recognized liabilities.

In transactions where either one or both of the power or economic criteria mentioned above are not met, we then must determine whether or not we achieve a sale for accounting purposes. In order to achieve a sale for accounting purposes, the assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond our control. If we were to fail any of the three criteria for sale accounting, the accounting would be consistent with the preceding paragraph (i.e., a secured borrowing). Refer to Note 10 for discussion on variable interest entities.

Gains or losses on off-balance sheet securitizations take into consideration the fair value of the retained interests including the value of certain servicing assets or liabilities, if any, which are initially recorded at fair value at the date of sale. The estimate of the fair value of the retained interests and servicing requires us to exercise significant judgment about the timing and amount of future cash flows from the interests. Refer to Note 25 for a discussion of fair value estimates.

Gains or losses on off-balance sheet securitizations and sales are reported in gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income for consumer automobile loans, wholesale loans, and consumer mortgage loans. Declines in the fair value of retained interests, other than servicing, below the carrying amount are reflected in other comprehensive income, or as other (loss) gain on investments, net, in our Consolidated Statement of Income if such declines are determined to be other-than-temporary or if the interests are classified as trading. Retained interests, as well as any purchased securities, are generally included in available-for-sale investment securities, trading investment securities, or other assets. Designation as available-for-sale or trading depends on management's intent. Securities that are noncertificated and cash reserve accounts related to securitizations are included in other assets on our Consolidated Balance Sheet.

We retain servicing responsibilities for all of our consumer automobile loan, operating lease, and wholesale loan securitizations and for the majority of our consumer mortgage loan securitizations. We may receive servicing fees based on the securitized loan balances and certain ancillary fees, all of which are reported in servicing fees in the Consolidated Statement of Income. We also retain the right to service the consumer mortgage loans sold in securitization transactions involving the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively the Government-sponsored Enterprises or GSEs) and private investors. We also serve as the collateral manager in the securitizations of commercial investment securities.

Whether on- or off-balance sheet, the investors in the securitization trusts generally have no recourse to our assets outside of customary market representation and warranty repurchase provisions.

Mortgage Servicing Rights

Primary servicing rights represent our right to service consumer residential mortgages securitized by us or through the GSEs and third-party whole-loan sales. Primary servicing involves the collection of payments from individual borrowers and the distribution of these payments to the investors or master servicer. Master-servicing rights represented our right to service mortgage- and asset-backed securities and whole-loan packages issued for investors. Master-servicing involved the collection of borrower payments from primary servicers and the distribution of those funds to investors in mortgage- and asset-backed securities and whole-loans packages. We also purchased and sold primary and master-servicing rights through transactions with other market participants.

We capitalize the value expected to be realized from performing specified mortgage servicing activities for others as mortgage servicing rights (MSRs) when the expected future cash flows from servicing are projected to be more than adequate compensation for such activities. These capitalized servicing rights are purchased or retained upon sale or securitization of mortgage loans. MSRs are not recorded on securitizations accounted for as secured financings.

We measure all mortgage servicing assets and liabilities at fair value. We define our servicing rights based on both the availability of market inputs and the manner in which we manage the risks of our servicing assets and liabilities. We leverage all available relevant market data to determine the fair value of our recognized servicing assets and liabilities.

Since quoted market prices for MSRs are not readily available, we estimate the fair value of MSRs by determining the present value of future expected cash flows using modeling techniques that incorporate management's best estimates of key variables including expected cash flows, prepayment speeds, and return requirements commensurate with the risks involved. Cash flow assumptions are modeled using our

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

internally forecasted revenue and expenses, and where possible, the reasonableness of assumptions is periodically validated through comparisons to market data. Prepayment speed estimates are determined from historical prepayment rates on similar assets or obtained from third-party data. Return requirement assumptions are determined using data obtained from market participants, where available, or based on current relevant interest rates plus a risk-adjusted spread. We also consider other factors that can impact the value of the MSR, such as surety provider termination clauses and servicer terminations that could result if we failed to materially comply with the covenants or conditions of our servicing agreements and did not remedy the failure. Since many factors can affect the estimate of the fair value of MSRs, we regularly evaluate the major assumptions and modeling techniques used in our estimate and review these assumptions against market comparables, if available. We monitor the actual performance of our MSRs by regularly comparing actual cash flow, credit, and prepayment experience to modeled estimates. Refer to Note 11 for further discussion of our servicing activities.

Reposessed and Foreclosed Assets

Assets are classified as reposessed and foreclosed and included in other assets when physical possession of the collateral is taken regardless of whether foreclosure proceedings have taken place. Reposessed and foreclosed assets are carried at the lower of the outstanding balance at the time of repossession or foreclosure or the fair value of the asset less estimated costs to sell. Losses on the revaluation of reposessed and foreclosed assets are charged to the allowance for loan losses at the time of repossession. Declines in value after repossession are charged to other operating expenses for loans and depreciation expense for operating lease assets as incurred.

Goodwill and Other Intangibles

Goodwill and other intangible assets, net of accumulated amortization, are reported in other assets. In accordance with applicable accounting standards, goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired, including identifiable intangibles. Goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires us to define the reporting units and compare the fair value of each of these reporting units to the respective carrying value. The fair value of the reporting units in our impairment test 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 to compute the amount of the impairment, if any. Applicable accounting standards require goodwill to be tested for impairment annually at the same time every year and whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our annual goodwill impairment assessment is performed as of August 31 of each year. Refer to Note 13 for further discussion on goodwill.

Investment in Operating Leases

Investment in operating leases represents the automobiles that are underlying the leases and is reported at cost, less accumulated depreciation and net of impairment charges and origination fees or costs. Depreciation of vehicles is generally provided on a straight-line basis to an estimated residual value over the lease term. Manufacturer support payments that we receive are treated as a reduction to the cost-basis in the underlying lease asset and are recognized over the life of the contract as a reduction to depreciation expense. We periodically evaluate our depreciation rate for leased vehicles based on projected residual values. Income from operating lease assets that includes lease origination fees, net of lease origination costs, is recognized as operating lease revenue on a straight-line basis over the scheduled lease term.

We have significant investments in the residual values of assets in our operating lease portfolio. The residual values represent an estimate of the values of the assets at the end of the lease contracts. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. Realization of the residual values is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and may make adjustments to the depreciation rates to the extent the expected value of the vehicle (including any residual support payments) at lease termination changes. In addition to estimating the residual value at lease termination, we also evaluate the current value of the operating lease asset and test for impairment to the extent necessary based on market considerations and portfolio characteristics. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset. If our operating lease assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. The accrual of revenue on operating leases is generally discontinued at the time an account is determined to be uncollectible, at the earliest of time of repossession, within 60 days of bankruptcy notification and greater than 60 days past due, or greater than 120 days past due.

When a lease vehicle is returned to us, the asset is reclassified from investment in operating leases, net, to other assets and recorded at the lower-of-cost or estimated fair value, less costs to sell, on our Consolidated Balance Sheet.

Impairment of Long-lived Assets

The carrying value of long-lived assets (including property and equipment) are evaluated for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable from the estimated undiscounted future cash flows expected to result from their use and eventual disposition. Recoverability of assets to be held and used is measured by a comparison of their carrying amount to future net undiscounted cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. No material impairment was recognized in 2012, 2011, or 2010.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

An impairment test on an asset group to be sold or otherwise disposed of is performed upon occurrence of a triggering event or when certain criteria are met (e.g., the asset is planned to be disposed of within twelve months, appropriate levels of authority have approved the sale, there is an active program to locate a buyer, etc), which cause the disposal group to be classified as held-for-sale. Long-lived assets held-for-sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell. If the carrying value of the assets held-for-sale exceeds the fair value less cost to sell, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets less cost to sell. During 2012, 2011, and 2010, impairment losses were recognized on asset groups that were classified as held-for-sale or disposed of by sale. Refer to Note 2 for a discussion of discontinued and held-for-sale operations.

Property and Equipment

Property and equipment stated at cost, net of accumulated depreciation and amortization, are reported in other assets on our Consolidated Balance Sheet. Included in property and equipment are certain buildings, furniture and fixtures, leasehold improvements, company vehicles, IT hardware and software, and capitalized software costs. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which generally ranges from three to thirty years. Capitalized software is generally amortized on a straight-line basis over its useful life, which generally ranges from three to five years. Capitalized software that is not expected to provide substantive service potential or for which development costs significantly exceed the amount originally expected is considered impaired and written down to fair value. Software expenditures that are considered general, administrative, or of a maintenance nature are expensed as incurred.

Unearned Insurance Premiums and Service Revenue

Insurance premiums, net of premiums ceded to reinsurers, and service revenue are earned over the terms of the policies. The portion of premiums and service revenue written applicable to the unexpired terms of the policies is recorded as unearned insurance premiums or unearned service revenue. For extended service and maintenance contracts, premiums and service revenues are earned on a basis proportionate to the anticipated cost emergence. For other short duration contracts, premiums and unearned service revenue are earned on a pro rata basis. For further information, refer to Note 3.

Deferred Policy Acquisition Costs

Commissions, including compensation paid to sellers of vehicle service contracts and other costs of acquiring insurance that are primarily related to and vary with the production of business, are deferred and recorded in other assets. Deferred policy acquisition costs are amortized over the terms of the related policies and service contracts on the same basis as premiums and revenue are earned except for direct response advertising costs, which are amortized over their expected future benefit. We group costs incurred for acquiring like contracts and consider anticipated investment income in determining the recoverability of these costs.

Reserves for Insurance Losses and Loss Adjustment Expenses

Reserves for insurance losses and loss adjustment expenses are reported in accrued expenses and other liabilities. They are established for the unpaid cost of insured events that have occurred as of a point in time. More specifically, the reserves for insurance losses and loss adjustment expenses represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. Estimates for salvage and subrogation recoverable are recognized at the time losses are incurred and netted against provision for insurance losses and loss adjustment expenses. Reserves are established for each business at the lowest meaningful level of homogeneous data. Since the reserves are based on estimates, the ultimate liability may vary from such estimates. The estimates are regularly reviewed and adjustments, which can potentially be significant, are included in earnings in the period in which they are deemed necessary.

Legal and Regulatory Reserves

Reserves for legal and regulatory matters are established when those matters present loss contingencies that are both probable and estimable, with a corresponding amount recorded to other noninterest expense. In cases where we have an accrual for losses, it is our policy to include an estimate for probable and estimable legal expenses related to the case. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, we do not establish an accrued liability. We continue to monitor legal and regulatory matters for further developments that could affect the requirement to establish a liability or that may impact the amount of a previously established liability. There may be exposure to loss in excess of any amounts recognized. For certain other matters where the risk of loss is determined to be reasonably possible, estimable, and material to the financial statements, disclosure regarding details of the matter and an estimated range of loss is required. The estimated range of possible loss does not represent our maximum loss exposure. Financial statement disclosure is also required for matters that are deemed probable or reasonably possible, material to the financial statements, but for which an estimated range of loss is not possible to determine. While we believe our reserves are adequate, the outcome of legal and regulatory proceedings is extremely difficult to predict and we may settle claims or be subject to judgments for amounts that differ from our estimates. For information regarding the nature of all material contingencies, refer to Note 29.

Loan Repurchase and Obligations Related to Loan Sales

Our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs or by whole-loan purchasers. In addition, we infrequently sell securities to investors through private-label securitizations. In connection with these activities we provide to the GSEs, investors, whole-loan purchasers, and financial guarantors (monolines) various representations and warranties related to the loans sold. These representations and warranties generally relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation and compliance with applicable laws. Generally, the representations and

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

warranties described in Note 29 may be enforced at any time over the life of the loan. Historically, ResCap assumed all of the customary representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market. A significant portion of our representation and warranty obligations were eliminated as a result of the deconsolidation of ResCap. As a result of the deconsolidation of ResCap, we recorded a representation and warranty reserve to Ally Bank. See Note 29 for additional information.

Upon a breach of a representation, we correct the breach in a manner conforming to the provisions of the sale agreement. This may require us either to repurchase the loan or to indemnify (make-whole) a party for incurred losses or provide other recourse to a GSE or investor. Repurchase demands and claims for indemnification payments are reviewed on a loan-by-loan basis to validate if there has been a breach requiring repurchase or a make-whole payment. We actively contest claims to the extent we do not consider them valid. In cases where we repurchase loans, we bear the credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value and subsequently at the lower of cost or market. We seek to manage the risk of repurchase and associated credit exposure through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards.

The reserve for representation and warranty obligations reflects management's best estimate of probable lifetime loss. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in other liabilities on our Consolidated Balance Sheet, and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the reserve when additional relevant information becomes available. Changes in the liability are recorded as other operating expenses in our Consolidated Statement of Income.

Earnings per Common Share

We compute basic earnings (loss) per common share by dividing net income (loss) from continuing operations attributable to common shareholders after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period. We compute diluted earnings (loss) per common share by dividing net income (loss) from continuing operations after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period plus the dilution resulting from the conversion of convertible preferred stock, if applicable.

Derivative Instruments and Hedging Activities

We primarily use derivative instruments for risk management purposes. Derivatives that were held for trading purposes were limited to those entered into by our broker-dealer. Some of our derivative instruments are designated in qualifying hedge accounting relationships; other derivative instruments do not qualify for hedge accounting or are not elected to be designated in a qualifying hedging relationship. In accordance with applicable accounting standards, all derivative financial instruments, whether designated for hedge accounting or not, are required to be recorded on the balance sheet as assets or liabilities and measured at fair value. Additionally, we report derivative financial instruments on the Consolidated Balance Sheet primarily on a gross basis. For additional information on derivative instruments and hedging activities, refer to Note 22.

At inception of a hedge accounting relationship, we designate each qualifying derivative financial instrument as a hedge of the fair value of a specifically identified asset or liability (fair value hedge); as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or as a hedge of the foreign-currency exposure of a net investment in a foreign operation. We formally document all relationships between hedging instruments and hedged items and risk management objectives for undertaking various hedge transactions. Both at the hedge's inception and on an ongoing basis, we formally assess whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in the current period earnings. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative financial instruments is recorded in accumulated other comprehensive income, and recognized in the income statement when the hedged cash flows affect earnings. For a derivative designated as hedging the foreign-currency exposure of a net investment in a foreign operation, the gain or loss is reported in accumulated other comprehensive income as part of the cumulative translation adjustment. The ineffective portions of fair value, cash flow, and net investment hedges are immediately recognized in earnings, along with the portion of the change in fair value that is excluded from the assessment of hedge effectiveness, if any.

The hedge accounting treatment described herein is no longer applied if a derivative financial instrument is terminated or the hedge designation is removed or is assessed to be no longer highly effective. For these terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the asset or liability and are recognized into income over the remaining life of the asset or liability. For terminated cash flow hedges, unless it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument previously recognized remain in accumulated other comprehensive income, and are reclassified into earnings in the same period that the hedged cash flows affect earnings. The previously recognized net derivative gain or loss

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

for a net investment hedge continues to remain in accumulated other comprehensive income until earnings are impacted by sale or liquidation of the associated foreign operation. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

Changes in the fair value of derivative financial instruments held for risk management purposes that are not designated for hedge accounting under GAAP and changes in the fair value of derivative financial instruments held for trading purposes are reported in current period earnings.

Loan Commitments

We enter into commitments to purchase and make loans whereby the interest rate on the loans is set prior to funding (i.e., interest rate lock commitments). Interest rate lock commitments for mortgage loans to be originated for sale and all purchase commitments are derivative financial instruments carried at fair value in accordance with applicable accounting standards with changes in fair value included within current period earnings. The fair value of purchase and interest rate lock commitments include expected net future cash flows related to the associated servicing of the loan. Servicing assets are recognized as distinct assets once they are contractually separated from the underlying loan by sale or securitization. Day-one gains or losses on derivative interest rate lock commitments are recognized when applicable.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. For additional information regarding our provision for income taxes, refer to Note 23.

We recognize the financial statement effects of uncertain income tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Also, we recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively.

Share-based Compensation

Under accounting guidance for share-based compensation, compensation cost recognized includes cost for share-based awards. For certain share-based awards compensation cost is ratably charged to expense over the applicable service periods. For other share-based awards, the awards require liability treatment and are remeasured quarterly at fair value until they are paid, with changes in fair value charged to compensation expense in the period in which the change occurs. Refer to Note 24 for a discussion of our share-based compensation plans.

Foreign Exchange

Foreign-denominated assets and liabilities resulting from foreign-currency transactions are valued using period-end foreign-exchange rates and the results of operations and cash flows are determined using approximate weighted average exchange rates for the period. Translation adjustments are related to foreign subsidiaries using local currency as their functional currency and are reported as a separate component of accumulated other comprehensive income. We may elect to enter into foreign-currency derivatives to mitigate our exposure to changes in foreign-exchange rates. Refer to Derivative Instruments and Hedging Activities above for a discussion of our hedging activities of the foreign-currency exposure of a net investment in a foreign operation.

Recently Adopted Accounting Standards

Financial Services - Insurance - Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26)

As of January 1, 2012, we adopted Accounting Standards Update (ASU) 2010-26, which amends ASC 944, *Financial Services - Insurance*. The amendments in this ASU specify which costs incurred in the acquisition of new and renewal insurance contracts should be capitalized. All other acquisition-related costs should be expensed as incurred. If the initial application of the amendments in this ASU results in the capitalization of acquisition costs that had not been previously capitalized, an entity may elect not to capitalize those types of costs. Both retrospective application and early adoption was permitted. We elected prospective application and did not early adopt the ASU. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Fair Value Measurement - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04)

As of January 1, 2012, we adopted ASU 2011-04, which amends ASC 820, *Fair Value Measurements*. The amendments in this ASU clarify how to measure fair value and it contains new disclosure requirements to provide more transparency into Level 3 fair value measurements. It is intended to improve the comparability of fair value measurements presented and disclosed in financial statements

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU must be applied prospectively. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Intangibles-Goodwill and Other - Testing Goodwill for Impairment (ASU 2011-08)

As of January 1, 2012, we adopted ASU 2011-08, which amends ASC 350, *Intangibles-Goodwill and Other*. This ASU permits the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not more than the carrying amount, the two-step impairment test would not be required. Otherwise, further evaluation under the existing two-step framework would be required. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

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

In December 2011, the Financial Accounting Standards Board (FASB) issued ASU 2011-11, which amends ASC 210, *Balance Sheet*. This ASU contains new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. In addition, in January 2013, the FASB issued ASU 2013-01, which simply clarified the scope of ASU 2011-11. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 and ASU 2013-01 are effective for us on January 1, 2013, and retrospective application is required. Since the guidance relates only to disclosures, adoption is not expected to have a material effect on our consolidated financial condition or results of operations.

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

In February, 2013 the FASB issued ASU 2013-02, which amends ASC 220, *Comprehensive Income*. The ASU contains new requirements related to the presentation and disclosure of items that are reclassified out of other comprehensive income. The new requirements will give financial statement users a more comprehensive view of items that are reclassified out of other comprehensive income. ASU 2013-02 is effective for us on January 1, 2013, and is to be applied prospectively. Since the guidance relates only to presentation and disclosure of information, adoption is not expected to have a material effect on our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

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

Select Mortgage Operations

During the second quarter of 2012, we sold the Canadian mortgage operations of ResMor Trust. During 2010, we sold certain international operations. These operations included residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the United Kingdom and continental Europe.

Select Insurance Operations

During the fourth quarter of 2011, we committed to sell our U.K.-based operations that provide vehicle service contracts and insurance products in Europe and Latin America. On February 28, 2013, we sold our U.K.-based operations to a wholly owned subsidiary of AmTrust Financial Services, Inc. Additionally, during the fourth quarter of 2012, we committed to sell our Mexican insurance business, ABA Seguros, to the ACE Group. In connection with the classification of these Insurance operations as held-for-sale we recognized a pretax loss of \$55 million during the year ended December 31, 2012. The loss represents the impairment recognized to present the operations at the lower-of-cost or fair value. The fair value was determined using sales agreements with third-party purchasers (a Level 2 fair value input). We expect to complete the ABA Seguros sale during the first half of 2013.

During the second quarter of 2011, we completed the sale of our U.K. consumer property and casualty insurance business. During 2010, we completed the sale of our U.S. consumer property and casualty insurance business.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust (Ally Canada) to Royal Bank of Canada. On February 1, 2013, we completed the sale of Ally Canada. Refer to Note 31 for more information regarding the sale. Additionally, during the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. No impairment was recognized to present the operations at the lower-of-cost or fair value. We expect to complete the sales by region during 2013.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

During the first quarter of 2012, we completed the sale of our Venezuela operations. During the first quarter of 2011, we completed the sale of our Ecuador operations. During 2010, we completed the sale of our Argentina and Poland operations and our full-service leasing operations in Australia, Belgium, France, Poland, and the United Kingdom. We also ceased operations in Australia and Russia and classified them as discontinued during 2010.

Select Corporate and Other Operations

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

Select Financial Information

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

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Select Mortgage operations			
Total net revenue (loss)	\$ 7	\$ (4)	\$ 94
Pretax (loss) income including direct costs to transact a sale	(13)	(38)	49
Tax (benefit) expense	(15)	(8)	7
Select Insurance operations			
Total net revenue	\$ 625	\$ 710	\$ 976
Pretax income including direct costs to transact a sale (a)	86	145	31
Tax expense (b)	53	39	19
Select Automotive Finance operations			
Total net revenue	\$ 1,503	\$ 1,690	\$ 1,646
Pretax income including direct costs to transact a sale (a)	786	820	698
Tax expense (b)	235	92	17
Select Corporate and Other operations			
Total net revenue	\$ 11	\$ 7	\$ 22
Pretax income	83	44	3
Tax expense (benefit)	2	3	(3)

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

(b) Includes certain income tax activity recognized by Corporate and Other.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Held-for-sale Operations

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

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

(a) Includes our U.K.-based operations that provide vehicle service contracts and insurance products, and ABA Seguros.

(b) Includes our Canadian and Other International entities (including full-service leasing operations and other automotive finance operations).

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

December 31, 2011 (\$ in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select Automotive Finance operations (c)	Total held-for-sale operations
Assets				
Cash and cash equivalents				
Noninterest-bearing	\$ —	\$ 4	\$ 55	\$ 59
Interest-bearing	—	54	38	92
Total cash and cash equivalents	—	58	93	151
Investment securities	—	186	—	186
Loans held-for-sale, net	260	—	—	260
Finance receivables and loans, net				
Finance receivables and loans, net	285	—	11	296
Allowance for loan losses	—	—	(1)	(1)
Total finance receivables and loans, net	285	—	10	295
Investment in operating leases, net	—	—	91	91
Premiums receivable and other insurance assets	—	77	—	77
Other assets	140	14	30	184
Impairment on assets of held-for-sale operations	—	—	(174)	(174)
Total assets	\$ 685	\$ 335	\$ 50	\$ 1,070
Liabilities				
Unearned insurance premiums and service revenue	\$ —	\$ 130	\$ —	\$ 130
Accrued expenses and other liabilities	80	99	28	207
Total liabilities	\$ 80	\$ 229	\$ 28	\$ 337

(a) Includes the Canadian mortgage operations of ResMor Trust.

(b) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.

(c) Includes the operations of Venezuela and our full-service leasing operations.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Recurring Fair Value

The following table displays the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. Refer to Note 25 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

(\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
December 31, 2012				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 555	\$ 42	\$ —	\$ 597
Corporate debt	—	76	—	76
Other	—	327	—	327
Other assets				
Derivative assets:				
Interest rate contracts	—	22	9	31
Total assets	\$ 555	\$ 467	\$ 9	\$ 1,031
Liabilities				
Accrued expenses and other liabilities:				
Derivative liabilities				
Interest rate contracts	\$ —	\$ 24	\$ 11	\$ 35
Foreign currency contracts	—	1	18	19
Total liabilities	\$ —	\$ 25	\$ 29	\$ 54
December 31, 2011				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 171	\$ 15	\$ —	\$ 186
Other assets				
Interest retained in financial asset sales	—	—	66	66
Total assets	\$ 171	\$ 15	\$ 66	\$ 252

3. Insurance Premiums and Service Revenue Earned

The following table is a summary of insurance premiums and service revenue written and earned.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Written	Earned	Written	Earned	Written	Earned
Insurance premiums						
Direct	\$ 337	\$ 339	\$ 359	\$ 326	\$ 359	\$ 337
Assumed	44	49	38	76	210	281
Gross insurance premiums	381	388	397	402	569	618
Ceded	(141)	(109)	(129)	(126)	(229)	(228)
Net insurance premiums	240	279	268	276	340	390
Service revenue	826	780	788	894	718	981
Insurance premiums and service revenue written and earned	\$ 1,066	\$ 1,059	\$ 1,056	\$ 1,170	\$ 1,058	\$ 1,371

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

4. Other Income, Net of Losses

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

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Mortgage processing fees and other mortgage income	\$ 481	\$ 231	\$ 234
Late charges and other administrative fees	83	82	92
Remarketing fees	63	96	126
Securitization income	45	194	20
Fair value adjustment on derivatives (a)	(30)	(137)	(189)
Change due to fair value option elections (b)	(19)	(101)	(217)
Other, net	124	128	268
Total other income, net of losses	\$ 747	\$ 493	\$ 334

(a) Refer to Note 22 for a description of derivative instruments and hedging activities.

(b) Refer to Note 25 for a description of fair value option elections.

5. Other Operating Expenses

Details of other operating expenses were as follows.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Impairment and accruals related to ResCap Bankruptcy and deconsolidation (a)	\$ 1,192	\$ —	\$ —
Insurance commissions	382	432	511
Technology and communications	347	418	431
Lease and loan administration	315	168	143
Professional services	281	294	241
Advertising and marketing	150	168	137
Regulatory and licensing fees	119	127	115
Fines and penalties	90	222	—
Premises and equipment depreciation	83	81	70
Mortgage representation and warranty obligation, net	67	324	670
Occupancy	58	72	72
Vehicle remarketing and repossession	52	84	123
State and local non-income taxes	15	49	42
Other	347	497	523
Total other operating expenses	\$ 3,498	\$ 2,936	\$ 3,078

(a) This charge consists of the \$442 million total impairment of our investment in ResCap and a \$750 million accrual of a cash settlement offer to the Debtors' estate. Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this charge.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

6. Investment Securities

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

December 31, (\$ in millions)	2012				2011			
	Amortized cost	Gross unrealized		Fair value	Amortized cost	Gross unrealized		Fair value
		gains	losses			gains	losses	
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 2,212	\$ 3	\$ (1)	\$ 2,214	\$ 1,535	\$ 13	\$ (2)	\$ 1,546
U.S. states and political subdivisions	—	—	—	—	1	—	—	1
Foreign government	295	8	—	303	765	20	(1)	784
Mortgage-backed residential (a)	6,779	130	(3)	6,906	7,266	87	(41)	7,312
Asset-backed	2,309	32	(1)	2,340	2,600	28	(13)	2,615
Corporate debt	1,209	57	(3)	1,263	1,486	23	(18)	1,491
Other	—	—	—	—	326	1	—	327
Total debt securities	12,804	230	(8)	13,026	13,979	172	(75)	14,076
Equity securities	1,193	32	(73)	1,152	1,188	25	(154)	1,059
Total available-for-sale securities (b)	\$ 13,997	\$ 262	\$ (81)	\$ 14,178	\$ 15,167	\$ 197	\$ (229)	\$ 15,135

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$4,983 million and \$6,114 million at December 31, 2012, and December 31, 2011, 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 \$16 million at December 31, 2012, and December 31, 2011, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

(\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2012										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 2,214	0.9%	\$ 422	—%	\$ 682	0.7%	\$ 1,110	1.4%	\$ —	—%
Foreign government	303	2.5	1	2.2	136	1.8	166	3.0	—	—
Mortgage-backed residential	6,906	2.7	—	—	—	—	35	4.3	6,871	2.7
Asset-backed	2,340	2.1	—	—	1,543	2.0	510	1.7	287	3.3
Corporate debt	1,263	5.1	9	3.2	560	4.0	596	6.0	98	5.8
Total available-for-sale debt securities	\$ 13,026	2.4	\$ 432	0.1	\$ 2,921	2.0	\$ 2,417	2.6	\$ 7,256	2.6
Amortized cost of available-for-sale debt securities	\$ 12,804		\$ 431		\$ 2,880		\$ 2,369		\$ 7,124	
December 31, 2011										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 1,546	0.9%	\$ 231	—%	\$ 1,202	0.9%	\$ 113	2.2%	\$ —	—%
U.S. states and political subdivisions	1	5.4	—	—	—	—	—	—	1	5.4
Foreign government	784	4.4	77	7.7	506	4.3	201	3.3	—	—
Mortgage-backed residential	7,312	2.5	3	4.8	2	6.3	189	2.6	7,118	2.5
Asset-backed	2,615	2.1	—	—	1,599	1.9	574	1.9	442	3.2
Corporate debt	1,491	4.9	19	4.9	741	4.4	606	5.6	125	4.7
Other	327	1.4	316	1.3	—	—	11	4.6	—	—
Total available-for-sale debt securities	\$ 14,076	2.6	\$ 646	1.7	\$ 4,050	2.4	\$ 1,694	3.5	\$ 7,686	2.6
Amortized cost of available-for-sale debt securities	\$ 13,979		\$ 644		\$ 4,026		\$ 1,678		\$ 7,631	

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

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

The balances of cash equivalents were \$3.4 billion and \$5.6 billion at December 31, 2012, and December 31, 2011, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Gross realized gains	\$ 241	\$ 298	\$ 537
Gross realized losses	(34)	(28)	(34)
Other-than-temporary impairment	(61)	(11)	(1)
Net realized gains	\$ 146	\$ 259	\$ 502

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Taxable interest	\$ 262	\$ 327	\$ 296
Taxable dividends	30	24	17
Interest and dividends exempt from U.S. federal income tax	—	—	10
Interest and dividends on available-for-sale securities	\$ 292	\$ 351	\$ 323

Certain available-for-sale securities were sold at a loss in 2012, 2011, and 2010 as a result of market conditions within these respective periods (e.g., a downgrade in the rating of a debt security). The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of December 31, 2012, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of December 31, 2012, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at December 31, 2012. Refer to Note 1 for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

December 31, (\$ in millions)	2012				2011			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss						
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 244	\$ (1)	\$ —	\$ —	\$ 179	\$ (2)	\$ —	\$ —
Foreign government	11	—	—	—	197	(1)	—	—
Mortgage-backed residential	493	(2)	23	(1)	2,302	(39)	45	(2)
Asset-backed	143	(1)	1	—	994	(13)	1	—
Corporate debt	120	(2)	15	(1)	444	(16)	30	(2)
Total temporarily impaired debt securities	1,011	(6)	39	(2)	4,116	(71)	76	(4)
Temporarily impaired equity securities	380	(39)	218	(34)	770	(148)	18	(6)
Total temporarily impaired available-for-sale securities	\$ 1,391	\$ (45)	\$ 257	\$ (36)	\$ 4,886	\$ (219)	\$ 94	\$ (10)

7. Loans Held-for-Sale, Net

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

December 31, (\$ in millions)	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ —	\$ —	\$ —	\$ 425	\$ —	\$ 425
Consumer mortgage						
1st Mortgage	2,490	—	2,490	7,360	12	7,372
Home equity	—	—	—	740	—	740
Total consumer mortgage (a)	2,490	—	2,490	8,100	12	8,112
Commercial and industrial						
Other	86	—	86	20	—	20
Total loans held-for-sale (b)	\$ 2,576	\$ —	\$ 2,576	\$ 8,545	\$ 12	\$ 8,557

(a) Fair value option-elected domestic consumer mortgages were \$2.5 billion and \$3.9 billion at December 31, 2012, and December 31, 2011, respectively. Refer to Note 25 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized premiums of \$26 million at December 31, 2012, and net unamortized discounts of \$221 million at December 31, 2011.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	2012		2011	
High original loan-to-value (greater than 100%) mortgage loans	\$	378	\$	423
Payment-option adjustable-rate mortgage loans		—		12
Interest-only mortgage loans		10		298
Below-market rate (teaser) mortgages		—		169
Total higher-risk mortgage loans held-for-sale	\$	388	\$	902

8. Finance Receivables and Loans, Net

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

December 31, (\$ in millions)	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ 53,713	\$ 2	\$ 53,715	\$ 46,576	\$ 16,883	\$ 63,459
Consumer mortgage						
1st Mortgage	7,173	—	7,173	6,867	24	6,891
Home equity	2,648	—	2,648	3,102	—	3,102
Total consumer mortgage	9,821	—	9,821	9,969	24	9,993
Commercial						
Commercial and industrial						
Automobile	30,270	—	30,270	26,552	8,265	34,817
Mortgage	—	—	—	1,887	24	1,911
Other	2,679	18	2,697	1,178	63	1,241
Commercial real estate						
Automobile	2,552	—	2,552	2,331	154	2,485
Mortgage	—	—	—	—	14	14
Total commercial	35,501	18	35,519	31,948	8,520	40,468
Loans at fair value (a)	—	—	—	603	232	835
Total finance receivables and loans (b)	\$ 99,035	\$ 20	\$ 99,055	\$ 89,096	\$ 25,659	\$ 114,755

(a) Includes domestic consumer mortgages at fair value as a result of fair value option election. Refer to Note 25 for additional information.

(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$895 million and \$2.9 billion at December 31, 2012, and December 31, 2011, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

(\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 221	\$ 1,503
Charge-offs				
Domestic	(438)	(149)	(8)	(595)
Foreign	(178)	—	(3)	(181)
Total charge-offs	(616)	(149)	(11)	(776)
Recoveries				
Domestic	171	11	11	193
Foreign	76	—	33	109
Total recoveries	247	11	44	302
Net charge-offs	(369)	(138)	33	(474)
Provision for loan losses	257	86	(14)	329
Foreign provision for loan losses	115	—	(50)	65
Deconsolidation of ResCap	—	(9)	—	(9)
Other (a)	(194)	(3)	(47)	(244)
Allowance at December 31, 2012	\$ 575	\$ 452	\$ 143	\$ 1,170
Allowance for loan losses				
Individually evaluated for impairment	\$ 16	\$ 186	\$ 26	\$ 228
Collectively evaluated for impairment	556	266	117	939
Loans acquired with deteriorated credit quality	3	—	—	3
Finance receivables and loans at historical cost				
Ending balance	53,715	9,821	35,519	99,055
Individually evaluated for impairment	260	873	1,538	2,671
Collectively evaluated for impairment	53,425	8,948	33,981	96,354
Loans acquired with deteriorated credit quality	30	—	—	30

(a) Other includes the allowance of foreign Automotive Finance operations finance receivables and loans that were reclassified as discontinued operations.

(\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2011	\$ 970	\$ 580	\$ 323	\$ 1,873
Charge-offs				
Domestic	(435)	(205)	(27)	(667)
Foreign	(145)	(5)	(63)	(213)
Total charge-offs	(580)	(210)	(90)	(880)
Recoveries				
Domestic	186	16	25	227
Foreign	73	1	26	100
Total recoveries	259	17	51	327
Net charge-offs	(321)	(193)	(39)	(553)
Provision for loan losses	102	129	(43)	188
Foreign provision for loan losses	52	—	(21)	31
Other	(37)	—	1	(36)
Allowance at December 31, 2011	\$ 766	\$ 516	\$ 221	\$ 1,503
Allowance for loan losses				
Individually evaluated for impairment	\$ 7	\$ 172	\$ 61	\$ 240
Collectively evaluated for impairment	749	344	160	1,253
Loans acquired with deteriorated credit quality	10	—	—	10
Finance receivables and loans at historical cost				
Ending balance	63,459	9,993	40,468	113,920
Individually evaluated for impairment	69	606	464	1,139
Collectively evaluated for impairment	63,302	9,387	40,004	112,693
Loans acquired with deteriorated credit quality	88	—	—	88

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	2012	2011
Consumer automobile	\$ 1,960	\$ 3,279
Consumer mortgage	40	107
Commercial	96	34
Total sales and transfers	\$ 2,096	\$ 3,420

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

December 31, (\$ 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
2012						
Consumer automobile	\$ 920	\$ 213	\$ 138	\$ 1,271	\$ 52,444	\$ 53,715
Consumer mortgage						
1st Mortgage	66	37	156	259	6,914	7,173
Home equity	15	6	18	39	2,609	2,648
Total consumer mortgage	81	43	174	298	9,523	9,821
Commercial						
Commercial and industrial						
Automobile	—	—	16	16	30,254	30,270
Mortgage	—	—	—	—	—	—
Other	—	—	1	1	2,696	2,697
Commercial real estate						
Automobile	—	—	8	8	2,544	2,552
Mortgage	—	—	—	—	—	—
Total commercial	—	—	25	25	35,494	35,519
Total consumer and commercial	\$ 1,001	\$ 256	\$ 337	\$ 1,594	\$ 97,461	\$ 99,055
2011						
Consumer automobile	\$ 802	\$ 162	\$ 179	\$ 1,143	\$ 62,316	\$ 63,459
Consumer mortgage						
1st Mortgage	91	35	162	288	6,603	6,891
Home equity	21	11	18	50	3,052	3,102
Total consumer mortgage	112	46	180	338	9,655	9,993
Commercial						
Commercial and industrial						
Automobile	—	1	126	127	34,690	34,817
Mortgage	—	—	—	—	1,911	1,911
Other	—	—	1	1	1,240	1,241
Commercial real estate						
Automobile	2	1	34	37	2,448	2,485
Mortgage	—	2	12	14	—	14
Total commercial	2	4	173	179	40,289	40,468
Total consumer and commercial	\$ 916	\$ 212	\$ 532	\$ 1,660	\$ 112,260	\$ 113,920

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	2012	2011
Consumer automobile	\$ 260	\$ 228
Consumer mortgage		
1st Mortgage	342	281
Home equity	40	58
Total consumer mortgage	382	339
Commercial		
Commercial and industrial		
Automobile	146	223
Mortgage	—	—
Other	33	37
Commercial real estate		
Automobile	37	67
Mortgage	—	12
Total commercial	216	339
Total consumer and commercial finance receivables and loans	\$ 858	\$ 906

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

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

December 31, (\$ in millions)	2012			2011		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	\$ 53,455	\$ 260	\$ 53,715	\$ 63,231	\$ 228	\$ 63,459
Consumer mortgage						
1st Mortgage	6,831	342	7,173	6,610	281	6,891
Home equity	2,608	40	2,648	3,044	58	3,102
Total consumer mortgage	\$ 9,439	\$ 382	\$ 9,821	\$ 9,654	\$ 339	\$ 9,993

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

December 31, (\$ in millions)	2012			2011		
	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	\$ 28,978	\$ 1,292	\$ 30,270	\$ 32,464	\$ 2,353	\$ 34,817
Mortgage	—	—	—	1,760	151	1,911
Other	2,417	280	2,697	883	358	1,241
Commercial real estate						
Automobile	2,440	112	2,552	2,305	180	2,485
Mortgage	—	—	—	—	14	14
Total commercial	\$ 33,835	\$ 1,684	\$ 35,519	\$ 37,412	\$ 3,056	\$ 40,468

(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.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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.

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

December 31, (\$ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
2012					
Consumer automobile	\$ 260	\$ 260	\$ 90	\$ 170	\$ 16
Consumer mortgage					
1st Mortgage	811	725	123	602	137
Home equity	147	148	1	147	49
Total consumer mortgage	958	873	124	749	186
Commercial					
Commercial and industrial					
Automobile	146	146	54	92	7
Mortgage	—	—	—	—	—
Other	33	33	9	24	7
Commercial real estate					
Automobile	37	37	9	28	12
Mortgage	—	—	—	—	—
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	\$ 1,434	\$ 1,349	\$ 286	\$ 1,063	\$ 228
2011					
Consumer automobile	\$ 69	\$ 69	\$ —	\$ 69	\$ 7
Consumer mortgage					
1st Mortgage	516	508	83	425	126
Home equity	97	98	—	98	46
Total consumer mortgage	613	606	83	523	172
Commercial					
Commercial and industrial					
Automobile	222	222	64	158	22
Mortgage	—	—	—	—	—
Other	37	37	25	12	5
Commercial real estate					
Automobile	68	68	32	36	18
Mortgage	12	12	1	11	5
Total commercial	339	339	122	217	50
Total consumer and commercial finance receivables and loans	\$ 1,021	\$ 1,014	\$ 205	\$ 809	\$ 229

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Average balance	Interest income	Average balance	Interest income	Average balance	Interest income
Consumer automobile	\$ 131	\$ 12	\$ 35	\$ 2	\$ —	\$ —
Consumer mortgage						
1st Mortgage	598	24	463	18	405	15
Home equity	95	4	90	4	79	4
Total consumer mortgage	693	28	553	22	484	19
Commercial						
Commercial and industrial						
Automobile	178	8	303	19	335	13
Mortgage	5	—	19	6	53	2
Other	32	6	84	1	650	6
Commercial real estate						
Automobile	64	1	126	7	275	3
Mortgage	6	—	40	1	137	6
Total commercial	285	15	572	34	1,450	30
Total consumer and commercial finance receivables and loans	\$ 1,109	\$ 55	\$ 1,160	\$ 58	\$ 1,934	\$ 49

Troubled Debt Restructurings

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we offer several types of assistance to aid our customers including changing the maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were \$1.2 billion at December 31, 2012, reflecting an increase of \$441 million from December 31, 2011. Refer to Note 1 for additional information.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in millions)	2012 (a)			2011		
	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	36,285	\$ 407	\$ 295	6,411	\$ 85	\$ 85
Consumer mortgage						
1st Mortgage	1,664	412	327	375	133	132
Home equity	1,305	24	23	888	51	47
Total consumer mortgage	2,969	436	350	1,263	184	179
Commercial						
Commercial and industrial						
Automobile	9	15	15	2	5	5
Mortgage	—	—	—	1	38	28
Other	—	—	—	2	11	10
Commercial real estate						
Automobile	8	14	13	5	12	11
Mortgage	—	—	—	2	4	3
Total commercial	17	29	28	12	70	57
Total consumer and commercial finance receivables and loans	39,271	\$ 872	\$ 673	7,686	\$ 339	\$ 321

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

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

Year ended December 31, (\$ in millions)	2012 (a)			2011		
	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	2,290	\$ 26	\$ 12	420	\$ 4	\$ 2
Consumer mortgage						
1st Mortgage	112	16	1	11	2	—
Home equity	41	3	2	28	2	1
Total consumer mortgage	153	19	3	39	4	1
Commercial						
Commercial and industrial						
Automobile	4	3	—	1	3	—
Commercial real estate						
Automobile	3	3	—	—	—	—
Total commercial	7	6	—	1	3	—
Total consumer and commercial finance receivables and loans	2,450	\$ 51	\$ 15	460	\$ 11	\$ 3

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

At December 31, 2012, and December 31, 2011, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were \$25 million and \$45 million, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Concentration Risk

Consumer

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

Concentrations in our mortgage portfolio are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been the most severe.

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration.

December 31,	2012 (a)		2011	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	12.9%	5.8%	9.5%	5.5%
California	5.6	29.2	4.6	25.7
Florida	6.7	3.6	4.8	4.0
Michigan	5.0	4.1	4.0	4.8
Pennsylvania	5.2	1.6	3.6	1.6
Illinois	4.3	4.8	3.1	5.0
New York	4.6	2.0	3.5	2.3
Ohio	4.0	0.8	2.9	1.0
Georgia	3.7	1.9	2.5	1.8
North Carolina	3.3	2.0	2.2	2.1
Other United States	44.7	44.2	32.9	45.9
Foreign (b)	—	—	26.4	0.3
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2012.

(b) Foreign consumer finance receivables and loans as of December 31, 2012, was \$2 million. These remaining foreign balances are within Finland and the Czech Republic.

Consumer Higher-Risk Mortgage

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

December 31, (\$ in millions)	2012	2011
Interest-only mortgage loans (a)	\$ 2,063	\$ 2,947
Below-market rate (teaser) mortgages	192	248
Total higher-risk mortgage finance receivables and loans	\$ 2,255	\$ 3,195

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

The following table presents our five largest state concentrations within our held-for-investment mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses by higher-risk loan type.

December 31, (\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Michigan	106	5	111
Other United States	968	107	1,075
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255
2011			
California	\$ 748	\$ 78	\$ 826
Virginia	274	10	284
Maryland	217	6	223
Illinois	153	8	161
Michigan	199	9	208
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	\$ 2,947	\$ 248	\$ 3,195

Commercial Real Estate

The commercial real estate portfolio consists of loans issued primarily to automotive dealers. The following table shows the percentage of total commercial real estate finance receivables and loans reported at carrying value before allowance for loan losses by geographic region and property type.

December 31,	2012	2011
Geographic region		
Texas	13.0%	12.4%
Michigan	12.6	14.1
Florida	11.7	12.4
California	9.3	9.3
New York	4.9	3.5
Virginia	3.9	4.1
North Carolina	3.9	2.1
Pennsylvania	3.3	2.9
Georgia	3.0	2.5
Tennessee	2.3	1.8
Other United States	32.1	28.3
Foreign	—	6.6
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	99.4%
Other	—	0.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed as criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. The following table presents the percentage of total commercial criticized finance receivables and loans reported at carrying value before allowance for loan losses by industry concentrations.

December 31,	2012	2011
Industry		
Automotive	85.7%	82.9%
Manufacturing	5.5	1.8
Services	4.9	1.9
Other	3.9	13.4
Total commercial criticized finance receivables and loans	100.0%	100.0%

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

December 31, (\$ in millions)	2012	2011
Vehicles and other equipment	\$ 16,009	\$ 11,160
Accumulated depreciation	(2,459)	(1,885)
Investment in operating leases, net	\$ 13,550	\$ 9,275

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.

Year ended December 31, (\$ in millions)	2012	2011	2010
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 1,515	\$ 1,158	\$ 1,806
Remarketing gains	(116)	(217)	(555)
Depreciation expense on operating lease assets	\$ 1,399	\$ 941	\$ 1,251

The following table presents the future lease nonresidual rental payments due from customers for equipment on operating leases.

Year ended December 31, (\$ in millions)	
2013	\$ 2,573
2014	1,705
2015	618
2016	27
2017 and after	—
Total	\$ 4,923

10. Securitizations and Variable Interest Entities

Overview

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

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

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, other commercial loans, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Consolidated Balance Sheet. We securitize consumer

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We previously securitized consumer mortgage loans through private-label mortgage securitizations and through transactions involving the Government National Mortgage Association (Ginnie Mae). We refer to Fannie Mae, Freddie Mac, and Ginnie Mae collectively as the Government-Sponsored Enterprises or GSEs. During 2012 and 2011, our consumer mortgage loans were primarily securitized through the GSEs.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred loans and entitle the investors to specified cash flows generated from the securitized loans. In addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, making certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and previously master servicing (i.e., servicing the beneficial interests that result from the securitization transactions). Certain securitization entities also require the servicer to advance scheduled principal and interest payments due on the beneficial interests issued by the entity regardless of whether cash payments are received on the underlying transferred financial assets. Accordingly, we are required to provide these servicing advances when applicable. Refer to Note 11 for additional information regarding our servicing rights.

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

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

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

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 29 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during 2012 or 2011.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Other Variable Interest Entities

Servicer Advance Funding Entity

We previously assisted in the financing of our servicer advance receivables; we formed a VIE that issued variable funding notes to third-party investors that were collateralized by servicer advance receivables. These servicer advance receivables were transferred to the VIE and consisted of delinquent principal and interest advances we made as servicer to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The VIE funded the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our mortgage activities. This VIE was not consolidated on our balance sheet at December 31, 2012 as a result of the deconsolidation of ResCap, but was consolidated on our balance sheet at December 31, 2011. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during 2012 or 2011.

Other

We had involvements with various other on-balance sheet, immaterial VIEs. Most of these VIEs were used for additional liquidity whereby we sold certain financial assets into the VIE and issued beneficial interests to third parties for cash.

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

Involvement with Variable Interest Entities

The determination of whether financial assets transferred by us to these VIEs (and related liabilities) are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the VIE. We are deemed the primary beneficiary and therefore consolidate VIEs for which we have both (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	Consolidated involvement with VIEs (a)	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs
2012			
On-balance sheet variable interest entities			
Consumer automobile	\$ 28,566		
Commercial automobile	23,139		
Commercial other	728		
Off-balance sheet variable interest entities			
Consumer automobile	—	\$ 1,495	\$ 1,495 (b)
Consumer mortgage — other	—	— (c)	12 (d)
Commercial other	(28) (e)	— (f)	85
Total	\$ 52,405	\$ 1,495	\$ 1,592
2011			
On-balance sheet variable interest entities			
Consumer automobile	\$ 26,504		
Consumer mortgage — private-label	1,098		
Commercial automobile	19,594		
Other	956		
Off-balance sheet variable interest entities			
Consumer mortgage — Ginnie Mae	2,652 (g)	\$ 44,127	\$ 44,127 (b)
Consumer mortgage — CMHC	66 (g)	3,222	66 (h)
Consumer mortgage — private-label	141 (g)	4,408	4,408 (b)
Consumer mortgage — other	—	— (c)	17 (d)
Commercial other	83 (e)	— (f)	242
Total	\$ 51,094	\$ 51,757	\$ 48,860

- (a) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.
- (b) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.
- (c) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE. However, in March 2011 we sold excess servicing rights valued at \$266 million to the VIE.
- (d) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.
- (e) Includes \$0 million and \$100 million classified as finance receivables and loans, net, and \$0 million and \$20 million classified as other assets, offset by \$28 million and \$37 million classified as accrued expenses and other liabilities at December 31, 2012, and December 31, 2011, respectively.
- (f) Includes VIEs for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs.
- (g) Includes \$0 billion and \$2.4 billion classified as mortgage loans held-for-sale, \$0 million and \$92 million classified as trading securities or other assets, and \$0 million and \$386 million classified as mortgage servicing rights at December 31, 2012, and December 31, 2011, respectively. CMHC is the Canada Mortgage and Housing Corporation.
- (h) Due to combination of the credit loss insurance on the mortgages and the guarantee by CMHC on the issued securities, the maximum exposure to loss would be limited to the amount of the retained interests. Additionally, the maximum loss would occur only in the event that CMHC dismisses us as servicer of the loans due to servicer performance or insolvency.

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Consolidated Balance Sheet.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

The consolidated VIEs included in the Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 25 for discussion of the assets and liabilities for which the fair value option has been elected.

December 31, (\$ in millions)	2012	2011
Assets		
Loans held-for-sale, net	\$ —	\$ 9
Finance receivables and loans, net		
Consumer	13,671	21,622
Commercial	17,839	19,313
Allowance for loan losses	(144)	(210)
Total finance receivables and loans, net	31,366	40,725
Investment in operating leases, net	6,060	4,389
Other assets	2,868	3,029
Assets of operations held-for-sale	12,139	—
Total assets	\$ 52,433	\$ 48,152
Liabilities		
Short-term borrowings	\$ 400	\$ 795
Long-term debt	26,461	33,143
Interest payable	1	14
Accrued expenses and other liabilities	16	405
Liabilities of operations held-for-sale	9,686	—
Total liabilities	\$ 36,564	\$ 34,357

Off-balance Sheet Variable Interest Entities

The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. The cash flows from the assets of nonconsolidated securitization entities generally are the sole source of payment on the securitization entities' liabilities. The creditors of these securitization entities have no recourse to us with the exception of market customary representation and warranty provisions as described in Note 29.

Nonconsolidated VIEs include entities for which we either do not hold potentially significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet the sale accounting conditions in ASC 860, *Transfers and Servicing*. Previously, our residential mortgage loan securitizations consisted of Ginnie Mae and private-label securitizations. We are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Previously, we did not consolidate certain private-label mortgage securitizations because we did not have a variable interest that could potentially have been significant or we did not have power to direct the activities that most significantly impacted the performance of the VIE.

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

The following summarizes all pretax gains and losses recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities.

Year ended December 31, (\$ in millions)	2012	2011	2010
Consumer automobile	\$ 6	\$ —	\$ —
Consumer mortgage — GSEs	942	818	1,065
Consumer mortgage — private-label	—	—	17
Total pretax gain	\$ 948	\$ 818	\$ 1,082

The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding in 2012, 2011, and 2010. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Year ended December 31, (\$ in millions)	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
2012			
Cash proceeds from transfers completed during the period	\$ 1,979	\$ 32,796	\$ 5
Cash flows received on retained interests in securitization entities	—	—	71
Servicing fees	12	693	63
Purchases of previously transferred financial assets	—	(876)	(12)
Representations and warranties obligations	—	(108)	(7)
Other cash flows	—	(96)	255
2011			
Cash proceeds from transfers completed during the period	\$ —	\$ 59,815	\$ 722
Cash flows received on retained interests in securitization entities	—	—	68
Servicing fees	—	999	201
Purchases of previously transferred financial assets	—	(2,537)	(222)
Representations and warranties obligations	—	(143)	(38)
Other cash flows	—	(13)	187
2010			
Cash proceeds from transfers completed during the period	\$ —	\$ 68,822	\$ 1,090
Cash flows received on retained interests in securitization entities	—	—	81
Servicing fees	1	1,081	209
Purchases of previously transferred financial assets	—	(1,865)	(282)
Representations and warranties obligations	—	(389)	(18)
Other cash flows	(6)	(39)	(22)

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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 table presents quantitative information about delinquencies and net credit losses. Refer to Note 11 for further detail on total serviced assets.

December 31, (\$ in millions)	Total Amount		Amount 60 days or more past due		Net credit losses	
	2012	2011	2012	2011	2012	2011
On-balance sheet loans						
Consumer automobile	\$ 53,715	\$ 63,884	\$ 351	\$ 341	\$ 369	\$ 321
Consumer mortgage (a)	12,311	18,940	241	3,242	16	181
Commercial automobile	32,822	37,302	24	162	(1)	13
Commercial mortgage	—	1,925	—	14	(1)	31
Commercial other	2,783	1,261	1	1	(31)	(5)
Total on-balance sheet loans	101,631	123,312	617	3,760	352	541
Off-balance sheet securitization entities						
Consumer automobile	1,495	—	4	—	2	—
Consumer mortgage - GSEs (b)	119,384	262,984	1,892	9,456	n/m	n/m
Consumer mortgage-private-label	—	63,991	—	11,301	1,234	3,982
Total off-balance sheet securitization entities	120,879	326,975	1,896	20,757	1,236	3,982
Whole-loan transactions (c)	6,756	33,961	129	2,901	243	782
Total	\$ 229,266	\$ 484,248	\$ 2,642	\$ 27,418	\$ 1,831	\$ 5,305

(a) Includes loans subject to conditional repurchase options of \$0 billion and \$2.3 billion guaranteed by the GSEs, and \$0 million and \$132 million sold to certain private-label mortgage securitization entities at December 31, 2012, and 2011, respectively.

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

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

11. Servicing Activities

Mortgage Servicing Rights

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

Year ended December 31, (\$ in millions)	2012 (a)	2011
Estimated fair value at January 1,	\$ 2,519	\$ 3,738
Additions recognized on sale of mortgage loans	240	622
Additions from purchases of servicing rights	—	31
Subtractions from sales of servicing assets	—	(266)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(282)	(1,041)
Other changes in fair value	(395)	(565)
Deconsolidation of ResCap	(1,130)	—
Estimated fair value at December 31,	\$ 952	\$ 2,519

(a) The remaining balance is at Ally Bank, due to the deconsolidation of ResCap. Ally Bank announced that it has begun to explore strategic alternatives for its agency MSR portfolio.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

The key economic assumptions and sensitivity of the fair value of MSR to immediate 10% and 20% adverse changes in those assumptions were as follows.

December 31, (\$ in millions)	2012	2011
Weighted average life (in years)	4.6	4.7
Weighted average prepayment speed	13.5%	15.7%
Impact on fair value of 10% adverse change	\$ (77)	\$ (135)
Impact on fair value of 20% adverse change	(144)	(257)
Weighted average discount rate	7.7%	10.2%
Impact on fair value of 10% adverse change	\$ (10)	\$ (59)
Impact on fair value of 20% adverse change	(19)	(114)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rates and prepayment risks associated with these assets.

Risk Mitigation Activities

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSR. We economically hedge the impact of these risks with both derivative and nonderivative financial instruments. Refer to Note 22 for additional information regarding the derivative financial instruments used to economically hedge MSR.

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Change in estimated fair value of mortgage servicing rights	\$ (677)	\$ (1,606)	\$ (872)
Change in fair value of derivative financial instruments	669	817	478
Servicing asset valuation and hedge activities, net	\$ (8)	\$ (789)	\$ (394)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

Year ended December 31, (\$ in millions)	2012	2011	2010
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 504	\$ 977	\$ 998
Late fees	29	65	77
Ancillary fees	59	156	187
Total mortgage servicing fees	\$ 592	\$ 1,198	\$ 1,262

Mortgage Servicing Advances

In connection with our primary Mortgage servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances including contractual interest, are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property. These servicing advances are included in other assets on the Consolidated Balance Sheet and totaled \$82 million and \$1.9 billion at December 31, 2012 and 2011, respectively. We maintain an allowance for uncollected primary servicing advances of \$1 million and \$43 million at December 31, 2012 and 2011, respectively. Our potential obligation is influenced by the loan's performance and credit quality. Additionally, we have a fiduciary responsibility for mortgage escrow and custodial funds that totaled \$0 billion and \$4.4 billion at December 31, 2012 and 2011, respectively. A portion of these balances are included in deposit liabilities on our Consolidated Balance Sheet. Refer to Note 14 for additional information.

Due to the deconsolidation of ResCap on May 14, 2012, we no longer act as a subservicer or master servicer of mortgage loans. Refer to Note 1 for more information regarding the deconsolidation. When we acted as a subservicer of mortgage loans we performed the responsibilities of a primary servicer but did not own the corresponding primary servicing rights. We received a fee from the primary servicer for such services. As the subservicer, we had the same responsibilities of a primary servicer in that we made certain payments of property

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

taxes and insurance premiums, default and property maintenance, as well as advances of principal and interest payments before collecting them from individual borrowers. At December 31, 2011, outstanding servicer advances related to subserviced loans were \$125 million and we had a reserve for uncollected subservicer advances \$1 million.

At December 31, 2011, we were the master servicer (i.e., servicer of beneficial interests issued by mortgage securitization entities) for 467,722 loans, having an aggregate unpaid principal balance of \$61.4 billion. In many cases, where we acted as master servicer, we also acted as primary servicer. In connection with our master-servicing activities, we serviced the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages sold to investors. As the master servicer, we collected mortgage loan payments from primary servicers and distributed those funds to investors in the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. As the master servicer, we were required to advance scheduled payments to the securitization trust or whole-loan investors. To the extent the primary servicer does not advance the payments, we were responsible for advancing the payment to the trust or whole-loan investors. Master-servicing advances, including contractual interest, are priority cash flows in the event of a default, thus making their collection reasonably assured. In most cases, we were required to advance these payments to the point of liquidation of the loan or reimbursement of the trust or whole-loan investors. At December 31, 2011, outstanding master-servicing advances were \$158 million and we had no reserve for uncollected master-servicing advances.

Mortgage Serviced Assets

Total serviced mortgage assets consist of primary servicing activities. These include loans owned by Ally Bank, where Ally Bank is the primary servicer, and loans sold to third-party investors, where Ally Bank has retained primary servicing. Loans owned by Ally Bank are categorized as loans held-for-sale or finance receivables and loans which are discussed in further detail in Note 7 and Note 8, respectively. The loans sold to third-party investors were sold through off-balance sheet GSE securitization transactions.

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

December 31, (\$ in millions)	2012 (a)	2011
On-balance sheet mortgage loans		
Held-for-sale and investment	\$ 10,938	\$ 18,871
Operations held-for-sale	—	541
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
Private-label	—	50,886
GSEs	119,384	262,868
Whole-loan	2	15,105
Purchased servicing rights	—	3,247
Operations held-for-sale	—	4,912
Total primary serviced mortgage loans	130,324	356,430
Subserviced mortgage loans	—	26,358
Subserviced operations held-for-sale	—	4
Total subserviced mortgage loans	—	26,362
Master-servicing-only mortgage loans	—	8,557
Total serviced mortgage loans	\$ 130,324	\$ 391,349

(a) The remaining balances were serviced by Ally Bank, due to the deconsolidation of ResCap. Ally Bank announced that it has begun to explore strategic alternatives for its agency MSR portfolio.

Ally Bank is subject to certain net worth requirements associated with its servicing agreements with Fannie Mae and Freddie Mac. The majority of Ally Bank's serviced mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. At December 31, 2012, Ally Bank was in compliance with the requirements of the servicing agreements.

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fee income of \$109 million, \$160 million, and \$227 million during the years ended December 31, 2012, 2011, and 2010, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

December 31, (<i>\$ in millions</i>)	2012	2011
On-balance sheet automobile finance loans and leases		
Consumer automobile	\$ 53,715	\$ 63,884
Commercial automobile	32,822	37,302
Operating leases	13,550	9,275
Operations held-for-sale	25,979	102
Other	41	—
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	1,474	—
Whole-loan	6,541	12,318
Total serviced automobile finance loans and leases	\$ 134,122	\$ 122,881

12. Premiums Receivable and Other Insurance Assets

Premiums receivable and other insurance assets consisted of the following.

December 31, (<i>\$ in millions</i>)	2012	2011
Prepaid reinsurance premiums	\$ 236	\$ 218
Reinsurance recoverable on unpaid losses	234	321
Reinsurance recoverable on paid losses	40	54
Premiums receivable	108	288
Deferred policy acquisition costs	991	972
Total premiums receivable and other insurance assets	\$ 1,609	\$ 1,853

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

13. Other Assets

The components of other assets were as follows.

December 31, (<i>\$ in millions</i>)	2012	2011
Property and equipment at cost	\$ 693	\$ 1,152
Accumulated depreciation	(411)	(787)
Net property and equipment	282	365
Restricted cash collections for securitization trusts (a)	2,983	1,596
Fair value of derivative contracts in receivable position	2,298	5,687
Collateral placed with counterparties	1,290	1,448
Deferred tax asset (b)	1,190	238
Restricted cash and cash equivalents	889	1,381
Other accounts receivable	525	1,110
Cash reserve deposits held-for-securitization trusts (c)	442	838
Unamortized debt issuance costs	425	612
Nonmarketable equity securities	303	419
Interests retained in financial asset sales	154	231
Accrued interest and rent receivable	147	232
Real estate and other investments	98	385
Servicer advances	92	2,142
Prepaid expenses and deposits	60	568
Goodwill	27	518
Other assets	703	971
Total other assets	\$ 11,908	\$ 18,741

- (a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.
- (b) The increase in the deferred tax asset represents the release of a material portion of our U.S. valuation allowance. Refer to Note 23 for more information.
- (c) Represents credit enhancement in the form of cash reserves for various securitization transactions.

The changes in the carrying amounts of goodwill for the periods shown were as follows.

<i>(\$ in millions)</i>	Automotive Finance operations	Insurance operations	Total
Goodwill at January 1, 2010	\$ 469	\$ 57	\$ 526
Transfer of assets of discontinued operations held-for-sale	(1)	(1)	(2)
Foreign-currency translation	—	1	1
Goodwill at December 31, 2010	\$ 468	\$ 57	\$ 525
Transfer of assets of discontinued operations held-for-sale	—	(4)	(4)
Foreign-currency translation	—	(3)	(3)
Goodwill at December 31, 2011	\$ 468	\$ 50	\$ 518
Transfer of assets of discontinued operations held-for-sale	(468)	(23)	(491)
Goodwill at December 31, 2012	\$ —	\$ 27	\$ 27

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

14. Deposit Liabilities

Deposit liabilities consisted of the following.

December 31, (\$ in millions)	2012	2011
Domestic deposits		
Noninterest-bearing deposits	\$ 1,977	\$ 2,029
Interest-bearing deposits		
Savings and money market checking accounts	13,871	9,035
Certificates of deposit	31,084	28,540
Dealer deposits	983	1,769
Total domestic deposit liabilities	47,915	41,373
Foreign deposits		
Interest-bearing deposits		
Savings and money market checking accounts	—	1,408
Certificates of deposit	—	1,958
Dealer deposits	—	311
Total foreign deposit liabilities	—	3,677
Total deposit liabilities	\$ 47,915	\$ 45,050

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At December 31, 2012, and December 31, 2011, certificates of deposit included \$12.0 billion and \$10.0 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

The following table presents the scheduled maturity of total certificates of deposit.

Year ended December 31, (\$ in millions)	
2013	\$ 15,688
2014	6,133
2015	4,336
2016	3,545
2017	1,382
Total certificates of deposit	\$ 31,084

15. Short-term Borrowings

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

December 31, (\$ in millions)	2012			2011		
	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	\$ 3,094	\$ —	\$ 3,094	\$ 2,756	\$ —	\$ 2,756
Bank loans and overdrafts	167	—	167	1,613	—	1,613
Federal Home Loan Bank	—	3,800	3,800	—	1,400	1,400
Other (b)	—	400	400	146	1,765	1,911
Total short-term borrowings	\$ 3,261	\$ 4,200	\$ 7,461	\$ 4,515	\$ 3,165	\$ 7,680
Weighted average interest rate (c)	1.0%			3.6%		

(a) Refer to Note 16 for further details on assets restricted as collateral for payment of the related debt.

(b) Other primarily includes nonbank secured borrowings at our Commercial Finance Group at December 31, 2012 and Automotive Finance operations at December 31, 2011.

(c) Based on the debt outstanding and the interest rate at December 31 of each year.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

16. Long-term Debt

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

December 31, (\$ in millions)	Amount	Interest rate	Weighted average interest rate (a)	Due date range
2012				
Senior debt				
Fixed rate (b)	\$ 28,336			
Variable rate	2,345			
Total senior debt (c)	30,681	0.38 - 10.29%	6.69%	2013 - 2049
Subordinated debt				
Fixed rate	251			
Variable rate (d)	13,451			
Total subordinated debt (e)	13,702	0.65 - 8.00%	0.92%	2013 - 2018
VIE secured debt				
Fixed rate	19,077			
Variable rate	7,384			
Total VIE secured debt	26,461	0.25 - 8.30%	1.36%	2013 - 2017
Trust preferred securities				
Fixed rate	2,623	8.13%	8.13%	2040
Fair value adjustment (f)	1,094			
Total long-term debt (g)	\$ 74,561			
2011				
Senior debt				
Fixed rate (b)	\$ 39,657			
Variable rate	3,393			
Total senior debt (c)	43,050	0.00 - 16.68%	6.15 %	2012 - 2049
Subordinated debt				
Fixed rate	4,675			
Variable rate (d)	8,246			
Total subordinated debt (e)	12,921	0.76 - 17.05%	4.62 %	2012 - 2031
VIE secured debt				
Fixed rate	16,538			
Variable rate	16,605			
Total VIE secured debt	33,143	0.32 - 8.30%	1.96 %	2012 - 2040
Trust preferred securities				
Fixed rate	2,622	8.13 %	8.13 %	2040
Fair value adjustment (f)	1,149			
Total long-term debt (g)	\$ 92,885			

(a) Based on the debt outstanding and the interest rate at December 31 of each year.

(b) Includes \$0.0 billion at December 31, 2012 and \$7.4 billion at December 31, 2011, guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program.

(c) Includes secured long-term debt of \$0.0 billion at December 31, 2012 and \$4.0 billion at December 31, 2011.

(d) Includes \$13.5 billion and \$8.2 billion of debt outstanding from the Automotive secured revolving credit facilities at December 31, 2012 and 2011, respectively.

(e) Includes secured long-term debt of \$13.5 billion and \$12.7 billion at December 31, 2012 and 2011, respectively.

(f) Amount represents the hedge accounting adjustment of fixed-rate debt.

(g) Includes fair value option-elected secured long-term debt of \$0 million and \$830 million at December 31, 2012 and 2011, respectively. Refer to Note 25 for additional information.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

December 31, (\$ in millions)	2012			2011		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	\$ 1,070	\$ 11,503	\$ 12,573	\$ 11,664	\$ 14,521	\$ 26,185
Due after one year	31,486	29,408	60,894	30,272	35,279	65,551
Fair value adjustment	1,094	—	1,094	1,149	—	1,149
Total long-term debt	\$ 33,650	\$ 40,911	\$ 74,561	\$ 43,085	\$ 49,800	\$ 92,885

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

Year ended December 31, (\$ in millions)	2013	2014	2015	2016	2017	2018 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	\$ 1,331	\$ 5,603	\$ 5,115	\$ 1,971	\$ 3,671	\$ 16,705	\$ 1,094	\$ 35,490
Original issue discount	(261)	(188)	(56)	(63)	(75)	(1,197)	—	(1,840)
Total unsecured	1,070	5,415	5,059	1,908	3,596	15,508	1,094	33,650
Secured								
Long-term debt	11,503	13,596	8,567	3,123	3,032	1,090	—	40,911
Total long-term debt	\$ 12,573	\$ 19,011	\$ 13,626	\$ 5,031	\$ 6,628	\$ 16,598	\$ 1,094	\$ 74,561

To achieve the desired balance between fixed- and variable-rate debt, we utilize interest rate swap agreements. The use of these derivative financial instruments had the effect of synthetically converting \$10.2 billion of our fixed-rate debt into variable-rate obligations and \$14.5 billion of our variable-rate debt into fixed-rate obligations at December 31, 2012.

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.

December 31, (\$ in millions)	2012		2011	
	Total	Ally Bank (a)	Total	Ally Bank (a)
Trading assets	\$ —	\$ —	\$ 27	\$ —
Investment securities	1,911	1,911	780	780
Loans held-for-sale	—	—	805	—
Mortgage assets held-for-investment and lending receivables	9,866	9,866	12,197	11,188
Consumer automobile finance receivables	29,557	14,833	33,888	17,320
Commercial automobile finance receivables	19,606	19,606	20,355	14,881
Investment in operating leases, net	6,058	1,691	4,555	431
Mortgage servicing rights	—	—	1,920	1,286
Other assets	999	272	3,973	1,816
Total assets restricted as collateral (b)	\$ 67,997	\$ 48,179	\$ 78,500	\$ 47,702
Secured debt (c)	\$ 45,111	\$ 29,162	\$ 52,965	\$ 25,533

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

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling \$12.6 billion and \$10.9 billion at December 31, 2012, and 2011, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling \$1.9 billion and \$4.3 billion at December 31, 2012, and 2011, respectively. These assets were composed of consumer mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes \$4.2 billion and \$3.2 billion of short-term borrowings at December 31, 2012, and 2011, respectively.

Trust Preferred Securities

On December 30, 2009, we entered into a Securities Purchase and Exchange Agreement with U.S. Department of Treasury (Treasury) and GMAC Capital Trust I, a Delaware statutory trust (the Trust), which is a finance subsidiary that is wholly owned by Ally. As part of the agreement, the Trust sold to Treasury 2,540,000 trust preferred securities (TRUPS) issued by the Trust with an aggregate liquidation

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

preference of \$2.5 billion. Additionally, we issued and sold to Treasury a ten-year warrant to purchase up to 127,000 additional TRUPS with an aggregate liquidation preference of \$127 million, at an initial exercise price of \$0.01 per security, which Treasury immediately exercised in full.

On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series (Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

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

Covenants and Other Requirements

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, commercial payment rates. During 2012, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

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

Funding Facilities

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

As of December 31, 2012, Ally Bank had exclusive access to \$8.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a \$4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and do not allow for any further funding after the closing date. At December 31, 2012, \$34.3 billion of our \$43.0 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2012, we had \$13.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Committed Funding Facilities

December 31, (\$ in billions)	Outstanding		Unused capacity (a)		Total capacity	
	2012	2011	2012	2011	2012	2011
Bank funding						
Secured - U.S.	\$ 3.8	\$ 5.8	\$ 4.7	\$ 3.7	\$ 8.5	\$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance — U.S.	—	—	—	0.5	—	0.5
Automotive Finance — International	0.1	0.3	—	—	0.1	0.3
Secured						
Automotive Finance — U.S. (b) (c)	12.9	4.2	5.4	10.2	18.3	14.4
Automotive Finance — International (b)	9.6	10.1	2.4	3.0	12.0	13.1
Mortgage operations	—	0.7	—	0.5	—	1.2
Total nonbank funding	22.6	15.3	7.8	14.2	30.4	29.5
Shared capacity (d)						
U.S.	1.0	1.5	3.0	2.5	4.0	4.0
International	0.1	0.1	—	—	0.1	0.1
Total committed facilities	\$ 27.5	\$ 22.7	\$ 15.5	\$ 20.4	\$ 43.0	\$ 43.1

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Total unused capacity includes \$2.2 billion as of December 31, 2012, and \$4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.
- (c) Includes the secured facilities of our Commercial Finance Group.
- (d) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

December 31, (\$ in billions)	Outstanding		Unused capacity		Total capacity	
	2012	2011	2012	2011	2012	2011
Bank funding						
Secured — U.S.						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.8	\$ 3.2	\$ 1.8	\$ 3.2
FHLB advances	4.8	5.4	0.4	—	5.2	5.4
Total bank funding	4.8	5.4	2.2	3.2	7.0	8.6
Nonbank funding						
Unsecured						
Automotive Finance — International	2.1	1.9	0.4	0.5	2.5	2.4
Secured						
Automotive Finance — International	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	—	—	—	0.1	—	0.1
Total nonbank funding	2.2	2.0	0.5	0.7	2.7	2.7
Total uncommitted facilities	\$ 7.0	\$ 7.4	\$ 2.7	\$ 3.9	\$ 9.7	\$ 11.3

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

17. Accrued Expenses and Other Liabilities

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

December 31, (<i>\$ in millions</i>)	2012	2011
Fair value of derivative contracts in payable position	\$ 2,468	\$ 5,367
Collateral received from counterparties	941	1,410
Accrual related to ResCap Bankruptcy and deconsolidation (a)	750	—
Accounts payable	565	1,178
Employee compensation and benefits	494	649
Reserves for insurance losses and loss adjustment expenses	341	580
Reserve for mortgage representation and warranty obligation	105	825
Deferred revenue	97	86
Non-income tax payable	15	296
Deferred income tax liability	6	111
GM payable, net	1	228
Current income tax payable	1	200
Loan repurchases liabilities	—	2,387
Other liabilities	801	1,347
Total accrued expenses and other liabilities	\$ 6,585	\$ 14,664

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

18. Equity

Common Stock

Our common stock has a par value of \$0.01 and there are 2,021,384 shares authorized for issuance. Our common stock is not registered with the Securities and Exchange Commission, and there is no established trading market for the shares. Treasury holds 73.78% of Ally common stock. The following table presents changes in the number of shares issued and outstanding.

(<i>in shares</i>)	2012	2011	2010
Common stock			
January 1,	1,330,970	1,330,970	799,120
New issuances			
Conversion of Series F-2 Preferred Stock (a)	—	—	531,850
December 31,	1,330,970	1,330,970	1,330,970

(a) On December 30, 2010, 110,000,000 shares of Series F-2 Preferred Stock owned by Treasury were converted into 531,850 shares of Ally common stock.

Preferred Stock

Series F-2 Mandatorily Convertible Preferred Stock held by U.S. Department of Treasury

On December 30, 2009, Ally entered into a Securities Purchase and Exchange Agreement (the Purchase Agreement) with Treasury, pursuant to which a series of transactions occurred resulting in Treasury acquiring 228,750,000 shares of Ally's newly issued Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the New MCP), with a total liquidation preference of \$11.4 billion. On December 30, 2010, Treasury converted 110,000,000 shares of the New MCP into 531,850 shares of Ally common stock. The conversion occurred at an agreed upon rate that exceeded the initial conversion rate as defined in Exhibit H to the Ally Certificate of Incorporation. The fair value of the additional shares was approximately \$586 million and represented an inducement. The fair value of the additional common shares issued to Treasury was determined using a combination of valuation techniques consistent with the market approach (Level 3 fair value inputs). The market approach we used to estimate the fair value of our common stock incorporated a combination of the tangible equity and earnings multiples from comparable publicly traded companies deemed similar to Ally (and its operating segments) and by observing comparable transactions in the marketplace. We also considered the implied valuation of our common stock based on the December 30, 2010, conversion with Treasury.

In connection with the conversion, the New MCP Certificate of Designation was amended to require us to deliver additional shares to the New MCP holders upon occurrence of certain specified events. The fair value associated with this provision was \$30 million and was reflected in the New MCP balance at December 31, 2010. The fair value of the provision was determined utilizing an option pricing model using inputs and assumptions that management believes a willing market participant would use in estimating fair value (a Level 3 fair value input).

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

As a result, Treasury now holds 118,750,000 shares of the New MCP, with a total liquidation preference of \$5.9 billion. Dividends of the New MCP accrue at 9% per annum. Dividends are payable quarterly, in arrears, only if and when declared by Ally's Board of Directors. The New MCP generally is nonvoting, other than class-voting on certain matters under certain circumstances, including generally, the authorization of senior capital stock, the adverse amendment of the New MCP, and any exchange or reclassification involving the New MCP or merger or consolidation of Ally. Upon conversion of the New MCP into Ally common stock, the holder would have the voting rights associated with the common stock.

The shares of the New MCP are convertible into common stock at the applicable conversion rate (as provided in the Certificate of Designation) either: (i) at Ally's option, at any time or from time to time, with the prior approval of the Federal Reserve provided that Ally is not permitted to convert any shares of the New MCP held by Treasury except (a) with the prior written consent of Treasury (which consent may be granted in the sole discretion of Treasury with respect to each conversion considering such factors as it deems appropriate at such time, which may include seeking to condition the terms on which it may provide such consent, which may include seeking an alteration of the conversion rate) or (b) pursuant to an order of the Federal Reserve compelling such a conversion; or (ii) at the option of the holder, upon the occurrence of certain specified transactions. All shares of the New MCP that remain outstanding on December 30, 2016, will automatically convert into common stock at a conversion rate of 0.00432 common shares per share of the New MCP. Under any conversion of the New MCP, settlement will always occur by issuance of our common stock.

Subject to the approval of the Federal Reserve and the restrictions imposed by the terms of our other preferred stock, we may opt to redeem, in whole or in part, from time to time, the New MCP then outstanding at any time. The New MCP may be redeemed at the greater of the liquidation preference, plus any accrued and unpaid dividends or the as-converted value, as defined in the Certificate of Designation.

Subject to certain exceptions, for so long as any shares of the New MCP are outstanding and owned by Treasury, Ally is generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing, or acquiring its capital stock or other equity securities without the consent of Treasury. Additionally, Ally is generally prohibited from making any dividends or distributions on, or redeeming, repurchasing, or acquiring its capital stock or other equity securities unless all accrued and unpaid dividends for all past dividend periods on the New MCP are fully paid.

Series A Preferred Stock

On March 1, 2011, pursuant to a registration rights agreement between Ally and GM, GM notified Ally of its intent to sell shares of Ally's existing Fixed Rate Perpetual Preferred Stock, Series A (Existing Series A Preferred Stock), held by a subsidiary of GM. On March 25, 2011, Ally filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the Amendment) with the Secretary of State of the State of Delaware. Pursuant to the Amendment, Ally's Certificate of Incorporation, which included the terms of the Existing Series A Preferred Stock, was amended to modify certain terms of the Existing Series A Preferred Stock. As part of the Amendment, the Existing Series A Preferred Stock was redesignated as Ally's Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Amended Series A Preferred Stock) and the liquidation amount was reduced from \$1,000 per share to \$25 per share. The Amendment, and a corresponding amendment to Ally's bylaws, also increased the authorized number of shares of Amended Series A Preferred Stock to 160,870,560 shares, which was adjusted to account for the decreased liquidation amount per share. The total number of shares outstanding following the Amendment is 40,870,560 shares.

Immediately following the Amendment, the subsidiary of GM that held all of the outstanding Amended Series A Preferred Stock sold 100% of such stock in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Holders of the Amended Series A Preferred Stock are entitled to receive, when, and if declared by Ally, noncumulative cash dividends. Beginning March 25, 2011, to but excluding May 15, 2016, dividends accrue at a fixed rate of 8.5% per annum. Beginning on May 15, 2016, dividends will accrue at a rate equal to three-month London interbank offer rate (LIBOR) plus 6.243%, commencing on August 15, 2016, in each case on the 15th day of February, May, August, and November. Dividends will be payable to holders of record at the close of business on the preceding February 1, May 1, August 1, or November 1, as the case may be, or on such other date, not more than seventy calendar days prior to the dividend payment date, as will be fixed by the Ally Board of Directors. In the event that dividends with respect to a dividend period have not been paid in full on the dividend payment date, we will be prohibited, subject to certain specified exceptions, from (i) redeeming, purchasing or otherwise acquiring, any stock that ranks on a parity basis with, or junior in interest to, the Amended Series A Preferred Stock; (ii) paying any dividends or making any distributions with respect to any stock that ranks junior in interest to the Amended Series A Preferred Stock, until such time as Ally has paid the dividends payable on shares of the Amended Series A Preferred Stock with respect to a subsequent dividend period; and (iii) declaring or paying any dividend on any stock ranking on a parity basis with the Amended Series A Preferred Stock, subject to certain exceptions.

The holders of the Amended Series A Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Amended Series A Preferred Stock included in Ally's Certificate of Incorporation. Ally may not redeem the Amended Series A Preferred Stock before May 15, 2016, and after such time the Amended Series A Preferred Stock may be redeemed in certain circumstances. In the event of any liquidation, dissolution or winding up of the affairs of Ally, holders of the Amended Series A Preferred Stock will be entitled to receive the liquidation amount per share of Amended Series A Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Amended Series A Preferred Stock, subject to the rights of Ally's creditors.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

The changes to the terms of the Existing Series A Preferred Stock pursuant to the terms of the Amendment were deemed substantive, and as a result, the transaction was accounted for as a redemption of the Existing Series A Preferred Stock and the issuance of the Amended Series A Preferred Stock. The Existing Series A Preferred Stock was removed at its carrying value, the Amended Series A Preferred Stock was recognized at its fair value, and the difference of \$32 million was recorded as an increase to retained earnings, which impacted the income available to common stockholders used for the earnings per common share calculation.

Series G Preferred Stock

Effective June 30, 2009, we converted (the Conversion) from a Delaware limited liability company into a Delaware corporation in accordance with applicable law. In connection with the Conversion, the 7% Cumulative Perpetual Preferred Stock (the Blocker Preferred) of Preferred Blocker Inc. (PBI), a wholly owned subsidiary, was required to be converted into or exchanged for preferred stock. For this purpose, we had previously authorized for issuance its 7% Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G Preferred Stock). Pursuant to the terms of a Certificate of Merger, effective October 15, 2009, PBI merged with and into Ally with Ally continuing as the surviving entity. At that time, each share of the Blocker Preferred issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive an equal number of newly issued shares of Series G Preferred Stock. In the aggregate, 2,576,601 shares of Series G Preferred Stock were issued to holders of the Blocker Preferred in connection with the merger. The Series G Preferred Stock ranks equally in right of payment with each of our outstanding series of preferred stock in accordance with the terms thereof.

The Series G Preferred Stock accrues dividends at a rate of 7% per annum. Dividends are payable quarterly, in arrears, only if and when declared by Ally's Board of Directors. Subject to any other restrictions contained in the terms of any other series of stock or other agreements that Ally is or may become subject to, at Ally's option and subject to Ally having obtained any required regulatory approvals, Ally may, subject to certain conditions, redeem the Series G Preferred Stock, in whole or in part, at any time or from time to time, upon proper notice given, at a redemption price equal to the liquidation amount plus the amount of any accrued and unpaid dividends thereon through the date of redemption. The Series G Preferred Stock generally is nonvoting other than class-voting on certain matters under certain circumstances including generally, the authorization of senior capital stock or amendments that adversely impact the Series G Preferred Stock. Ally is generally prohibited from making any Restricted Payments on or prior to January 1, 2014, and may only make Restricted Payments after January 1, 2014, if certain conditions are satisfied. For this purpose, Restricted Payments include, subject to certain exceptions, any dividend payment or distribution of assets on any common stock or any redemption, purchase, or other acquisition of any shares of common stock.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

December 31,	2012	2011
Mandatorily convertible preferred stock held by U.S. Department of Treasury		
Series F-2 preferred stock (a)		
Carrying value (\$ in millions)	\$ 5,685	\$ 5,685
Par value (per share)	0.01	0.01
Liquidation preference (per share)	50	50
Number of shares authorized	228,750,000	228,750,000
Number of shares issued and outstanding	118,750,000	118,750,000
Dividend/coupon	9%	9%
Redemption/call feature	Perpetual (b)	Perpetual (b)
Preferred stock		
Series A preferred stock		
Carrying value (\$ in millions)	\$ 1,021	\$ 1,021
Par value (per share)	0.01	0.01
Liquidation preference (per share)	25	25
Number of shares authorized	160,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5%	8.5%
On and after May 15, 2016	three month LIBOR + 6.243%	three month LIBOR + 6.243%
Redemption/call feature	Perpetual (c)	Perpetual (c)
Series G preferred stock (d)		
Carrying value (\$ in millions)	\$ 234	\$ 234
Par value (per share)	0.01	0.01
Liquidation preference (per share)	1,000	1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	7%	7%
Redemption/call feature	Perpetual (e)	Perpetual (e)

(a) Mandatorily convertible to common equity on December 30, 2016.

(b) Convertible prior to mandatory conversion date with consent of Treasury.

(c) Nonredeemable prior to May 15, 2016.

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

(e) Redeemable beginning at December 31, 2011.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

19. Accumulated Other Comprehensive Income (Loss)

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

<i>(\$ in millions)</i>	Unrealized gains (losses) on investment securities (a)	Translation adjustments and net investment hedges	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at January 1, 2010	\$ 151	\$ 433	\$ (27)	\$ (97)	\$ 460
2010 net change	(177)	(17)	33	(40)	(201)
Balance at December 31, 2010	(26)	416	6	(137)	259
2011 net change	(88)	(64)	—	(20)	(172)
Balance at December 31, 2011	(114)	352	6	(157)	87
2012 net change	190	16	(4)	22	224
Balance at December 31, 2012	\$ 76	\$ 368	\$ 2	\$ (135)	\$ 311

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	Before Tax	Tax Effect	After Tax
2012			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	\$ 377	\$ (46)	\$ 331
Less: Net realized gains reclassified to net income (a)	174	(33)	141
Net change	203	(13)	190
Translation adjustments and net investment hedges			
Translation adjustments	182	2	184
Hedges	(270)	102	(168)
Net change	(88)	104	16
Cash flow hedges			
Net unrealized losses arising during the period	(7)	3	(4)
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(55)	19	(36)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(95)	37	(58)
Net change	40	(18)	22
Other comprehensive income	\$ 148	\$ 76	\$ 224
2011			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	\$ 213	\$ (17)	\$ 196
Less: Net realized gains reclassified to net income (b)	296	(12)	284
Net change	(83)	(5)	(88)
Translation adjustments and net investment hedges			
Translation adjustments	(238)	1	(237)
Hedges	173	—	173
Net change	(65)	1	(64)
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(25)	(2)	(27)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(12)	5	(7)
Net change	(13)	(7)	(20)
Other comprehensive loss	\$ (161)	\$ (11)	\$ (172)
2010			
Unrealized gains on investment securities			
Net unrealized gains arising during the period	\$ 317	\$ 3	\$ 320
Less: Net realized gains reclassified to net income	506	(9)	497
Net change	(189)	12	(177)
Translation adjustments and net investment hedges			
Translation adjustments	178	(13)	165
Hedges	(182)	—	(182)
Net change	(4)	(13)	(17)
Cash flow hedges			
Net unrealized gains arising during the period	35	(2)	33
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(45)	(14)	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(14)	(5)	(19)
Net change	(31)	(9)	(40)
Other comprehensive loss	\$ (189)	\$ (12)	\$ (201)

(a) Includes gains of \$28 million at December 31, 2012, classified as income (loss) from discontinued operations, net of tax, in our Consolidated Statement of Income.

(b) Includes gains of \$2 million at December 31, 2011, classified as income (loss) from discontinued operations, net of tax, in our Consolidated Statement of Income.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

20. Earnings per Common Share

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

Year ended December 31, (\$ in millions except per share data)	2012	2011	2010
Net income (loss) from continuing operations	\$ 529	\$ (1,002)	\$ 288
Preferred stock dividends — U.S. Department of Treasury	(535)	(534)	(963)
Preferred stock dividends	(267)	(260)	(282)
Impact of preferred stock conversion or amendment (a)	—	32	(616)
Net loss from continuing operations attributable to common shareholders (b)	(273)	(1,764)	(1,573)
Income from discontinued operations, net of tax	667	845	741
Net income (loss) attributable to common shareholders	\$ 394	\$ (919)	\$ (832)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	800,597
Diluted weighted-average common shares outstanding (b)	1,330,970	1,330,970	800,597
Basic earnings per common share			
Net loss from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)
Income from discontinued operations, net of tax	501	635	926
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)
Diluted earnings per common share (b)			
Net loss from continuing operations	\$ (205)	\$ (1,326)	\$ (1,965)
Income from discontinued operations, net of tax	501	635	926
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)

(a) Refer to Note 18 for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2012, 2011, and 2010, respectively, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the years ended December 31, 2012, 2011, and 2010, respectively, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the years ended December 31, 2012 and 2011, respectively, and 987 thousand of potential common shares were excluded from the diluted earnings per share calculation for the year ended December 31, 2010.

21. Regulatory Capital and Other Regulatory Matters

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

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

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

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

The banking regulators have also developed a measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally's capital with the capital of other financial services companies. Also, bank holding companies with assets of \$50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

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

The following table summarizes our capital ratios.

December 31, (\$ in millions)	2012		2011		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 20,232	13.13%	\$ 21,067	13.65%	4.00%	6.00%
Ally Bank	14,136	16.26	12,953	17.42	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	\$ 21,669	14.07%	\$ 22,664	14.69%	8.00%	10.00%
Ally Bank	14,827	17.06	13,675	18.40	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (a)						
Ally Financial Inc.	\$ 20,232	11.16%	\$ 21,067	11.45%	3.00–4.00%	(b)
Ally Bank	14,136	15.30	12,953	15.50	15.00	(c) 5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	\$ 10,749	6.98%	\$ 11,585	7.51%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

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

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

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

At December 31, 2012, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

Basel Capital Accord and Other Regulatory Matters

In June 2012, the U.S. federal banking agencies released three notices of proposed rulemaking (NPRs) and a Market Risk Final Rule (effective January 1, 2013). The three NPRs represent substantial revisions to the regulatory capital rules for banking organizations. If adopted, as proposed, these NPRs would incorporate the international Basel III capital framework, as well as implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). On August 8, 2012, the federal banking agencies extended the public comment period on the NPRs to October 22, 2012.

Highlights of the NPRs include a revised definition of capital in order to implement the Basel III reforms as well as higher minimum capital ratios that will apply to most banking organizations and would be phased in between 2013 and 2019 consistent with the Basel Committee's international implementation time line. The NPRs remove the use of credit ratings from both the standardized and advanced approaches, as required by the Dodd-Frank Act. In addition, the standards in the existing Basel I risk-based capital rules, which the NPRs refer to as the “general risk-based capital requirements,” would be revised, effective January 1, 2015, to include a more risk-sensitive risk-weighting approach. On November 9, 2012, the federal banking agencies announced that the Basel III proposals would not become effective on January 31, 2013.

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

International Banks, Finance Companies, and Other Foreign Operations

Certain of our foreign subsidiaries operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets of our regulated international banks and finance companies were approximately \$15.3 billion and \$13.6 billion at December 31, 2012 and 2011, respectively. In addition, the Bank Holding Company Act of 1956 imposes restrictions on Ally's ability to invest equity abroad without FRB approval. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

Depository Institutions

Ally Bank is a state nonmember bank, chartered by the State of Utah, and subject to the supervision of the FDIC and the Utah Department of Financial Institutions. Ally Bank's deposits are insured by the FDIC, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were \$94.8 billion and \$85.3 billion at December 31, 2012 and 2011, respectively. Ally Bank is subject to Utah law (and, in certain instances, federal law) that places restrictions and limitations on the amount of dividends or other distributions. Ally Bank did not make any dividend or other distributions to Ally in 2012 or 2011.

The FRB requires banks to maintain minimum average reserve balances. The amount of the required reserve balance for Ally Bank was \$214 million and \$205 million at December 31, 2012 and 2011, respectively.

U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations, in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration-approved lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. The U.S. mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

Certain of our mortgage subsidiaries are required to satisfy regulatory net worth requirements. Failure to meet minimum capital requirements can initiate certain mandatory actions by federal, state, and foreign agencies that could have a material effect on our results of operations and financial condition. These entities were in compliance with these requirements at December 31, 2012.

Insurance Companies

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus, with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. At December 31, 2012, the maximum dividend that could be paid by the U.S. insurance subsidiaries over the next twelve months without prior statutory approval was \$118 million.

22. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

- **MSRs** — Our MSRs are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivative instruments that increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes.

We may use a multitude of derivative instruments to manage the interest rate risk related to MSRs. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of MBS, futures, interest rate swaps, interest rate floors, and interest rate caps. We monitor and actively manage our risk on a daily basis.

- **Mortgage loan commitments and mortgage and automobile loans held-for-sale** — We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish the risk management objective for mortgage loans and IRLCs is forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to economically hedge automobile loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments, such as short positions of U.S. Treasuries, may also be periodically used to economically hedge the mortgage portfolio.

- **Debt** — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowing associated with Ally Bank's secured floating-rate credit facility, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.
- **Other** — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Currency Risk

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

Our foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss). We enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. In March 2011, we elected to dedesignate all of our existing net investment hedge relationships and changed our method of measuring hedge effectiveness from the spot method to the forward method for new hedge relationships entered into prospectively. For the net investment hedges that were designated under the spot method up until dedesignation date, the hedges were recorded at fair value with changes recorded to accumulated other comprehensive income (loss) with the exception of the spot to forward difference that was recorded to earnings. For current net investment hedges designated under the forward method, the hedges are recorded at fair value with the changes recorded to accumulated other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in accumulated other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

We also have a centralized-lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

We also periodically purchase nonfunctional currency denominated investment securities and enter into foreign-currency forward contracts with external counterparties to hedge against changes in the fair value of the securities, through maturity, due to changes in the related foreign-currency exchange rate. The foreign-currency forward contracts are recorded at fair value with changes recorded to earnings. The changes in value of the securities due to changes in foreign-currency exchange rates are also recorded to earnings. In the case of

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

securities classified as available-for-sale, any changes in fair value due to unhedged risks are recorded to accumulated other comprehensive income.

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

Counterparty Credit Risk

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

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

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

We placed cash and securities collateral totaling \$1.3 billion and \$1.4 billion at December 31, 2012 and 2011, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$941 million and \$1.4 billion at December 31, 2012 and 2011, respectively. The receivables for collateral placed and the payables for collateral received are included on our Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Consolidated Balance Sheet unless certain conditions are met. At December 31, 2012 and 2011, we received noncash collateral of \$0.3 million and \$43 million, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At December 31, 2012, \$2.3 billion of the derivative contracts in a receivable position were classified as other assets on the Consolidated Balance Sheet. At December 31, 2011, \$5.7 billion and \$14 million of the derivative contracts in a receivable position were classified as other assets and trading assets, respectively, on the Consolidated Balance Sheet. At December 31, 2012, \$2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Consolidated Balance Sheet. At December 31, 2011, \$5.4 billion of derivative contracts in a liability position and \$12 million of trading derivatives were both classified as accrued expenses and other liabilities on the Consolidated Balance Sheet.

December 31, (\$ in millions)	2012			2011		
	Derivative contracts in a			Derivative contracts in a		
	receivable position (a)	payable position (b)	Notional amount	receivable position (a)	payable position (b)	Notional amount
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges	\$ 411	\$ —	\$ 7,248	\$ 289	\$ 4	\$ 8,398
Cash flow accounting hedges	—	10	2,580	4	—	3,000
Total interest rate risk	411	10	9,828	293	4	11,398
Foreign exchange risk						
Net investment accounting hedges	35	53	8,693	123	54	8,208
Total derivatives qualifying for hedge accounting	446	63	18,521	416	58	19,606
Economic hedges and trading derivatives						
Interest rate risk						
MSRs	1,616	2,299	146,405	4,812	5,012	523,037
Mortgage loan commitments and mortgage loans held-for-sale	49	23	9,617	95	107	24,950
Debt	28	29	17,716	81	54	25,934
Other	154	27	41,514	160	101	42,142
Total interest rate risk	1,847	2,378	215,252	5,148	5,274	616,063
Foreign exchange risk	5	27	2,464	137	47	7,569
Total economic hedges and trading derivatives	1,852	2,405	217,716	5,285	5,321	623,632
Total derivatives	\$ 2,298	\$ 2,468	\$ 236,237	\$ 5,701	\$ 5,379	\$ 643,238

(a) Includes accrued interest of \$175 million and \$459 million at December 31, 2012 and 2011, respectively.

(b) Includes accrued interest of \$144 million and \$458 million at December 31, 2012 and 2011, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Comprehensive Income Presentation

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Derivatives qualifying for hedge accounting			
Gain recognized in earnings on derivatives (a)			
Interest rate contracts			
Interest on long-term debt	\$ 164	\$ 892	\$ 161
Foreign exchange contracts			
Other income, net of losses	—	35	—
Loss recognized in earnings on hedged items (b)			
Interest rate contracts			
Interest on long-term debt	(193)	(848)	(119)
Foreign exchange contracts			
Other income, net of losses	—	(35)	—
Total derivatives qualifying for hedge accounting	(29)	44	42
Economic and trading derivatives			
(Loss) gain recognized in earnings on derivatives			
Interest rate contracts			
Interest on long-term debt	(3)	(3)	—
Servicing asset valuation and hedge activities, net	669	817	478
Loss on mortgage and automotive loans, net	(125)	(727)	(332)
Other income, net of losses	(18)	(70)	(102)
Other operating expenses	—	—	(9)
Total interest rate contracts	523	17	35
Foreign exchange contracts (c)			
Interest on long-term debt	(39)	61	(127)
Other income, net of losses	(48)	17	158
Other operating expenses	2	(21)	—
Total foreign exchange contracts	(85)	57	31
Gain recognized in earnings on derivatives	\$ 409	\$ 118	\$ 108

- (a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$123 million, \$257 million, and \$322 million for the years ended December 31, 2012, 2011, and 2010, respectively.
- (b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were \$231 million, \$229 million, and \$164 million for the years ended December 31, 2012, 2011, and 2010, respectively.
- (c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of \$75 million, and losses of \$77 million and \$53 million, were recognized for the years ended December 31, 2012, 2011, and 2010, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in millions)	2012	2011	2010
Cash flow hedges			
Interest rate contracts			
Gain reclassified from accumulated other comprehensive income to interest on long-term debt	\$ 1	\$ —	\$ —
(Loss) gain recorded directly to interest on long-term debt	(7)	5	—
Total interest on long-term debt	\$ (6)	\$ 5	\$ —
(Loss) gain recognized in other comprehensive income	\$ (7)	\$ (1)	\$ 4
Net investment hedges			
Foreign exchange contracts			
(Loss) gain reclassified from accumulated other comprehensive income to other income, net of losses	\$ (1)	\$ (8)	\$ 12
Loss recorded directly to other income, net of losses (a)	—	(3)	(18)
Total other income, net of losses	\$ (1)	\$ (11)	\$ (6)
(Loss) gain recognized in other comprehensive income (b)	\$ (270)	\$ 173	\$ (183)

(a) The amounts represent the forward points excluded from the assessment of hedge effectiveness.

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were gains of \$285 million, losses of \$237 million, and gains of \$187 million for the years ended December 31, 2012, 2011, and 2010, respectively.

23. Income Taxes

The following table summarizes income (loss) from continuing operations before income tax expense.

Year ended December 31, (\$ in millions)	2012	2011	2010
U.S. (loss) income	\$ (773)	\$ (834)	\$ 443
Non-U.S. income (loss)	18	(117)	(51)
(Loss) income from continuing operations before income tax expense	\$ (755)	\$ (951)	\$ 392

The significant components of income tax expense from continuing operations were as follows.

Year ended December 31, (\$ in millions)	2012	2011	2010
Current income tax (benefit) expense			
U.S. federal	\$ —	\$ 18	\$ 23
Foreign	(24)	26	36
State and local	10	12	58
Total current (benefit) expense	(14)	56	117
Deferred income tax (benefit) expense			
U.S. federal	(1,058)	—	(6)
Foreign	25	(5)	—
State and local	(237)	—	(7)
Total deferred benefit	(1,270)	(5)	(13)
Total income tax (benefit) expense from continuing operations	\$ (1,284)	\$ 51	\$ 104

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

A reconciliation of the (benefit) provision for income taxes with the amounts at the statutory U.S. federal income tax rate is shown in the following table.

Year ended December 31, (\$ in millions)	2012	2011	2010
Statutory U.S. federal tax (benefit) expense	\$ (264)	\$ (333)	\$ 137
Change in tax resulting from			
Effect of valuation allowance change	(984)	339	(124)
State and local income taxes, net of federal income tax benefit	(71)	7	2
Tax Credits	(45)	(3)	—
Changes in unrecognized tax benefits	(7)	(5)	54
Foreign tax differential	2	31	(20)
Non-deductible expenses	64	8	4
Other, net	21	7	51
Tax (benefit) expense	\$ (1,284)	\$ 51	\$ 104

As discussed in Note 1, on May 14, 2012, we deconsolidated ResCap for financial reporting purposes. For U.S. federal tax purposes, however, ResCap will continue to be included in our consolidated return filing until ultimate disposition of our ownership in ResCap. Given that the Debtors are disregarded entities for U.S. tax purposes, there should not be a reduction to our net deferred tax assets as a result of the Bankruptcy filing.

Our income tax (benefit) expense from continuing operations has not naturally corresponded with our (loss) income from continuing operations before income tax for the years ended December 31, 2012, 2011, and 2010, given we had U.S. and foreign valuation allowance movements during those years. For 2012, consolidated income tax benefit from continuing operations of \$1.3 billion is largely driven by a release of a portion of our U.S. valuation allowance.

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. As of December 31, 2012, we determined that positive evidence existed to conclude that it is more likely than not that ordinary-in-character deferred tax assets are realizable, and therefore, we reduced the valuation allowance accordingly. Positive evidence in this assessment consisted of forecasts of future taxable income that are sufficient to realize net operating loss carryforwards before their expiration, coupled with our emergence from a cumulative three-year U.S. pretax loss (after removing the effects of non-recurring charges and discontinued operations). Certain U.S. deferred tax assets remain offset with a valuation allowance as discussed below.

We believe it is more likely than not that the benefit for certain U.S. net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$1.6 billion on the deferred tax assets relating to these carryforwards. In particular, the deferred tax assets and liabilities as of December 31, 2012, reflect the U.S. income tax effects of the anticipated sale of entities held-for-sale at net book value. In concluding to maintain a valuation allowance against our capital loss carryforwards, we considered the positive evidence that we have entered into agreements to sell our held-for-sale entities for amounts in excess of book value. We also considered and ultimately weighted more heavily the negative evidence that we have historically had difficulty generating significant capital gains; capital loss carryforwards have a relatively short carryforward period; the timing of disposal of the held-for-sale entities is uncertain; and the disposal of the held-for-sale entities are subject to various levels of regulatory approval in numerous countries. Successful completion during 2013 of the sales of entities currently held-for-sale may result in capital gains that would allow us to realize capital loss carryforwards. A related reversal of valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

The significant components of deferred tax assets and liabilities are reflected in the following table.

December 31, (\$ in millions)	2012	2011
Deferred tax assets		
Tax credit carryforwards	\$ 1,631	\$ 161
Tax loss carryforwards	1,025	1,976
Mark-to-market on consumer finance receivables and loans	880	695
Equity investment in ResCap	486	—
Provision for loan losses	306	775
Hedging transactions	267	280
State and local taxes	263	186
ResCap settlement accrual	262	—
Sales of finance receivables and loans	206	182
Unearned insurance premiums	142	158
Contingency reserves	19	169
Other	247	568
Gross deferred tax assets	5,734	5,150
Valuation allowance	(1,653)	(2,274)
Net deferred tax assets	4,081	2,876
Deferred tax liabilities		
Lease transactions	1,756	2,052
Basis difference in subsidiaries	454	—
Deferred acquisition costs	333	328
Debt transactions	226	32
Unrealized gains on securities	16	180
Other	112	157
Gross deferred tax liabilities	2,897	2,749
Net deferred tax assets	\$ 1,184	\$ 127

At December 31, 2012, we had U.S. federal and state net operating loss carryforwards and capital loss carryforwards. The federal net operating loss carryforwards of \$668 million expire in the years 2025–2031. The federal capital loss carryforwards of \$2.2 billion expire in the years 2014–2017. The corresponding expiration periods for the state net operating loss carryforwards of \$1.7 billion and capital loss carryforwards of \$3.1 billion are 2014–2032 and 2014–2017, respectively. Additionally, U.S. foreign tax credit carryforwards of \$1.6 billion are available as of December 31, 2012, and expire in the years 2013–2022.

Foreign pretax income is subject to U.S. taxation when effectively repatriated. Before the third quarter of 2012, we fully provided for federal income taxes on the undistributed earnings of foreign subsidiaries except to the extent those earnings were indefinitely reinvested outside the United States. As of December 31, 2012, however, we no longer assert that any foreign earnings are indefinitely reinvested outside of the United States. This change in assertion is primarily due to the fact that agreements to sell our international operations were signed during the fourth quarter of 2012. These sales will be taxable in the United States in future periods and will result in the effective repatriation of foreign earnings. As a result of this change in assertion, all deferred tax liabilities for incremental U.S. tax that stem from temporary differences related to investments in foreign subsidiaries or foreign corporate joint ventures have been recognized as of December 31, 2012.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits.

<i>(\$ in millions)</i>	2012	2011	2010
Balance at January 1,	\$ 198	\$ 214	\$ 172
Additions based on tax positions related to the current year	14	11	69
Additions for tax positions of prior years	2	20	3
Reductions for tax positions of prior years	(4)	(3)	(23)
Settlements	(17)	(35)	(9)
Expiration of statute of limitations	(4)	—	(2)
Foreign-currency translation adjustments	(5)	(9)	4
Deconsolidation of ResCap and discontinued operations	(82)	—	—
Balance at December 31,	\$ 102	\$ 198	\$ 214

Included in the unrecognized tax benefits balances are some items, the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences and the portion of gross state unrecognized tax benefits that would be offset by the tax benefit of the associated federal deduction. At December 31, 2012, 2011, and 2010, the balance of unrecognized tax benefits that, if recognized, would affect our effective tax rate is \$84 million, \$179 million, and \$199 million, respectively.

We recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively. For the years ended December 31, 2012, 2011, and 2010, \$1 million, \$1 million, and \$1 million, respectively, were accrued for interest and penalties with the cumulative accrued balance totaling \$7 million at December 31, 2012, \$178 million at December 31, 2011, and \$201 million at December 31, 2010.

We anticipate the examination of various U.S. income tax returns along with the examinations by various foreign, state, and local jurisdictions will be completed within the next twelve months. As such, it is reasonably possible that certain tax positions may be settled and the unrecognized tax benefits would decrease by \$22 million, which includes interest and penalties.

We file tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. Our most significant operations remaining following our commitment to sell various international operations are the United States and Canada. The oldest tax years that remain subject to examination for those jurisdictions are 2009 and 2004, respectively.

24. Employee Benefit and Compensation Plans

Defined Contribution Plan

A significant number of our employees are covered by defined contribution plans. Employer contributions vary based on criteria specific to each individual plan and amounted to \$56 million, \$66 million, and \$58 million in 2012, 2011, and 2010, respectively. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income. We expect contributions for 2013 to be similar to contributions made in 2012.

Defined Benefit Pension Plan

Certain of our employees are eligible to participate in separate retirement plans that provide for pension payments upon retirement based on factors such as length of service and salary. In recent years, we have transferred, frozen, or terminated a significant number of our other defined benefit plans. All income and expense noted for pension accounting was recorded as compensation and benefits expense in our Consolidated Statement of Income.

The following summarizes information related to our pension plans.

<i>Year ended December 31, (\$ in millions)</i>	2012	2011
Projected benefit obligation	\$ 355	\$ 528
Fair value of plan assets	214	398
Underfunded status	\$ (141)	\$ (130)

The underfunded position is recognized on the Consolidated Balance Sheet and the change in the underfunded position was recorded in other comprehensive income (loss).

Defined Benefit Pension Plan Actions

GMAC Mortgage Group LLC, our wholly owned subsidiary, sponsors a defined benefit pension plan (the GMACM Pension Plan) for which the accrual of additional benefits were previously frozen. The GMACM Pension Plan primarily covers former employees of certain discontinued or non-core businesses of our Mortgage and Insurance operations. In October 2012, we entered into an agreement under which the GMACM Pension Plan purchased a group annuity contract from a third-party insurance company that requires the insurance company to

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

pay and administer all future annuity payments to the current retiree population of the GMACM Pension Plan (retired as of September 1, 2012) beginning on January 1, 2013. Additionally, during the fourth quarter the GMACM Pension Plan completed a program whereby we offered voluntary lump-sum distributions to terminated employees with vested benefits. In connection with these combined actions we recorded a settlement loss of \$95 million.

Other Postretirement Benefits

Certain of our subsidiaries participated in various postretirement medical, dental, vision, and life insurance plans. We have provided for certain amounts associated with estimated future postretirement benefits other than pensions and characterized such amounts as other postretirement benefits. Other postretirement benefits expense (income), which is recorded in compensation and benefits expense in our Consolidated Statement of Income, was minimal in 2012, 2011, and 2010. We expect our other postretirement benefit expense to continue to be minimal in future years.

Share-based Compensation Plans

Based on our transactions with Treasury during 2009, we are required to comply with the limitations on executive pay as determined by the Special Master of TARP Compensation (Special Master). We have established Deferred Stock Units (DSUs) and Incentive Restricted Stock Units (IRSUs) as forms of compensation to our senior executives, which have been approved by the Special Master. We also grant Restricted Stock Units (RSUs) to executives under the Long-Term Equity Compensation Incentive Plan (LTIP). Each of our approved compensation plans and awards were designed to provide our executives with an opportunity to share in the future growth in value of Ally, which is necessary to attract and retain key executives.

Pursuant to the terms of the LTIP plan, the Ally Board of Directors determines a share price valuation for share-based compensation awards not less than annually. The Ally Board of Directors thus determined a share price of \$8,500 per share for purposes of the LTIP plan as of December 31, 2011. A share price valuation of \$9,000 per share was determined as of March 31, 2012. The valuation remained unchanged at \$9,000 per share as of December 31, 2012. The changes in award valuation resulted in an increase to compensation expense for RSU, DSU, and IRSU awards of \$5 million, \$8 million, and \$2 million, respectively, recognized in 2012. The impact was recorded as compensation and benefits expense in our Consolidated Statement of Income.

RSU awards are incentive awards granted to executives as phantom shares of Ally. The majority of awards granted in 2008 and 2009 vest ratably on an annual basis based on continued service on December 31, 2012 with the final tranche vesting on December 31, 2012. Participants had the option at grant date to defer the valuation and payout for awards granted in 2008 and 2009. A majority of the participants who received awards granted in 2010, 2011, and 2012 vest ratably over a three-year period starting on the date the award was issued with the majority of the awards fully vesting in February 2013, February 2014, and February 2015, respectively. The awards require liability treatment and are remeasured quarterly at fair value until they are paid. The compensation costs related to these awards are ratably charged to expense over the applicable service period. Changes in fair value related to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At December 31, 2012 there were a total of 17,057 RSU award shares outstanding, composed of 189 shares awarded during 2008, 844 shares awarded during 2009, 2,648 shares awarded during 2010, 5,956 shares awarded during 2011, and 7,420 shares awarded during 2012. At December 31, 2011 there were a total of 26,707 RSU award shares outstanding, composed of 3,806 shares awarded during 2008, 5,199 shares awarded during 2009, 9,281 shares awarded during 2010, and 8,421 shares awarded during 2011. We recognized compensation expense related to RSU awards of \$92 million, \$56 million and \$63 million for the years ended December 31, 2012, 2011 and 2010, respectively. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

DSU awards are granted to senior executives as phantom shares of Ally and are included as part of their base salary. DSU awards are generally granted ratably each pay period throughout the year, vest immediately upon grant, and are paid in cash. DSUs awarded in 2012 will generally be redeemable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. DSUs awarded in 2011 are generally redeemable in three equal annual installments beginning on the first anniversary of grant. The DSU awards require liability treatment and are remeasured quarterly at fair value until they are paid, with each change in value fully charged to compensation expense in the period in which the change occurs. At December 31, 2012 and 2011 there were a total of 13,190 and 13,743 DSU award shares outstanding, respectively. We recognized compensation expense related to DSU awards of \$65 million, \$25 million and \$75 million for the years ended December 31, 2012, 2011 and 2010, respectively, for the outstanding awards. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

IRSU awards are incentive awards granted to senior executives as phantom shares of Ally. There were no IRSUs granted to senior executives in 2012. IRSU awards from 2009, 2010 and 2011 generally vest in full after two years from the date of grant based on continued service with Ally. After the vesting requirement is met, IRSU payouts will be made only as we repay our TARP obligations. Payouts will be made in 25% increments based on the percentage of TARP obligations that have been repaid, as determined in accordance with the established guidelines for determining "repayment".

As of December 31, 2012, Ally had repaid more than 25%, but less than 50%, of its TARP obligations. Payouts are based on the fair value of the phantom shares at the time of the payout. The awards require liability treatment and are remeasured quarterly at fair value until they are paid. The compensation costs related to these awards are ratably charged to expense over the requisite service period. Changes in fair value relating to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At December 31, 2012 and 2011 there were a total of 6,475 and 7,975 IRSU award shares outstanding, respectively. We

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

recognized compensation expense related to IRSU awards of \$30 million, \$14 million and \$10 million for the years ended December 31, 2012, 2011 and 2010, respectively, for the outstanding awards. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

25. Fair Value

Fair Value Measurements

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

GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

- | | |
|-----------|---|
| Level 1 | Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity. |
| Level 2 | Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation. |
| Transfers | Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the year ended December 31, 2012. |

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.

- **Trading assets (excluding derivatives)** — Trading assets were recorded at fair value. Our portfolio included MBS (including senior and subordinated interests) that were either investment-grade, noninvestment grade, or unrated securities. Valuations were primarily based on internally developed discounted cash flow models (an income approach) that used assumptions consistent with current market conditions. The valuation considered recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilized 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).
- **Available-for-sale securities** — Available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- **Mortgage loans held-for-sale, net** — Our mortgage loans held-for-sale are accounted for at either fair value because of fair value option elections or they were accounted for at the lower-of-cost or fair value. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility, product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of mortgage loans held-for-sale. The methodology used depends on the exit market as described below.

Level 2 mortgage loans — This includes all GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

Level 3 mortgage loans — This included all conditional repurchase option loans carried at fair value due to the fair value option election and all GSE-ineligible residential mortgage loans that were accounted for at the lower-of-cost or fair value. The fair value of these residential mortgage loans were determined using internally developed valuation models because observable market prices were not available. The loans were priced on a discounted cash flow basis utilizing cash flow projections from

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

internally developed models that utilized prepayment, default, and discount rate assumptions. To the extent available, we utilized market observable inputs such as interest rates and market spreads. If market observable inputs were not available, we were required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

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

- **Consumer mortgage finance receivables and loans, net** — We elected the fair value option for certain consumer mortgage finance receivables and loans. The elected mortgage loans collateralized on-balance sheet securitization debt in which we estimated credit reserves pertaining to securitized assets that could have exceeded or already had exceeded our economic exposure. We also elected the fair value option for all mortgage securitization trusts required to be consolidated. The elected mortgage loans represented a portion of the consumer finance receivables and loans. The balance for which the fair value option was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

The loans were measured at fair value using a portfolio approach. The objective in fair valuing the loans and related securitization debt was to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds were expected to be volatile. Since this approach involved the use of significant unobservable inputs, we classified all the mortgage loans elected under the fair value option as Level 3. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

- **MSRs** — MSRs are classified as Level 3 because there are limited MSR market transactions that are directly observable; therefore, we use internally developed discounted cash flow models (an income approach) to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.
- **Interests retained in financial asset sales** — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
- **Derivative instruments** — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

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

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3.

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

- **On-balance sheet securitization debt** — We elected the fair value option for certain mortgage loans held-for-investment and the related on-balance sheet securitization debt. We valued securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt was principally in the form of asset- and MBS collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments were typically not available. In these situations, we considered observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilized other market observable inputs, such as interest rates, and internally derived inputs including prepayment speeds,

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

credit losses, and discount rates. Fair value option-elected financing securitization debt was classified as Level 3 as a result of the reliance on significant assumptions and estimates for model inputs. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for further information about the election. The debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

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.

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

(a) Our investment in any one industry did not exceed 21%.

(b) Carried at fair value due to fair value option elections.

(c) Represents collateral in the form of investment securities. Cash collateral was excluded.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

December 31, 2011 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets (excluding derivatives)				
Mortgage-backed residential securities	\$ —	\$ 575	\$ 33	\$ 608
Total trading assets	—	575	33	608
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	903	643	—	1,546
States and political subdivisions	—	1	—	1
Foreign government	427	357	—	784
Mortgage-backed residential	—	7,312	—	7,312
Asset-backed	—	2,553	62	2,615
Corporate debt securities	—	1,491	—	1,491
Other debt securities	—	327	—	327
Total debt securities	1,330	12,684	62	14,076
Equity securities (a)	1,059	—	—	1,059
Total available-for-sale securities	2,389	12,684	62	15,135
Mortgage loans held-for-sale, net (b)	—	3,889	30	3,919
Consumer mortgage finance receivables and loans, net (b)	—	—	835	835
Mortgage servicing rights	—	—	2,519	2,519
Other assets				
Interests retained in financial asset sales	—	—	231	231
Derivative contracts in a receivable position (c)				
Interest rate	79	5,274	88	5,441
Foreign currency	—	242	18	260
Total derivative contracts in a receivable position	79	5,516	106	5,701
Collateral placed with counterparties (d)	328	—	—	328
Total assets	\$ 2,796	\$ 22,664	\$ 3,816	\$ 29,276
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	\$ —	\$ —	\$ (830)	\$ (830)
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	(32)	(5,229)	(17)	(5,278)
Foreign currency	—	(99)	(2)	(101)
Total derivative contracts in a payable position	(32)	(5,328)	(19)	(5,379)
Loan repurchase liabilities (b)	—	—	(29)	(29)
Trading liabilities (excluding derivatives)	(61)	—	—	(61)
Total liabilities	\$ (93)	\$ (5,328)	\$ (878)	\$ (6,299)

(a) Our investment in any one industry did not exceed 18%.

(b) Carried at fair value due to fair value option elections.

(c) Includes derivatives classified as trading.

(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

December 31, 2012 (<i>\$ in millions</i>)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Mortgage servicing rights	\$ 952	(a)	(a)	(a)
Other assets				
Interests retained in financial asset sales	154	Discounted cash flow	Discount rate	5.4-6.1%
			Commercial paper rate	0-0.1%

(a) Refer to Note 11 for information related to MSR valuation assumptions and sensitivities.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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.

(\$ in millions)	Level 3 recurring fair value measurements											
	Fair value at Jan. 1, 2012	Net realized/unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation or discontinued operations (a)	Fair value at Dec. 31, 2012	Net unrealized gains (losses) included in earnings still held at Dec. 31, 2012		
		included in earnings	included in OCI									
Assets												
Trading assets (excluding derivatives)												
Mortgage-backed residential securities	\$ 33	\$ 2 (b)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ (31)	\$ —	\$ 4 (b)	
Investment securities												
Available-for-sale debt securities												
Asset-backed	62	19	(12)	—	(69)	—	—	—	—	—	—	
Mortgage loans held-for-sale, net (c)	30	—	—	12	—	—	(11)	(31)	—	—	—	
Consumer mortgage finance receivables and loans, net (c)	835	121 (c)	—	—	(245) (d)	—	(124)	(587)	—	—	51 (c)	
Mortgage servicing rights	2,519	(677) (e)	—	—	—	240	—	(1,130)	952	—	(677) (e)	
Other assets												
Interests retained in financial asset sales												
	231	46 (f)	—	—	—	—	(123)	—	154	—	—	
Derivative contracts, net (g)												
Interest rate	71	(78) (h)	—	—	—	—	53	1	47	—	1 (h)	
Foreign currency	16	(32) (h)	—	—	—	—	—	14	(2)	—	(50) (h)	
Total derivative contracts in a receivable position, net	87	(110)	—	—	—	—	53	15	45	—	(49)	
Total assets	\$ 3,797	\$ (599)	\$ (12)	\$ 12	\$ (314)	\$ 240	\$ (209)	\$ (1,764)	\$ 1,151	\$ —	\$ (671)	
Liabilities												
Long-term debt												
On-balance sheet securitization debt (c)	\$ (830)	\$ (115) (c)	\$ —	\$ —	\$ —	\$ —	\$ 389	\$ 556	\$ —	\$ —	\$ (62) (c)	
Accrued expenses and other liabilities												
Loan repurchase liabilities (c)	(29)	—	—	(11)	—	—	10	30	—	—	—	
Total liabilities	\$ (859)	\$ (115)	\$ —	\$ (11)	\$ —	\$ —	\$ 399	\$ 586	\$ —	\$ —	\$ (62)	

- (a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap or discontinued operations. Refer to Note 1 for additional information related to ResCap. Refer to Note 2 for additional information related to discontinued operations.
- (b) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading assets in the Consolidated Statement of Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
- (d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.
- (e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Consolidated Statement of Income.
- (f) Reported as other income, net of losses, in the Consolidated Statement of Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 22 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Level 3 recurring fair value measurements

(\$ in millions)	Net realized/unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfers out of level 3	Fair value at Dec. 31, 2011	Net unrealized gains (losses) included in earnings still held at Dec. 31, 2011
	Fair value at Jan. 1, 2011	included in earnings							
Assets									
Trading assets (excluding derivatives)									
Mortgage-backed residential securities	\$ 44	\$ 5 (a)	\$ —	\$ —	\$ —	\$ —	\$ (16)	\$ 33	\$ 14 (a)
Asset-backed securities	94	—	—	(94)	—	—	—	—	—
Total trading assets	138	5	—	(94)	—	(16)	—	33	14
Investment securities									
Available-for-sale debt securities									
Mortgage-backed residential	1	—	—	(1)	—	—	—	—	—
Asset-backed	—	18 (b)	14	94	(64)	—	—	62	—
Total debt securities	1	18	14	94	(65)	—	—	62	—
Mortgage loans held-for-sale, net (c)	4	(1) (c)	—	46	(1)	—	(18)	30	(2) (c)
Consumer mortgage finance receivables and loans, net (c)	1,015	352 (c)	1	—	—	—	(533)	835	136 (c)
Mortgage servicing rights	3,738	(1,606) (d)	—	31	(266) (e)	622	—	2,519	(1,605) (d)
Other assets									
Interests retained in financial asset sales	568	180 (f)	—	—	—	3	(520)	231	(15) (f)
Derivative contracts, net (g)									
Interest rate	(13)	148 (h)	—	—	—	—	(41)	71	145 (h)
Foreign currency	—	16 (h)	—	—	—	—	—	16	16 (h)
Total derivative contracts in a (payable) receivable position, net	(13)	164	—	—	—	—	(41)	87	161
Total assets	\$ 5,451	\$ (888)	\$ 15	\$ 171	\$ (426)	\$ 625	\$ (1,128)	\$ 3,797	\$ (1,311)
Liabilities									
Long-term debt									
On-balance sheet securitization debt (c)	\$ (972)	\$ (371) (c)	\$ 1	\$ —	\$ —	\$ —	\$ 512	\$ (830)	\$ (184) (c)
Accrued expenses and other liabilities									
Loan repurchase liabilities (c)	—	2 (c)	—	(46)	—	—	15	(29)	2 (c)
Total liabilities	\$ (972)	\$ (369)	\$ 1	\$ (46)	\$ —	\$ —	\$ 527	\$ (859)	\$ (182)

- (a) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest on trading assets in the Consolidated Statement of Income.
- (b) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest and dividends on available-for-sale investment securities in the Consolidated Statement of Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
- (d) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Consolidated Statement of Income.
- (e) Represents excess mortgage servicing rights transferred to an agency-controlled trust in exchange for trading securities. These securities were then sold instantaneously to third-party investors for \$266 million.
- (f) Reported as other income, net of losses, in the Consolidated Statement of Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 22 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.
- (i) The in-house valuations of some derivative contracts classified as Level 3 was replaced with third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs are entered into the model. We reclassified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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.

December 31, 2012 (\$ in millions)	Nonrecurring fair value measurements				Lower-of- cost or fair value or valuation reserve allowance	Total loss included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
Assets						
Commercial finance receivables and loans, net (a)						
Automotive	\$ —	\$ —	\$ 108	\$ 108	\$ (19)	n/m (b)
Other	—	—	23	23	(7)	n/m (b)
Total commercial finance receivables and loans, net	—	—	131	131	(26)	n/m (b)
Other assets						
Repossessed and foreclosed assets (c)	—	—	3	3	(2)	n/m (b)
Cost basis investment in ResCap (d)	—	—	—	—	—	(442)
Total assets	\$ —	\$ —	\$ 134	\$ 134	\$ (28)	\$ (442)

n/m = not meaningful

- (a) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.
- (d) Represents the impairment of our investment in ResCap during 2012. Refer to Note 1 for additional information related to ResCap.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

December 31, 2011 (\$ in millions)	Nonrecurring fair value measurements				Lower-of- cost or fair value or valuation reserve allowance	Total loss included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
Assets						
Mortgage loans held-for-sale (a)	\$ —	\$ —	\$ 479	\$ 479	\$ (60)	n/m (b)
Commercial finance receivables and loans, net (c)						
Automotive	—	—	310	310	(30)	n/m (b)
Mortgage	—	1	14	15	(10)	n/m (b)
Other	—	—	20	20	(10)	n/m (b)
Total commercial finance receivables and loans, net	—	1	344	345	(50)	n/m (b)
Other assets						
Property and equipment	—	13	—	13	n/m (d)	\$ (8)
Repossessed and foreclosed assets (e)	—	32	27	59	(15)	n/m (b)
Total assets	\$ —	\$ 46	\$ 850	\$ 896	\$ (125)	\$ (8)

n/m = not meaningful

- (a) Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the portfolio specifically impaired during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (d) The total gain (loss) included in earnings is the most relevant indicator of the impact on earnings.
- (e) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

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

December 31, 2012 (\$ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	\$ 108	Fair value of collateral	Adjusted appraisal value	65.0-95.0%

Fair Value Option for Financial Assets and Financial Liabilities

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

- **On-balance sheet mortgage securitizations** — We elected to measure at fair value certain domestic consumer mortgage finance receivables and loans and the related debt held in on-balance sheet mortgage securitization structures. The fair value-elected loans were classified as finance receivable and loans, net, on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless the loans are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. We classified the fair value adjustment recorded for the loans as other income, net of losses, in the Consolidated Statement of Income.

We continued to record the fair value-elected debt balances as long-term debt on the Consolidated Balance Sheet. Our policy is to separately record interest expense on the fair value-elected debt, which continues to be classified as interest on long-term debt in the Consolidated Statement of Income. We classified the fair value adjustment recorded for this fair value-elected debt as other income, net of losses, in the Consolidated Statement of Income.

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

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

- ***Nongovernment-eligible mortgage loans held-for-sale subject to conditional repurchase options*** — We elected the fair value option for both nongovernment-eligible mortgage loans held-for-sale subject to conditional repurchase options and the related liability. These conditional repurchase options within our private label securitizations allowed us to repurchase a transferred financial asset if certain events outside our control were met. The typical conditional repurchase option was a delinquent loan repurchase option that gave us the option to purchase the loan if it exceeded a certain prespecified delinquency level. We had complete discretion regarding when or if we would exercise these options, but generally we would do so only when it is in our best interest. We recorded the asset and the corresponding liability on our balance sheet when the option becomes exercisable. The fair value option election must be made at initial recording. As such, the conditional repurchase option assets and liabilities recorded prior to January 1, 2011, were ineligible for the fair value election.

We carried these fair value-elected optional repurchase loan balance as loans held-for-sale, net, on the Consolidated Balance Sheet. The fair value adjustment recorded for these loans was classified as other income, net of losses, in the Consolidated Statement of Income. We carried the fair value-elected corresponding liability as accrued expenses and other liabilities on the Consolidated Balance Sheet. The fair value adjustment recorded for these liabilities were classified as other income, net of losses, in the Consolidated Statement of Income.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in millions)	Changes included in the Consolidated Statement of Income							Change in fair value due to credit risk (c)
	Interest and fees on finance receivables and loans (a)	Interest on loans held-for- sale (a)	Interest on long-term debt (b)	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings		
2012								
Assets								
Mortgage loans held-for-sale, net	\$ —	\$ 82	\$ —	\$ 262	\$ —	\$ 344	\$ —	(d)
Consumer mortgage finance receivables and loans, net	59	—	—	—	62	121	(24)	(e)
Liabilities								
Long-term debt								
On-balance sheet securitization debt	—	—	(34)	—	(81)	(115)	(8)	(f)
Total						\$ 350		
2011								
Assets								
Mortgage loans held-for-sale, net	\$ —	\$ 176	\$ —	\$ 908	\$ —	\$ 1,084	\$ —	(d)
Consumer mortgage finance receivables and loans, net	200	—	—	—	153	353	(119)	(e)
Liabilities								
Long-term debt								
On-balance sheet securitization debt	—	—	(116)	—	(256)	(372)	(20)	(f)
Accrued expenses and other liabilities								
Loan repurchase liabilities	—	—	—	—	2	2	—	
Total						\$ 1,067		

- (a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.
- (b) Interest expense is measured by multiplying bond principal by the coupon rate and the number of days of interest due to the investor.
- (c) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
- (d) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.
- (e) The credit impact for consumer mortgage finance receivables and loans was quantified by applying internal credit loss assumptions to cash flow models.
- (f) The credit impact for on-balance sheet securitization debt is assumed to be zero until our economic interests in a particular securitization is reduced to zero, at which point the losses on the underlying collateral will be expected to be passed through to third-party bondholders. Losses allocated to third-party bondholders, including changes in the amount of losses allocated, will result in fair value changes due to credit. We also monitor credit ratings and will make credit adjustments to the extent any bond classes are downgraded by rating agencies.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

December 31, (\$ in millions)	2012		2011	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	\$ 2,416	\$ 2,490	\$ 3,766	\$ 3,919
Nonaccrual loans	47	25	54	27
Loans 90+ days past due (b)	36	19	53	27
Consumer mortgage finance receivables and loans, net				
Total loans	—	—	2,436	835
Nonaccrual loans (c)	—	—	506	209
Loans 90+ days past due (b) (c)	—	—	362	163
Liabilities				
Long-term debt				
On-balance sheet securitization debt	\$ —	\$ —	\$ (2,559)	\$ (830)
Accrued expenses and other liabilities				
Loan repurchase liabilities	—	—	(57)	(29)

(a) Excludes accrued interest receivable.

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

(c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis; therefore, we allocated the fair value of nonaccrual loans and loans 90+ days past due to individual loans based on the unpaid principal balances. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net*.

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled *Recurring Fair Value*. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at December 31, 2012 and 2011.

December 31, (\$ in millions)	Carrying value	2012				2011	
		Estimated fair value				Carrying value	Estimated fair value
		Level 1	Level 2	Level 3	Total		
Financial assets							
Loans held-for-sale, net (a)	\$ 2,576	\$ —	\$ 2,490	\$ 86	\$ 2,576	\$ 8,557	\$ 8,674
Finance receivables and loans, net (a)	97,885	—	—	98,907	98,907	113,252	113,576
Nonmarketable equity investments	303	—	272	34	306	419	423
Financial liabilities							
Deposit liabilities	\$ 47,915	\$ —	\$ —	\$ 48,752	\$ 48,752	\$ 45,050	\$ 45,696
Short-term borrowings	7,461	6	—	7,454	7,460	7,680	7,622
Long-term debt (a)(b)	74,882	—	36,018	42,533	78,551	93,525	92,142

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

(b) The carrying value includes deferred interest for zero-coupon bonds of \$321 million and \$640 million at December 31, 2012, and 2011, respectively.

The following describes the methodologies and assumptions used to determine fair value for the significant classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market was not

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

active and a transaction was not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not in forced liquidation or distressed sale.

- **Loans held-for-sale, net** — Loans held-for-sale classified as Level 2 include all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.
- **Finance receivables and loans, net** — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain other automotive- and mortgage-lending 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.

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

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

26. Segment and Geographic Information

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

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

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

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

Mortgage operations — Our ongoing Mortgage operations are conducted through Ally Bank. We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders. Our Mortgage operations also include noncore business activities that are winding down or were business activities of ResCap, which was deconsolidated on May 14, 2012, including, among other things: portfolios in runoff; and our mortgage reinsurance business.

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments.

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

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

Change in Reportable Segment Information

As a result of a change in management's view of our operations, we have changed the presentation of our reportable operating segments during the year ended December 31, 2012. These changes include the following:

- During the fourth quarter of 2012, we announced that we had reached agreements to sell substantially all of our International operations. As a result, beginning in the fourth quarter of 2012, we are presenting our continuing Automotive Finance activities under one reportable operating segment, Automotive Finance operations. Previously our Automotive Finance operations were presented as two reportable operating segments, North American Automotive Finance operations and International Automotive Finance operations.
- During the fourth quarter of 2012, we began to allocate certain expenses associated with deposit gathering activities and other additional costs of holding liquidity to our Automotive Finance and Mortgage operations. These expenses were previously included within our Corporate and Other activities. Additionally, we began to include overhead that was previously allocated to operations that have since been sold or moved into discontinued operations within our Corporate and Other activities.
- On May 14, 2012, the Debtors filed for relief under Chapter 11 of the Bankruptcy Code in the United States. As a result of the bankruptcy filing, ResCap was deconsolidated from our financial statements; and beginning in the second quarter of 2012, we began presenting our mortgage business activities under one reportable operating segment, Mortgage operations. Previously our Mortgage operations had been presented as two reportable operating segments, Origination and Servicing operations and Legacy Portfolio and Other operations. The new presentation is consistent with the organizational alignment of the business and management's current view of the mortgage business.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

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

Year ended December 31, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations (a)	Corporate and Other (b)	Consolidated (c)
2012					
Net financing revenue (loss)	\$ 2,827	\$ 64	\$ 151	\$ (1,173)	\$ 1,869
Other revenue (loss)	322	1,150	1,617	(60)	3,029
Total net revenue (loss)	3,149	1,214	1,768	(1,233)	4,898
Provision for loan losses	253	—	86	(10)	329
Total noninterest expense	1,507	1,054	993	1,770	5,324
Income (loss) from continuing operations before income tax expense	\$ 1,389	\$ 160	\$ 689	\$ (2,993)	\$ (755)
Total assets	\$ 128,411	\$ 8,439	\$ 14,744	\$ 30,753	\$ 182,347
2011					
Net financing revenue (loss)	\$ 2,530	\$ 62	\$ 210	\$ (1,721)	\$ 1,081
Other revenue	422	1,336	961	178	2,897
Total net revenue (loss)	2,952	1,398	1,171	(1,543)	3,978
Provision for loan losses	89	—	150	(51)	188
Total noninterest expense	1,530	1,082	1,643	486	4,741
Income (loss) from continuing operations before income tax expense	\$ 1,333	\$ 316	\$ (622)	\$ (1,978)	\$ (951)
Total assets	\$ 112,591	\$ 8,036	\$ 33,906	\$ 29,526	\$ 184,059
2010					
Net financing revenue (loss)	\$ 2,697	\$ 73	\$ 589	\$ (2,053)	\$ 1,306
Other revenue (loss)	724	1,728	1,998	(34)	4,416
Total net revenue (loss)	3,421	1,801	2,587	(2,087)	5,722
Provision for loan losses	260	—	144	(47)	357
Total noninterest expense	1,404	1,244	1,671	654	4,973
Income (loss) from continuing operations before income tax expense	\$ 1,757	\$ 557	\$ 772	\$ (2,694)	\$ 392
Total assets	\$ 97,961	\$ 8,789	\$ 36,786	\$ 28,472	\$ 172,008

(a) Represents the ResCap legal entity (prior to its deconsolidation from Ally as of May 14, 2012) and the mortgage activities of Ally Bank.

(b) Total assets for the Commercial Finance Group were \$1.5 billion, \$1.2 billion, and \$1.6 billion at December 31, 2012, 2011 and 2010, respectively.

(c) Net financing revenue after the provision for loan losses totaled \$1.5 billion, \$0.9 billion, and \$0.9 billion in 2012, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Information concerning principal geographic areas were as follows.

Year ended December 31, (\$ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)	Identifiable assets (c)	Long-lived assets (d)
2012					
Canada	\$ 236	\$ 51	\$ 295	\$ 13,362	\$ 1
Europe (e)	21	33	183	10,971	16
Latin America	2	(19)	219	8,050	33
Asia-Pacific	4	3	99	395	—
Total foreign	263	68	796	32,778	50
Total domestic (f)	4,635	(823)	400	149,542	13,831
Total	\$ 4,898	\$ (755)	\$ 1,196	\$ 182,320	\$ 13,881
2011					
Canada	\$ 175	\$ (16)	\$ 436	\$ 15,156	\$ 282
Europe (e)	(44)	(11)	175	9,976	92
Latin America	(50)	(105)	104	7,647	30
Asia-Pacific	2	—	69	292	—
Total foreign	83	(132)	784	33,071	404
Total domestic (f)	3,895	(819)	(941)	150,470	9,236
Total	\$ 3,978	\$ (951)	\$ (157)	\$ 183,541	\$ 9,640
2010					
Canada	\$ 164	\$ (35)	\$ 402	\$ 17,321	\$ 1,522
Europe (e)	(58)	(60)	278	11,321	406
Latin America	9	(14)	164	6,917	35
Asia-Pacific	4	6	7	202	—
Total foreign	119	(103)	851	35,761	1,963
Total domestic (f)	5,603	495	178	135,722	7,541
Total	\$ 5,722	\$ 392	\$ 1,029	\$ 171,483	\$ 9,504

(a) Revenue consists of net financing revenue and total other revenue as presented in our Consolidated Statement of Income.

(b) The domestic amounts include original discount amortization of \$349 million, \$925 million, and \$1.2 billion for the year ended December 31, 2012, 2011, and 2010, respectively.

(c) Identifiable assets consist of total assets excluding goodwill.

(d) Long-lived assets consist of investment in operating leases, net, and net property and equipment.

(e) Amounts include eliminations between our foreign operations.

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

27. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by a group of subsidiaries (the Guarantors). The Guarantors, each of which is a 100% directly owned subsidiary of Ally Financial Inc., are Ally US LLC, IB Finance Holding Company, LLC (IB Finance), and GMAC Continental Corporation (GMAC Continental). The Guarantors fully and unconditionally guarantee the senior notes on a joint and several basis. In connection with the purchase and sale agreement with General Motors Financial (GMF) described in Note 2, all of the common stock of GMAC Continental will be sold to GMF. Following the closing of this equity sale transaction, GMAC Continental will cease to be a Guarantor, and the proceeds from the sale of GMAC Continental will be reinvested in IB Finance or a subsidiary of IB Finance. Following the completion of this transaction, IB Finance and Ally US LLC will remain note Guarantors.

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

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Condensed Consolidating Statements of Income and Comprehensive Income

Year ended December 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 852	\$ —	\$ 3,751	\$ —	\$ 4,603
Interest and fees on finance receivables and loans — intercompany	116	—	22	(138)	—
Interest on loans held-for-sale	15	—	140	—	155
Interest on trading assets	—	—	13	—	13
Interest and dividends on available-for-sale investment securities	—	—	292	—	292
Interest-bearing cash	16	—	10	—	26
Interest-bearing cash — intercompany	—	—	16	(16)	—
Operating leases	232	—	2,147	—	2,379
Total financing revenue and other interest income	1,231	—	6,391	(154)	7,468
Interest expense					
Interest on deposits	58	—	586	—	644
Interest on short-term borrowings	60	—	30	—	90
Interest on long-term debt	2,688	—	795	(17)	3,466
Interest on intercompany debt	(1)	1	132	(132)	—
Total interest expense	2,805	1	1,543	(149)	4,200
Depreciation expense on operating lease assets	113	—	1,286	—	1,399
Net financing (loss) revenue	(1,687)	(1)	3,562	(5)	1,869
Dividends from subsidiaries					
Nonbank subsidiaries	1,074	448	—	(1,522)	—
Other revenue					
Servicing fees	191	—	510	—	701
Servicing asset valuation and hedge activities, net	—	—	(8)	—	(8)
Total servicing income, net	191	—	502	—	693
Insurance premiums and service revenue earned	—	—	1,059	—	1,059
(Loss) gain on mortgage and automotive loans, net	(2)	—	534	—	532
Loss on extinguishment of debt	—	—	(148)	—	(148)
Other gain on investments, net	—	—	146	—	146
Other income, net of losses	173	474	1,290	(1,190)	747
Total other revenue	362	474	3,383	(1,190)	3,029
Total net (loss) revenue	(251)	921	6,945	(2,717)	4,898
Provision for loan losses	81	—	248	—	329
Noninterest expense					
Compensation and benefits expense	760	473	608	(476)	1,365
Insurance losses and loss adjustment expenses	—	—	461	—	461
Other operating expenses	1,128	1	3,083	(714)	3,498
Total noninterest expense	1,888	474	4,152	(1,190)	5,324
(Loss) income from continuing operations before income tax benefit and undistributed income of subsidiaries	(2,220)	447	2,545	(1,527)	(755)
Income tax benefit from continuing operations	(172)	—	(1,112)	—	(1,284)
Net (loss) income from continuing operations	(2,048)	447	3,657	(1,527)	529
Income (loss) from discontinued operations, net of tax	119	(93)	641	—	667
Undistributed income of subsidiaries					
Bank subsidiary	859	859	—	(1,718)	—
Nonbank subsidiaries	2,266	(105)	—	(2,161)	—
Net income	\$ 1,196	\$ 1,108	\$ 4,298	\$ (5,406)	\$ 1,196

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Year ended December 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Net income	\$ 1,196	\$ 1,108	\$ 4,298	\$ (5,406)	\$ 1,196
Other comprehensive (loss) income, net of tax					
Unrealized gains on investment securities					
Net unrealized gains arising during the period	190	39	329	(227)	331
Less: Net realized gains (losses) reclassified to net income	—	—	141	—	141
Net change	190	39	188	(227)	190
Translation adjustments and net investment hedges					
Translation adjustments	184	114	205	(319)	184
Hedges	(168)	—	—	—	(168)
Net change	16	114	205	(319)	16
Cash flow hedges					
Net unrealized gains arising during the period	(4)	(4)	(4)	8	(4)
Defined benefit pension plans					
Net gains (losses), prior service costs, and transition obligations arising during the period	22	—	(36)	(22)	(36)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	—	—	(58)	—	(58)
Net change	22	—	22	(22)	22
Other comprehensive (loss) income, net of tax	224	149	411	(560)	224
Comprehensive (loss) income	\$ 1,420	\$ 1,257	\$ 4,709	\$ (5,966)	\$ 1,420

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Year ended December 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 1,071	\$ —	\$ 3,348	\$ (10)	\$ 4,409
Interest and fees on finance receivables and loans — intercompany	213	—	26	(239)	—
Interest on loans held-for-sale	5	—	327	—	332
Interest on trading assets	—	—	19	—	19
Interest and dividends on available-for-sale investment securities	4	—	347	—	351
Interest-bearing cash	5	—	16	—	21
Operating leases	713	—	1,216	—	1,929
Total financing revenue and other interest income	2,011	—	5,299	(249)	7,061
Interest expense					
Interest on deposits	65	—	549	—	614
Interest on short-term borrowings	56	—	60	—	116
Interest on long-term debt	3,405	(1)	926	(21)	4,309
Interest on intercompany debt	(13)	2	236	(225)	—
Total interest expense	3,513	1	1,771	(246)	5,039
Depreciation expense on operating lease assets	250	—	691	—	941
Net financing (loss) revenue	(1,752)	(1)	2,837	(3)	1,081
Dividends from subsidiaries					
Nonbank subsidiaries	1,383	—	—	(1,383)	—
Other revenue					
Servicing fees	270	—	1,089	(1)	1,358
Servicing asset valuation and hedge activities, net	—	—	(789)	—	(789)
Total servicing income, net	270	—	300	(1)	569
Insurance premiums and service revenue earned	—	—	1,170	—	1,170
Gain on mortgage and automotive loans, net	22	—	448	—	470
Loss on extinguishment of debt	(64)	—	—	—	(64)
Other gain on investments, net	10	—	249	—	259
Other income, net of losses	(167)	37	1,287	(664)	493
Total other revenue	71	37	3,454	(665)	2,897
Total net (loss) revenue	(298)	36	6,291	(2,051)	3,978
Provision for loan losses	58	—	130	—	188
Noninterest expense					
Compensation and benefits expense	694	37	628	(37)	1,322
Insurance losses and loss adjustment expenses	—	—	483	—	483
Other operating expenses	546	1	3,017	(628)	2,936
Total noninterest expense	1,240	38	4,128	(665)	4,741
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries					
	(1,596)	(2)	2,033	(1,386)	(951)
Income tax (benefit) expense from continuing operations	(616)	(1)	668	—	51
Net (loss) income from continuing operations	(980)	(1)	1,365	(1,386)	(1,002)
Income (loss) from discontinued operations, net of tax	24	(8)	826	3	845
Undistributed income (loss) of subsidiaries					
Bank subsidiary	1,254	1,254	—	(2,508)	—
Nonbank subsidiaries	(455)	477	—	(22)	—
Net (loss) income	\$ (157)	\$ 1,722	\$ 2,191	\$ (3,913)	\$ (157)

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Year ended December 31, 2011 (<i>\$ in millions</i>)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Net (loss) income	\$ (157)	\$ 1,722	\$ 2,191	\$ (3,913)	\$ (157)
Other comprehensive (loss) income, net of tax					
Unrealized (losses) gains on investment securities					
Net unrealized (losses) gains arising during the period	(82)	50	171	57	196
Less: Net realized gains reclassified to net income	6	—	278	—	284
Net change	(88)	50	(107)	57	(88)
Translation adjustments and net investment hedges					
Translation adjustments	(237)	(114)	(219)	333	(237)
Hedges	173	—	—	—	173
Net change	(64)	(114)	(219)	333	(64)
Defined benefit pension plans					
Net (losses) gains, prior service costs, and transition obligations arising during the period	(20)	1	(27)	19	(27)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	—	—	(7)	—	(7)
Net change	(20)	1	(20)	19	(20)
Other comprehensive (loss) income, net of tax	(172)	(63)	(346)	409	(172)
Comprehensive (loss) income	\$ (329)	\$ 1,659	\$ 1,845	\$ (3,504)	\$ (329)

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Year ended December 31, 2010 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 938	\$ —	\$ 3,538	\$ (1)	\$ 4,475
Interest and fees on finance receivables and loans — intercompany	411	—	4	(415)	—
Interest on loans held-for-sale	75	—	512	—	587
Interest on trading assets	—	—	15	—	15
Interest and dividends on available-for-sale investment securities	4	—	321	(2)	323
Interest and dividends on available-for-sale investment securities — intercompany	112	—	9	(121)	—
Interest-bearing cash	13	—	21	—	34
Operating leases	1,063	—	1,520	—	2,583
Total financing revenue and other interest income	2,616	—	5,940	(539)	8,017
Interest expense					
Interest on deposits	52	—	527	—	579
Interest on short-term borrowings	43	—	98	—	141
Interest on long-term debt	3,735	(1)	1,026	(20)	4,740
Interest on intercompany debt	(21)	2	417	(398)	—
Total interest expense	3,809	1	2,068	(418)	5,460
Depreciation expense on operating lease assets	435	—	816	—	1,251
Net financing (loss) revenue	(1,628)	(1)	3,056	(121)	1,306
Dividends from subsidiaries					
Nonbank subsidiaries	182	1	—	(183)	—
Other revenue					
Servicing fees	434	—	1,055	(1)	1,488
Servicing asset valuation and hedge activities, net	—	—	(394)	—	(394)
Total servicing income, net	434	—	661	(1)	1,094
Insurance premiums and service revenue earned	—	—	1,371	—	1,371
Gain on mortgage and automotive loans, net	31	—	1,208	—	1,239
Loss on extinguishment of debt	(127)	—	(9)	12	(124)
Other gain on investments, net	6	—	502	(6)	502
Other income, net of losses	(151)	—	1,046	(561)	334
Total other revenue	193	—	4,779	(556)	4,416
Total net (loss) revenue	(1,253)	—	7,835	(860)	5,722
Provision for loan losses	(200)	—	557	—	357
Noninterest expense					
Compensation and benefits expense	785	—	563	—	1,348
Insurance losses and loss adjustment expenses	—	—	547	—	547
Other operating expenses	744	—	2,930	(596)	3,078
Total noninterest expense	1,529	—	4,040	(596)	4,973
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(2,582)	—	3,238	(264)	392
Income tax (benefit) expense from continuing operations	(574)	—	678	—	104
Net (loss) income from continuing operations	(2,008)	—	2,560	(264)	288
Income from discontinued operations, net of tax	150	3	592	(4)	741
Undistributed income of subsidiaries					
Bank subsidiary	902	902	—	(1,804)	—
Nonbank subsidiaries	1,985	259	—	(2,244)	—
Net income	\$ 1,029	\$ 1,164	\$ 3,152	\$ (4,316)	\$ 1,029

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Year ended December 31, 2010 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Net income	\$ 1,029	\$ 1,164	\$ 3,152	\$ (4,316)	\$ 1,029
Other comprehensive (loss) income, net of tax					
Unrealized (losses) gains on investment securities					
Net unrealized (losses) gains arising during the period	(174)	(85)	649	(70)	320
Less: Net realized gains reclassified to net income	3	—	499	(5)	497
Net change	(177)	(85)	150	(65)	(177)
Translation adjustments and net investment hedges					
Translation adjustments	165	442	630	(1,072)	165
Hedges	(182)	—	—	—	(182)
Net change	(17)	442	630	(1,072)	(17)
Cash flow hedges					
Net unrealized gains arising during the period	33	—	—	—	33
Defined benefit pension plans					
Net losses, prior service costs, and transition obligations arising during the period	(40)	—	(81)	62	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	—	—	(19)	—	(19)
Net change	(40)	—	(62)	62	(40)
Other comprehensive (loss) income, net of tax	(201)	357	718	(1,075)	(201)
Cumulative effect of change in accounting principle (a)	(4)	—	(4)	4	(4)
Comprehensive income	\$ 824	\$ 1,521	\$ 3,866	\$ (5,387)	\$ 824

(a) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Condensed Consolidating Balance Sheet

December 31, 2012 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 729	\$ —	\$ 344	\$ —	\$ 1,073
Noninterest-bearing — intercompany	39	—	—	(39)	—
Interest-bearing	3,204	—	3,236	—	6,440
Interest-bearing — intercompany	—	—	452	(452)	—
Total cash and cash equivalents	3,972	—	4,032	(491)	7,513
Investment securities	—	—	14,178	—	14,178
Loans held-for-sale, net	—	—	2,576	—	2,576
Finance receivables and loans, net					
Finance receivables and loans, net	12,486	—	86,569	—	99,055
Intercompany loans to					
Bank subsidiary	1,600	—	—	(1,600)	—
Nonbank subsidiaries	3,514	—	672	(4,186)	—
Allowance for loan losses	(170)	—	(1,000)	—	(1,170)
Total finance receivables and loans, net	17,430	—	86,241	(5,786)	97,885
Investment in operating leases, net	2,003	—	11,547	—	13,550
Intercompany receivables from					
Bank subsidiary	677	—	—	(677)	—
Nonbank subsidiaries	315	334	378	(1,027)	—
Investment in subsidiaries					
Bank subsidiary	14,288	14,288	—	(28,576)	—
Nonbank subsidiaries	19,180	3,723	—	(22,903)	—
Mortgage servicing rights	—	—	952	—	952
Premiums receivable and other insurance assets	—	—	1,609	—	1,609
Other assets	2,514	—	9,968	(574)	11,908
Assets of operations held-for-sale	855	762	30,582	(23)	32,176
Total assets	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 1,977	\$ —	\$ 1,977
Noninterest-bearing — intercompany	—	—	39	(39)	—
Interest-bearing	983	—	44,955	—	45,938
Total deposit liabilities	983	—	46,971	(39)	47,915
Short-term borrowings	3,094	—	4,367	—	7,461
Long-term debt	32,342	—	42,219	—	74,561
Intercompany debt to					
Nonbank subsidiaries	530	—	5,708	(6,238)	—
Intercompany payables to					
Bank subsidiary	752	—	—	(752)	—
Nonbank subsidiaries	674	—	278	(952)	—
Interest payable	748	—	184	—	932
Unearned insurance premiums and service revenue	—	—	2,296	—	2,296
Accrued expenses and other liabilities	2,187	451	4,517	(570)	6,585
Liabilities of operations held-for-sale	26	725	21,948	—	22,699
Total liabilities	41,336	1,176	128,488	(8,551)	162,449
Total equity	19,898	17,931	33,575	(51,506)	19,898
Total liabilities and equity	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

December 31, 2011 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 1,413	\$ —	\$ 1,062	\$ —	\$ 2,475
Interest-bearing	4,848	14	5,698	—	10,560
Interest-bearing — intercompany	—	—	516	(516)	—
Total cash and cash equivalents	6,261	14	7,276	(516)	13,035
Trading assets	—	—	622	—	622
Investment securities	—	—	15,135	—	15,135
Loans held-for-sale, net	425	—	8,132	—	8,557
Finance receivables and loans, net					
Finance receivables and loans, net	15,151	476	99,128	—	114,755
Intercompany loans to					
Bank subsidiary	4,920	—	—	(4,920)	—
Nonbank subsidiaries	5,397	356	550	(6,303)	—
Allowance for loan losses	(245)	(2)	(1,256)	—	(1,503)
Total finance receivables and loans, net	25,223	830	98,422	(11,223)	113,252
Investment in operating leases, net	928	—	8,347	—	9,275
Intercompany receivables from					
Bank subsidiary	82	—	—	(82)	—
Nonbank subsidiaries	1,070	327	577	(1,974)	—
Investment in subsidiaries					
Bank subsidiary	13,094	13,094	—	(26,188)	—
Nonbank subsidiaries	17,433	3,809	—	(21,242)	—
Mortgage servicing rights	—	—	2,519	—	2,519
Premiums receivable and other insurance assets	—	—	1,853	—	1,853
Other assets	2,664	2	16,713	(638)	18,741
Assets of operations held-for-sale	(174)	—	1,244	—	1,070
Total assets	\$ 67,006	\$ 18,076	\$ 160,840	\$ (61,863)	\$ 184,059
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 2,029	\$ —	\$ 2,029
Interest-bearing	1,768	—	41,253	—	43,021
Total deposit liabilities	1,768	—	43,282	—	45,050
Short-term borrowings	2,756	136	4,788	—	7,680
Long-term debt	39,615	214	53,056	—	92,885
Intercompany debt to					
Nonbank subsidiaries	574	492	10,673	(11,739)	—
Intercompany payables to					
Bank subsidiary	39	—	—	(39)	—
Nonbank subsidiaries	1,266	1	750	(2,017)	—
Interest payable	1,167	3	417	—	1,587
Unearned insurance premiums and service revenue	—	—	2,576	—	2,576
Accrued expenses and other liabilities	541	323	14,438	(638)	14,664
Liabilities of operations held-for-sale	—	—	337	—	337
Total liabilities	47,726	1,169	130,317	(14,433)	164,779
Total equity	19,280	16,907	30,523	(47,430)	19,280
Total liabilities and equity	\$ 67,006	\$ 18,076	\$ 160,840	\$ (61,863)	\$ 184,059

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by (used in) operating activities	\$ 102	\$ 306	\$ 5,862	\$ (1,221)	\$ 5,049
Investing activities					
Purchases of available-for-sale securities	—	—	(12,816)	—	(12,816)
Proceeds from sales of available-for-sale securities	—	—	7,662	—	7,662
Proceeds from maturities and repayments of available-for-sale securities	—	—	5,673	—	5,673
Net decrease (increase) in finance receivables and loans	3,027	2	(14,972)	—	(11,943)
Proceeds from sales of finance receivables and loans	352	—	1,980	—	2,332
Net decrease in loans — intercompany	3,879	105	129	(4,113)	—
Net increase in operating lease assets	(2,268)	—	(3,431)	—	(5,699)
Capital contributions to subsidiaries	(261)	—	—	261	—
Returns of contributed capital	2,079	—	—	(2,079)	—
Net cash effect from deconsolidation of ResCap	—	—	(539)	—	(539)
Proceeds from sale of business units, net	29	—	487	—	516
Other, net	(247)	(13)	(1,481)	—	(1,741)
Net cash provided by (used in) investing activities	6,590	94	(17,308)	(5,931)	(16,555)
Financing activities					
Net change in short-term borrowings — third party	338	25	2,331	—	2,694
Net increase in bank deposits	—	—	7,619	(39)	7,580
Proceeds from issuance of long-term debt — third party	3,613	70	35,718	—	39,401
Repayments of long-term debt — third party	(11,238)	(73)	(28,598)	—	(39,909)
Net change in debt — intercompany	(44)	(149)	(3,984)	4,177	—
Dividends paid — third party	(802)	—	—	—	(802)
Dividends paid and returns of contributed capital — intercompany	—	(457)	(2,843)	3,300	—
Capital contributions from parent	—	169	92	(261)	—
Other, net	(785)	1	(143)	—	(927)
Net cash (used in) provided by financing activities	(8,918)	(414)	10,192	7,177	8,037
Effect of exchange-rate changes on cash and cash equivalents	(63)	—	5	—	(58)
Net decrease in cash and cash equivalents	(2,289)	(14)	(1,249)	25	(3,527)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	(1,995)	—	(1,995)
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035
Cash and cash equivalents at end of year	\$ 3,972	\$ —	\$ 4,032	\$ (491)	\$ 7,513

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Year ended December 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 2,695	\$ 209	\$ 3,973	\$ (1,384)	\$ 5,493
Investing activities					
Purchases of available-for-sale securities	—	—	(19,377)	—	(19,377)
Proceeds from sales of available-for-sale securities	1,494	—	12,738	—	14,232
Proceeds from maturities and repayments of available-for-sale securities	1	—	4,964	—	4,965
Net increase in finance receivables and loans	(2,933)	(51)	(14,014)	—	(16,998)
Proceeds from sales of finance receivables and loans	1,346	—	1,522	—	2,868
Net decrease (increase) in loans — intercompany	2,743	11	(88)	(2,666)	—
Net decrease (increase) in operating lease assets	2,890	—	(3,901)	—	(1,011)
Capital contributions to subsidiaries	(1,634)	(855)	—	2,489	—
Returns of contributed capital	1,255	—	—	(1,255)	—
Proceeds from sale of business units, net	—	—	50	—	50
Other, net	124	(1)	1,020	—	1,143
Net cash provided by (used in) investing activities	5,286	(896)	(17,086)	(1,432)	(14,128)
Financing activities					
Net change in short-term borrowings — third party	237	47	230	—	514
Net increase in bank deposits	—	—	5,840	—	5,840
Proceeds from issuance of long-term debt — third party	3,201	200	41,353	—	44,754
Repayments of long-term debt — third party	(9,414)	(226)	(30,833)	—	(40,473)
Net change in debt — intercompany	71	30	(2,755)	2,654	—
Dividends paid — third party	(819)	—	—	—	(819)
Dividends paid and returns of contributed capital — intercompany	—	(207)	(2,431)	2,638	—
Capital contributions from parent	—	855	1,634	(2,489)	—
Other, net	308	—	(74)	—	234
Net cash (used in) provided by financing activities	(6,416)	699	12,964	2,803	10,050
Effect of exchange-rate changes on cash and cash equivalents	31	—	18	—	49
Net increase (decrease) in cash and cash equivalents	1,596	12	(131)	(13)	1,464
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	(99)	—	(99)
Cash and cash equivalents at beginning of year	4,665	2	7,506	(503)	11,670
Cash and cash equivalents at end of year	\$ 6,261	\$ 14	\$ 7,276	\$ (516)	\$ 13,035

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Year ended December 31, 2010 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 4,552	\$ 13	\$ 7,230	\$ (188)	\$ 11,607
Investing activities					
Purchases of available-for-sale securities	(1,485)	—	(22,631)	—	(24,116)
Proceeds from sales of available-for-sale securities	41	—	17,872	(41)	17,872
Proceeds from maturities and repayments of available-for-sale securities	—	—	4,527	—	4,527
Net decrease in investment securities — intercompany	323	—	260	(583)	—
Net (increase) decrease in finance receivables and loans	(5,177)	96	(12,263)	—	(17,344)
Proceeds from sales of finance receivables and loans	6	—	3,132	—	3,138
Net decrease (increase) in loans — intercompany	7,736	(283)	(302)	(7,151)	—
Net (increase) decrease in operating lease assets	(2,770)	—	7,846	—	5,076
Capital contributions to subsidiaries	(2,036)	(1,737)	—	3,773	—
Returns of contributed capital	880	—	—	(880)	—
Proceeds from sale of business unit, net	59	—	102	—	161
Other, net	104	(1)	3,016	—	3,119
Net cash (used in) provided by investing activities	(2,319)	(1,925)	1,559	(4,882)	(7,567)
Financing activities					
Net change in short-term borrowings — third party	735	50	(4,414)	—	(3,629)
Net increase in bank deposits	—	—	6,556	—	6,556
Proceeds from issuance of long-term debt — third party	5,824	90	33,047	41	39,002
Repayments of long-term debt — third party	(4,292)	(256)	(44,982)	—	(49,530)
Net change in debt — intercompany	243	300	(7,774)	7,231	—
Dividends paid — third party	(1,253)	—	—	—	(1,253)
Dividends paid and returns of contributed capital — intercompany	—	—	(1,068)	1,068	—
Capital contributions from parent	—	1,725	2,048	(3,773)	—
Other, net	418	—	451	—	869
Net cash provided by (used in) financing activities	1,675	1,909	(16,136)	4,567	(7,985)
Effect of exchange-rate changes on cash and cash equivalents	—	—	102	—	102
Net increase (decrease) in cash and cash equivalents	3,908	(3)	(7,245)	(503)	(3,843)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	725	—	725
Cash and cash equivalents at beginning of year	757	5	14,026	—	14,788
Cash and cash equivalents at end of year	\$ 4,665	\$ 2	\$ 7,506	\$ (503)	\$ 11,670

28. Guarantees and Commitments

Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in the underlying agreements with the guaranteed parties. The following summarizes our outstanding guarantees, including those of our discontinued operations, made to third parties on our Consolidated Balance Sheet, for the periods shown.

December 31, (\$ in millions)	2012		2011	
	Maximum liability	Carrying value of liability	Maximum liability	Carrying value of liability
Default automotive repurchases	\$ 1,897	\$ —	\$ 1,600	\$ —
Standby letters of credit and other guarantees	274	44	333	88

Default Automotive Repurchases

Certain of our discontinued international automotive financing businesses provide certain investors in our on-balance sheet arrangements (securitizations) and whole-loan transactions with repurchase commitments for loans that become contractually delinquent within a specified

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

time from their date of origination or purchase. The maximum obligation represents the principal balance for loans sold that are covered by these stipulations. Refer to Note 10 for further information regarding our securitization trusts.

Standby Letters of Credit

Our Commercial Finance Group issues standby letters of credit to customers that represent irrevocable guarantees of payment of specified financial obligations. Third-party beneficiaries primarily utilize standby letters of credit as insurance in the event of nonperformance by our customers. Assets of the customers (e.g., trade receivables, inventory, and cash deposits) generally collateralize letters of credit. Expiration dates on letters of credit range from certain ongoing commitments that will expire during the upcoming year to terms of several years for certain letters of credit.

If nonperformance by a customer occurs for letters of credit, we can be liable for payment of the letter of credit to the beneficiary with our likely recourse being a charge back to the customer or liquidation of the collateral. The majority of customers with whom we have letter of credit exposure fall into the “acceptable” risk-rating category of our Commercial Finance Group’s internal risk-rating system. This category is essentially at the midpoint of our risk rating classifications.

Commitments

Financing Commitments

The contractual commitments were as follows.

December 31, (\$ in millions)	2012	2011
Commitments to		
Sell mortgages or securities (a)	\$ 6,282	\$ 12,632
Originate/purchase mortgages or securities (a)	4,249	6,741
Provide capital to investees (b)	86	56
Provide retail automotive receivables to third-parties (c)	425	1,779
Warehouse and construction-lending commitments (d)	100	1,018
Home equity lines of credit (e)	411	2,234
Unused revolving credit line commitments (f)	668	1,304

(a) Amounts primarily include commitments accounted for as derivatives.

(b) We are committed to contribute capital to certain private equity funds. The fair value of these commitments is considered in the overall valuation of the underlying assets with which they are associated.

(c) Certain of our discontinued international automotive financing businesses are committed to provide retail automotive receivables to third-party banks in exchange for secured debt. The transaction does not meet the definition of a sale.

(d) The fair value of these commitments is considered in the overall valuation of the related assets.

(e) We are committed to fund the remaining unused balances on home equity lines of credit for certain home equity loans sold into securitization structures (both on- and off-balance sheet structures) if certain deal-specific triggers are met. At December 31, 2012, the commitments to fund home equity lines of credit in off-balance sheet securitizations represented \$0 million of the total unfunded commitments.

(f) The unused portion of revolving lines of credit reset at prevailing market rates and, as such, approximate market value.

The mortgage-lending and revolving credit line commitments contain an element of credit risk. Management reduces its credit risk for unused mortgage-lending and unused revolving credit line commitments by applying the same credit policies in making commitments as it does for extending loans. We typically require collateral as these commitments are drawn.

Lease Commitments

Future minimum rental payments required under operating leases, primarily for real property, with noncancelable lease terms expiring after December 31, 2012, are as follows.

Year ended December 31, (\$ in millions)	
2013	\$ 70
2014	62
2015	50
2016	29
2017	18
2018 and thereafter	23
Total minimum payment required	\$ 252

Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were \$63 million, \$79 million, and \$84 million in 2012, 2011, and 2010, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Contractual Commitments

We have entered into multiple agreements for information technology, marketing and advertising, and voice and communication technology and maintenance. Many of the agreements are subject to variable price provisions, fixed or minimum price provisions, and termination or renewal provisions.

Year ended December 31, (*\$ in millions*)

2013	\$	253
2014 and 2015		159
2016 and 2017		74
2018 and thereafter		25
Total future payment obligations	\$	511

29. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk.

Concentration with GM and Chrysler

The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM, Chrysler, and their dealers. We have preferred provider agreements that provide for limited exclusivity privileges with respect to subvention programs offered by GM and Chrysler. These agreements do not provide us with any benefits relating to standard rate financing or lease products. Our preferred provider agreements with GM and Chrysler terminate on December 31, 2013, and April 30, 2013, respectively.

Mortgage-Related Matters

ResCap Bankruptcy Filing

On May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtors' estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows. For further information with respect to the bankruptcy, refer to Note 1.

Based on our assessment of the effect of the deconsolidation of ResCap, potential obligations as a result of the ResCap bankruptcy, and other impacts related to the bankruptcy filing, we recorded a charge of \$1.2 billion during the year ended December 31, 2012. This charge primarily consisted of the impairment of Ally's \$442 million equity investment in ResCap and an additional \$750 million, which is the amount AFI has offered to contribute to the Debtors' estate. Given the inherent uncertainty of the bankruptcy process, it is possible that the \$750 million estimate could be increased or decreased in the future, but we are unable to estimate the amount of any potential modification.

Mortgage Settlements and Consent Order

On February 9, 2012, we announced that we had reached an agreement with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (the Mortgage Settlement). Further, as a result of an examination conducted by the FRB and FDIC, on April 13, 2011, we entered into a consent order (the Consent Order) with the FRB and the FDIC, that required, among other things, GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (the Foreclosure Review). The Debtors are primarily liable for all remaining obligations under both the Mortgage Settlement and Consent Order. AFI is secondarily liable for the specific performance of required actions, and is jointly and severally liable for certain financial obligations. On September 19, 2012, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed an objection to the Debtors' motions to compensate the independent consultants

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

for their Foreclosure Review services. In its objection, the Creditors' Committee alleged, among other things, that AFI should be responsible for the costs of the Foreclosure Review. On October 11, 2012, the Bankruptcy Court entered an interim order allowing the Debtors to continue paying the independent consultants on an interim 90 day basis, while reserving all parties' rights with respect to the allocation of costs between the Debtors and AFI for the Foreclosure Review. On January 14, 2013, the bankruptcy court entered an interim order authorizing the Debtors to continue paying the independent consultants for their Foreclosure Review services until February 28, 2013, and then on February 28, 2013, the bankruptcy court entered an interim order authorizing the Debtors to continue paying the independent consultants until March 21, 2013, reserving all parties' rights until that time. On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors. If the Bankruptcy Court approves the motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material. The Debtors have requested that the motion be heard at a hearing on March 21, 2013.

Legal Proceedings

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

Mortgage-backed Securities Litigation

We have previously disclosed various litigation matters where the Debtors (as defined above) were named as defendants in cases relating to mortgage-backed securities and certain other mortgage-related matters. As a result of the bankruptcy filings, all litigation against the Debtors has been automatically stayed and will be resolved in the bankruptcy litigation out of the assets of the estate. Ally believes that it has no potential future liability with respect to any litigation claims pending solely against the Debtors.

Ally Financial Inc. and certain of its subsidiaries (excluding the Debtors) (collectively, the AFI Entities) are named as defendants in various cases relating to ResCap mortgage-backed securities (MBS) and certain other mortgage-related matters, which are described in more detail below (collectively, the Mortgage Cases). In the private-label securities litigation, the plaintiffs generally allege that misstatements and omissions occurred in registration statements, prospectuses, prospectus supplements, and other documents related to MBS offerings. The alleged misstatements and omissions typically concern underwriting standards. The plaintiffs generally claim that such misstatements and omissions constitute violations of state and/or federal securities law and common law including negligent misrepresentation and fraud. Plaintiffs seek monetary damages and rescission. In these cases, the claims against Ally Financial Inc. are all indirect or vicarious in nature, which generally requires proof of direct liability against the underlying Debtor entities before the litigants can seek to hold Ally Financial Inc. responsible for such underlying conduct. With respect to the private-label monoline bond insurer claims, certain monoline bond insurers generally allege breach of contract and fraud, as described more specifically below.

As described earlier, the proposed bankruptcy Plan, which provided for a release of all existing and potential causes of action against the AFI Entities held by ResCap (including the Mortgage Cases), has been terminated. As a result, the Mortgage Cases are expected to proceed against us. We intend to vigorously defend these cases.

Other than the Cambridge Place I and II, New Jersey Carpenters, FHFA and FDIC matters, all of the private-label securities matters are currently subject to orders entered by the Bankruptcy Court staying the matter through April 30, 2013 in connection with the Debtors bankruptcy. The Cambridge Place I and II and New Jersey Carpenters matters are currently subject to stay orders through March 31, 2013, and the FHFA and FDIC matters are currently proceeding against the applicable Ally defendants. Other than the MBIA matter, all of the private-label monoline bond insurer claims are currently subject to orders entered by the Bankruptcy Court staying the matter through April 30, 2013 in connection with the Debtors bankruptcy. The MBIA matter is currently proceeding against the applicable Ally defendants. All of the stay orders permit motion to dismiss practice and limited discovery to proceed for and against the non-Debtor Ally defendants.

Set forth below are descriptions of these proceedings.

Private-label Securities Litigation

Allstate Litigation

On February 14, 2011, the Allstate Insurance Company and various of its subsidiaries and affiliates (collectively, Allstate) filed a complaint in Hennepin County District Court, Minnesota, against Ally Securities LLC (Ally Securities) and a number of ResCap entities. The complaint alleges that the defendants misrepresented in the offering materials the riskiness and credit quality of, and omitted material information related to, residential mortgage-backed securities (MBS) Allstate purchased. The complaint asserts claims for fraud and negligent misrepresentation and seeks money damages and costs, including attorneys' fees. A motion to dismiss the amended complaint was granted in part and denied in part on November 28, 2011, pursuant to which the court dismissed the negligent misrepresentation claim and allowed the fraud and Consumer Fraud Act claims to proceed.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Cambridge Place I and II Litigation

On February 11, 2011, Cambridge Place Investments filed two complaints against Ally Securities and a number of ResCap entities alleging violations of state securities laws and seeks, in both cases, recovery of money damages, together with statutory interest from the date of payment, costs, and attorneys' fees. Plaintiff dismissed the Debtor entities in March 2012 and the case remains pending against Ally Securities only.

FDIC Litigation

The Federal Deposit Insurance Corporation filed four complaints against Ally Securities between May 2012 and August 2012 alleging violations of federal and state securities laws, in each alleging that Ally Securities made misleading statements in a registration statement. Plaintiff seeks rescission and money damages in all cases including pre- and post-judgment interest, attorney's fees and costs of court. Ally Securities has filed motions to dismiss in three of the four cases, and expects to file a motion to dismiss in the fourth case as well.

FHFA Litigation

FHFA, as conservator for Freddie Mac, filed a complaint on September 2, 2011, against Ally Financial Inc., Ally Securities, GMAC Mortgage Group (GMACMG), and a number of ResCap entities, in New York County Supreme Court. The case was removed to Federal District Court, Southern District of New York. Subsequent to the ResCap bankruptcy filing, the FHFA amended its complaint to remove all Debtor entities. The complaint alleges that Ally Financial Inc., GMACMG and Ally Securities violated federal and state securities laws and engaged in aiding and abetting a fraud, asserts control person liability against Ally Financial. The plaintiff seeks rescission and recovery of money damages, with interest, as well as consequential and punitive damages, attorney's fees and costs and judgment interest. Motions to dismiss were filed by defendants on July 13, 2012, and were granted in part and denied in part on December 19, 2012. The dismissed portions of the complaint did not substantially alter the original allegations, entities involved, or securities offerings at issue in the case.

FHLB Litigation

Federal Home Loan Bank (FHLB) of Indianapolis filed an Amended Complaint in Marion County Superior Court for rescission and damages on July 14, 2011, asserting claims for common law negligence and violations of state and federal securities laws, and names Ally Securities, and GMACMG, and a number of ResCap entities. The complaint alleges that the offering documents for the securities underwritten and issued by the defendants contained material misrepresentations of fact, evidenced by high default and foreclosure rates, and seeks damages or statutory recovery upon tender, plus interest, attorneys' fees, and costs, including expert witness fees and an order voiding the transactions at issue. The defendants filed a motion to dismiss, which was granted in part and denied in part. The negligent misrepresentation claim remains against Ally Securities only.

FHLB of Boston filed a complaint on April 20, 2011, in Suffolk County Superior Court, naming numerous defendants including Ally Financial Inc.; GMACMG, and a number of ResCap entities. The complaint alleges that the defendants collectively packaged, marketed, offered, and sold private-label MBS, and FHLB of Boston purchased such securities in reliance upon misstatements and omissions of material facts in the offering documents. The complaint alleges negligent misrepresentation and violations of the Massachusetts Uniform Securities Act. Plaintiffs seek damages, plus interest, attorneys' fees, and costs, including expert witness fees. The defendants removed this case to federal court. The AFI Entities filed a Motion to Dismiss on October 11, 2012.

FHLB of Chicago filed a Corrected Amended Complaint for Rescission and Damages on October 15, 2011, in Cook County Circuit Court, which names, among other defendants, Ally Financial Inc., Ally Securities, GMACMG, and a number of ResCap entities. The complaint alleges that the offering documents for the securities underwritten and issued by defendants contained material misrepresentations of fact and asserts claims for violations of state securities law and negligent misrepresentation. The complaint seeks rescission of the transactions at issue, money damages, and attorney's fees and costs, including expert witness fees. The defendants' motion to dismiss was denied September 12, 2012.

John Hancock Litigation

John Hancock Life Insurance Company filed a complaint in Hennepin County, Minnesota on July 27, 2012 against Ally Financial Inc., Ally Bank, Ally Securities, GMACMG and a number of ResCap individual directors and officers. The complaint alleges fraud, aiding and abetting fraud, negligent misrepresentation, and violations of federal and state securities laws. The plaintiff seeks rescission and money damages, including costs, reasonable attorneys' fees and expert fees, and prejudgment interest relating to forty-nine securities offerings.

Huntington Bancshares Litigation

Huntington Bancshares, Inc. (Huntington), commenced a lawsuit on October 11, 2011, against Ally Financial Inc., Ally Securities, and a number of ResCap entities and individual directors and officers. The complaint alleges that the defendants made misrepresentations and omissions of material facts related to the originator's loan underwriting guidelines in the offering materials for five residential mortgage-backed securities. The complaint asserts claims for fraud, aiding and abetting fraud, negligent misrepresentation, and violation of the Minnesota Securities Act and seeks rescission, money damages, and certain costs. The defendants' motion to dismiss was granted and all parties and claims were dismissed with prejudice on December 11, 2012. The plaintiff filed a timely notice of appeal on February 8, 2013. No appeal dates have been set.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Massachusetts Mutual Life Insurance Company Litigation

On February 9, 2011, the Massachusetts Mutual Life Insurance Company (MassMutual) filed a complaint in the United States District Court for the District of Massachusetts against numerous defendants, including Ally Securities and a former director of ResCap. The complaint alleges that the defendants' public filings and offering documents associated with MBS that MassMutual purchased contained false statements and omissions of material facts. MassMutual asserts claims for violations of the Massachusetts Uniform Securities Act and seeks both compensatory and statutory damages. The defendants' motion to dismiss was granted in part and denied in part in February 2012, although claims against Ally Securities remain.

New Jersey Carpenters Litigation

On January 3, 2011, New Jersey Carpenters Health Fund, New Jersey Carpenters Vacation Fund, and Boilermaker Blacksmith National Pension Trust, on behalf of themselves and a putative class (collectively, New Jersey Carpenters), filed a Consolidated Second Amended Securities Class Action Complaint against numerous defendants including Ally Securities, and a number of ResCap entities and individual directors and officers. The complaint alleges that the plaintiffs and the class purchased MBS between June 28, 2006, and May 30, 2007, and asserts that the offering documents associated with these transactions contained misrepresentations and omitted material information in violation of the federal securities laws. The complaint seeks compensatory damages, rescission or a rescissory measure of damages, and attorneys' fees and costs, among other relief. New Jersey Carpenters moved for class certification. The court denied the plaintiffs' motion for class certification, and the Plaintiffs appealed and 2nd Circuit affirmed the District Court's ruling. Plaintiffs were then allowed limited discovery to re-attempt class certification and the District Court certified a modified class and allowed claims to be reinstated by certain intervenors. The defendants have filed a motion for reconsideration of class certification.

Stichting Pensioenfond's Litigation

On October 11, 2011 Stichting filed a complaint in District Court of Minnesota against Ally Financial Inc., Ally Securities, and a number of ResCap entities and individual directors and officers. The complaint alleges fraud, aiding and abetting fraud, negligent misrepresentation and violation of state securities laws and seeks money damages, including attorney's fees, court costs and expert fees, and judgment interest. The Defendants filed a motion to dismiss on July 30, 2012. The plaintiffs subsequently were granted leave to amend their complaint which added Ally Bank, IB Finance Holding Co., and two securities offerings. The Defendants anticipate filing a motion to dismiss.

Union Central Life Litigation

Union Central filed a complaint on April 28, 2011 against Ally Financial Inc., Ally Securities and a number of ResCap entities and a former ResCap director alleging violation of the federal securities laws, state common law fraud, negligent misrepresentation and unjust enrichment. The plaintiff seeks compensatory and statutory damages, and attorneys fees and costs, including expert witness fees. A motion to dismiss was filed on July 27, 2012.

Western & Southern Litigation

Western & Southern filed a complaint on June 30, 2011 in Hamilton County, Ohio against Ally Securities and a number of ResCap entities alleging violation of state securities laws and negligent misrepresentation and seeks rescission and money damages, including compensatory and punitive damages, interest, and attorney's fees and costs. A motion to dismiss was granted for all parties except Ally Securities.

Private-label Monoline Bond Insurer Claims

Assured Guaranty Litigation

Assured Guaranty filed a complaint on May 11, 2012 in Federal District Court, the Southern District of New York, against Ally Financial, Ally Bank and a number of ResCap entities alleging claims for breach of contract, reimbursement and indemnification under New York law and seeks monetary damages in connection with 2004 and 2006 mortgage securitizations.

MBIA Litigation

MBIA Insurance Corporation (MBIA) filed complaints on December 4, 2008, and April 1, 2010, in the New York County Supreme Court against GMAC Mortgage and RFC. The complaints allege that defendants breached their contractual representations and warranties relating to the characteristics of mortgage loans contained in certain insured MBS offerings and includes claims for fraud, improper servicing and failure to notify the insurer of the alleged breach. Both cases were automatically stayed on May 14, 2012 in connection with the Debtors' bankruptcy filings. MBIA subsequently filed a complaint on September 17, 2012 against Ally Financial Inc., IB Finance Holding Company LLC, Ally Bank, Ally Securities, and GMACMG, alleging aiding and abetting common law fraud, and against Ally Bank, breach of contract relating to the characteristics of the mortgage loans contained in certain insured offerings and seeks damages relating to all claims. The Defendants filed a motion to dismiss on February 15, 2013.

FGIC Litigation

FGIC filed twelve complaints in New York state court against Ally Financial Inc. (ten of the twelve), Ally Bank (four of the twelve) and a number of ResCap entities between November 29, 2011 and March 13, 2012, alleging that the Debtor defendants breached their contractual representations and warranties relating to the characteristics of mortgage loans contained in certain insured MBS offerings. FGIC also alleges that Ally Financial Inc. is liable under alter ego and fraudulent inducement theories and that Ally Bank aided and abetted such fraudulent inducement and seeks damages relating to all claims. All of the FGIC cases were removed to the U.S. District Court for the Southern District of New York, and the defendants have asked the Court for leave to file motions to dismiss each case.

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

Regulatory Matters

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

Loan Repurchases and Obligations Related to Loan Sales

Representation and Warranty Obligation Reserve Methodology

A significant portion of our representation and warranty obligations were eliminated as a result of the deconsolidation of ResCap. Representation and warranty reserve was \$105 million at December 31, 2012 with respect to Ally Bank's sold and serviced loans. The current liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Consolidated Statement of Comprehensive Income. The repurchase reserve at December 31, 2012, relates exclusively to GSE exposure.

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

Year ended December 31, (\$ in millions)	2012 (a)	2011
Balance at January 1,	\$ 825	\$ 830
Provision for mortgage representation and warranty expenses		
Loan sales	16	19
Change in estimate — continuing operations	67	324
Total additions	83	343
Resolved claims (b)	(146)	(360)
Recoveries	8	12
Deconsolidation of ResCap	(665)	—
Balance at December 31,	\$ 105	\$ 825

(a) The remaining balance is at Ally Bank as a result of the deconsolidation of ResCap. Refer to Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

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

Other Contingencies

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

Notes to Consolidated Financial Statements

Ally Financial Inc. • Form 10-K

30. Quarterly Financial Statements (unaudited)

2012 (\$ in millions)	First quarter	Second quarter	Third quarter	Fourth quarter
Net financing revenue	\$ 342	\$ 443	\$ 473	\$ 611
Other revenue	1,012	762	774	481
Total net revenue	1,354	1,205	1,247	1,092
Provision for loan losses	98	34	105	92
Total noninterest expense	1,120	2,290	877	1,037
Income (loss) from continuing operations before income tax expense (benefit)	136	(1,119)	265	(37)
Income tax expense (benefit) from continuing operations	18	(8)	43	(1,337)
Net income (loss) from continuing operations	118	(1,111)	222	1,300
Income from discontinued operations, net of tax	192	213	162	100
Net income (loss)	\$ 310	\$ (898)	\$ 384	\$ 1,400
Basic earnings per common share				
Net (loss) income from continuing operations	\$ (62)	\$ (985)	\$ 16	\$ 825
Net income (loss)	82	(825)	137	901
Diluted earnings per common share				
Net (loss) income from continuing operations	(62)	(985)	16	647
Net income (loss)	82	(825)	137	700
2011				
Net financing revenue	\$ 207	\$ 341	\$ 247	\$ 286
Other revenue	827	873	385	812
Total net revenue	1,034	1,214	632	1,098
Provision for loan losses	85	59	57	(13)
Total noninterest expense	1,061	1,277	983	1,420
(Loss) from continuing operations before income tax expense (benefit)	(112)	(122)	(408)	(309)
Income tax expense from continuing operations	19	9	13	10
Net loss from continuing operations	(131)	(131)	(421)	(319)
Income from discontinued operations, net of tax	277	244	211	113
Net income (loss)	\$ 146	\$ 113	\$ (210)	\$ (206)
Basic and diluted earnings per common share				
Net loss from continuing operations	\$ (227)	\$ (242)	\$ (467)	\$ (390)
Net loss	(19)	(58)	(308)	(305)

31. Subsequent Events

Declaration of Quarterly Dividend Payments

On January 3, 2013, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$1.125 per share, or a total of \$134 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of \$17.50 per share, or a total of \$45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of \$0.53 per share, or a total of \$22 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends were paid on February 15, 2013.

Canadian Automotive Finance Operation Sale

On February 1, 2013, we completed the sale of our Canadian automotive finance operation, Ally Credit Canada Limited, and ResMor Trust (Ally Canada) to Royal Bank of Canada. Ally received \$4.1 billion USD for the business in the form of a \$3.7 billion payment at closing and \$400 million of dividends from Ally Canada following the announcement of the transaction.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Senior Executive Vice President of Finance and Corporate Planning (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Refer to Item 8 for Management's Report on Internal Control over Financial Reporting.

Item 9B. Other Information

None.

Part III

Ally Financial Inc. • Form 10-K

Item 10. Directors, Executive Officers, and Corporate Governance

The following table presents information regarding directors, executive officers, and other significant employees of Ally.

Name	Age	Position
Franklin W. Hobbs	65	Director (Chairman of the Board)
Robert T. Blakely	71	Director (Chairman of Audit Committee)
Mayree C. Clark	55	Director (Member of Audit Committee)
John D. Durrett	64	Director (Member of Audit Committee)
Stephen A. Feinberg	52	Director
Kim S. Fennebresque	62	Director
Gerald Greenwald	77	Director
Marjorie Magner	63	Director (Member of Audit Committee)
Henry S. Miller	67	Director
John J. Stack	66	Director (Member of Audit Committee)
Michael A. Carpenter	65	Director and Chief Executive Officer
Jeffrey J. Brown	39	Senior Executive Vice President of Finance and Corporate Planning
James G. Mackey	45	Chief Financial Officer
Barbara Yastine	53	Chief Executive Officer and President of Ally Bank
William F. Muir	58	President
David J. DeBrunner	46	Vice President, Chief Accounting Officer, and Corporate Controller
Brian Gunn	40	Chief Risk Officer

Directors, Executive Officers, and Other Significant Employees

Franklin W. Hobbs — Director of Ally since May 2009. He currently serves as Chairman of the board. Since 2004, he has been an advisor to One Equity Partners LLC, which manages investments and commitments for JPMorgan Chase & Co. in direct private equity transactions. He was previously the CEO of Houlihan Lokey Howard & Zukin. In that role, he oversaw all operations, which included advisory services for mid-market companies involved in mergers and acquisitions and corporate restructurings. He previously was Chairman of UBS AG's Warburg Dillon, Read & Co. Inc. unit. Prior to that, he was President and CEO of Dillon, Read & Co. Inc. Hobbs earned his bachelor's degree from Harvard College and master's degree in business administration from Harvard Business School. He serves as a director on the Boards of the Lord Abbett & Company, Molson Coors Brewing Company, and UNICEF.

Robert T. Blakely — Director of Ally since May 2009. He currently serves as Chairman of the Audit Committee. Previously, he was a trustee of the Financial Accounting Foundation, the oversight board for the Financial Accounting Standards Board. Blakely is the former executive vice president and chief financial officer of Fannie Mae. In this role, he led the financial restatement and implementation of Sarbanes-Oxley controls. He was previously the chief financial officer of WorldCom/MCI, Lyondell Chemical, Tenneco, and US Synthetic Fuels Corporation where he gained valuable experience dealing with accounting principles and financial reporting rules and regulations, evaluating financial results, and generally overseeing the financial reporting processes of large corporations. Blakely received his PhD from Massachusetts Institute of Technology and his master's and bachelor's degrees from Cornell University.

Mayree C. Clark — Director of Ally since May 2009. She currently serves as Chairman and member of the Ally Risk Management and Compliance Committee and the Audit Committee. She serves on the board of the Stanford Management Company, which manages the University's endowment. Clark is the founding partner of Eachwin Capital, an asset management firm that has created an investment strategy which keys off the quality of corporate management for the equity securities in which it invests. Clark is a former partner and member of the executive committee at AEA Holdings. Previously, Clark held a variety of executive positions at Morgan Stanley over a span of nearly 25 years, serving as Global Research Director, Director of Global Private Wealth Management, and deputy to the chairman, president and CEO. Clark began her career as an economic associate in antitrust litigation at National Economic Research Associates, Inc. Clark earned a bachelor's degree from the University of Southern California and a master's degree in business administration from Stanford University Graduate School of Business.

John D. Durrett — Director of Ally since February 2011. He currently serves as a member of the Audit Committee and Compliance Committee. He serves as a strategic adviser to Serent Capital, a San Francisco-based private equity firm, and sits on the boards of two of Serent's portfolio companies. Durrett is a director emeritus of McKinsey & Co., Inc., and completed his 27-year career with the firm in 2007. He served in numerous senior leadership positions during his tenure at McKinsey and also served as a member of the firm's Shareholder's Council and chaired its Finance and Infrastructure Committee. Durrett was also a long-time member of McKinsey's Compensation Committee and the Director's and Principal's Review Committees. Durrett received a bachelor's degree from Millsaps College, a juris doctorate from Emory University and a master's degree in business administration from the Wharton School of the University of Pennsylvania.

Stephen A. Feinberg — Director of Ally since March 2009. He co-founded Cerberus Capital Management in November 1992. Feinberg began his career at Drexel Burnham Lambert where he was actively involved in trading large pools of firm capital. From 1985 to 1992, after leaving Drexel Burnham Lambert, he managed money in separate accounts, most of which was firm capital of Gruntal & Co., Inc. Feinberg has over 25 years of experience in distressed investing, including investments in the financial services industry, and he has served as a control party in connection with investments in numerous financial institutions, including various lending institutions. Feinberg is a 1982 graduate of Princeton University.

Kim S. Fennebresque — Director of Ally since May 2009. Fennebresque served as chairman and chief executive officer of Dahlman Rose & Co. and is a senior advisor at Cowen Group, Inc. He also served as its chairman, president, and chief executive officer where he oversaw all aspects of the management and operations of the company. Fennebresque has extensive business experience and has served as an investment banker for over three decades. He has demonstrated leadership capability and has extensive knowledge of the management of a publicly traded company. The depth and breadth of his exposure to areas of compensation, legal, accounting, and regulatory issues make him a skilled advisor. Prior to joining Cowen Group, Fennebresque served as head of the Corporate Finance and Mergers & Acquisitions departments at UBS. He also was a general partner and co-head of Investment Banking at Lazard Frères & Co. and held various positions at The First Boston Corporation. Fennebresque is a graduate of Trinity College and Vanderbilt Law School. He is currently on the boards of TEAK Fellowship, and Fountain House.

Gerald Greenwald — Appointed to the Ally board of directors in August 2012. Greenwald is a founder of Greenbriar Equity Group, a private equity firm focused on the global transportation sector. Previously, Greenwald was the chairman and chief executive officer of United Airlines from 1994 to 1999. Greenwald began his career in the automotive industry at Ford Motor Company where he worked in several positions including controller, director of operations in Europe and president of Ford of Venezuela. He later joined Chrysler, where he worked in various positions including corporate controller and chief financial officer before being promoted to vice chairman. Greenwald received a bachelor's degree from Princeton University and a master's degree from Wayne State University. He serves on the boards of Align Aerospace Holdings, Inc., GENCO Distribution System, Inc., Ryan Herco Flow Solutions, Western Peterbilt, Inc. and The Aspen Institute, and Chairman of a RAND Corporation Advisory Council.

Marjorie Magner — Director of Ally since May 2010. She also serves on the Audit Committee and Risk and Compliance Committee. Magner is a founding member and partner of Brysam Global Partners, a specialized private equity firm that invests in financial services. Previously, she served as chairman and chief executive officer of the Global Consumer Group at Citigroup. In this position, she was responsible for the company's operations serving consumers through retail banking, credit cards, and consumer finance. She earned a bachelor's degree in psychology from Brooklyn College and a master's degree from Krannert School of Management, Purdue University. Magner also serves on the boards of Accenture Ltd., Gannett Company, Inc., and the Brooklyn College Foundation. She is a member of the dean's advisory council for the Krannert School of Management.

Henry S. Miller — Appointed to the Ally board of directors in August 2012. Miller has served as chairman of Marblegate Asset Management, LLC since its formation in 2009. Miller was also co-founder, chairman and managing director of Miller Buckfire & Co., LLC. Prior to founding Miller Buckfire, he was vice chairman and managing director at Dresdner Kleinwort Wasserstein. He also served as managing director and head of both the restructuring and transportation industry group of Salomon Brothers. He also previously held senior leadership roles at Prudential Securities and Lehman Brothers. Miller received his bachelor's degree from Fordham University and a master's degree in business administration from Columbia Business School. He is a trustee of Save the Children, the Washington Institute for Near East Policy, and Fordham University, as well as a member of the board of directors of AIG and a member of the board of overseers of Columbia Business School.

John J. Stack — Director of Ally since April 2010. He also serves on the Audit Committee and Risk and Compliance Committee. Stack served as chairman and chief executive officer of Ceska Sporitelna, a.s., the largest bank in the Czech Republic, from 2000 to 2007. Prior to that, he spent 22 years in retail banking in various roles at Chemical Bank and then later at Chase Bank. Stack began his career in government working in staff roles in the New York City Mayor's Office and then the New York City Courts System. He earned a bachelor's degree from Iona College and a master's degree from Harvard Graduate School of Business Administration. He also serves on the boards of Erste Bank Group and Mutual of America.

Michael A. Carpenter — Chief Executive Officer of Ally since November 2009 and a member of the Ally Board of Directors since May 2009. He oversees all Ally strategy and operations to focus on strengthening the core businesses, while positioning the company for long-term growth. Carpenter has broad and deep experience in banking, capital markets, turnarounds, and corporate strategy. Most recently, he founded Southgate Alternative Investments in 2007. From 2002 to 2006, he was chairman and chief executive officer of Citigroup Alternative Investments overseeing \$60 billion of proprietary capital and customer funds globally in various alternative investment vehicles. From 1998 to 2002, Carpenter was chairman and chief executive officer of Citigroup's Global Corporate & Investment Bank with responsibility for Salomon Smith Barney Inc. and Citibank's corporate banking activities globally. Carpenter was named chairman and CEO of Salomon Smith Barney in 1998, shortly after the merger that created Citigroup, and led the first ever successful integration of a commercial and investment bank. Prior to Citigroup, he was chairman and CEO of Travelers Life & Annuity and vice chairman of Travelers Group Inc. responsible for strategy and business development. From 1989 to 1994, he was chairman of the board, president, and CEO of Kidder Peabody Group Inc., a wholly owned subsidiary of General Electric Company. From 1986 to 1989, Carpenter was executive vice president of GE Capital Corporation. He first joined GE in 1983 as vice president of Corporate Business Development and Planning and was responsible for strategic planning and development as well as mergers and acquisitions. Earlier in his career, Carpenter spent nine years as vice president and director of the Boston Consulting Group consulting to major companies on corporate strategy and three years with Imperial Chemical Industries of the

United Kingdom. Carpenter received a bachelor of science degree from the University of Nottingham, England, and an MBA from the Harvard Business School where he was a Baker Scholar. He also holds an honorary degree of Doctor of Laws from the University of Nottingham. He serves on the boards of Autobyte Inc., U.S. Retirement Partners and the New York City Investment Fund and has been a board member of the New York Stock Exchange, General Signal, Loews Cineplex, and various other private and public companies.

Jeffrey J. Brown — Appointed Senior Executive Vice President of Finance and Corporate Planning in June 2011. In this role, Brown oversees the finance, treasury and corporate strategy activities of the company. Brown joined Ally in March 2009 as corporate treasurer with responsibility for global treasury activities, including funding and balance sheet management. Prior to joining Ally, Brown was the corporate treasurer for Bank of America where he had responsibility for the core treasury functions including funding and managing interest rate risk. Brown was at Bank of America for 10 years, beginning his career in finance and later joining the balance sheet management division. Brown previously served as the bank's deputy treasurer and oversaw balance sheet management and the company's corporate funding division. He was also a member of the company's Asset/Liability Management Committee. He received a bachelor's degree in economics from Clemson University and an executive master's degree in business from Queens University in Charlotte. He serves on the Trevillian Cabinet of the College of Business and Behavioral Sciences at Clemson University and on the advisory board of McColl School of Business at Queen's University in Charlotte.

James G. Mackey — Chief Financial Officer of Ally since June 2011, after serving as interim Chief Financial Officer since April 2010. In this role, he is responsible for the oversight of the company's financial analysis, controls and reporting, accounting, business planning, and investor relations. Mackey joined the company in 2009 as group vice president and senior finance executive responsible for financial planning and analysis, investor relations, corporate treasury finance, and banking subsidiary financial departments. Previously, Mackey served as chief financial officer for the corporate investments, corporate treasury, and private equity divisions at Bank of America. Earlier in his tenure at Bank of America, he served as managing director within the global structured products group. Prior to Bank of America, Mackey served in the financial institutions practice group at PricewaterhouseCoopers LLP, specializing in capital markets accounting and consulting. He holds a bachelor's degree in business administration and a master's degree in accounting from the University of North Carolina at Chapel Hill. He is also a registered certified public accountant in North Carolina.

Barbara A. Yastine — Chief Executive Officer and President of Ally Bank since May 2012. She also continues as chair of the bank, a position she assumed when she joined Ally in 2010. Yastine is a seasoned executive with diverse experience at financial services companies. Prior to joining Ally, she served as a principal of Southgate Investment Partners, LLC. Before that, she was chief financial officer for Credit Suisse First Boston from 2002 to 2004 and had responsibility for controllership, treasury, risk management, strategy, mergers and acquisitions, and tax. She was with Citigroup and its predecessors for 15 years with her last position being as chief financial officer of Citigroup's global corporate and investment bank. During her time at Citigroup, she also served as chief auditor, chief administrative officer of the global consumer group, and as executive vice president of what is now CitiFinancial. Yastine began her career at Citigroup predecessor Primerica as the head of investor relations. Yastine serves on the boards of directors of Primerica Corporation and privately held Symphony Services Corp., as well as nonprofit Phoenix House. Yastine is a former trustee of the Financial Accounting Foundation. She holds a bachelor's of arts degree in journalism and a master's degree in finance, both from New York University.

William F. Muir — President of Ally since 2004, and head of its Global Automotive Services business. He oversees the company's automotive finance, insurance, vehicle remarketing and servicing operations. Muir is also a member of the Ally Bank board of directors. Chairman of Ally Insurance Group since June 1999, and a Member of the Ally Commercial Finance and Ally Bank Boards of Directors since February 2002 and March 2004, respectively. Prior to that time, Muir served as executive vice president and chief financial officer from February 1998 to 2004. From 1996 to 1998, Muir served as executive-in-charge of operations and then executive director of planning at Delphi Automotive Systems, a former subsidiary of GM. Prior to serving at Delphi Automotive Systems, Muir served in various executive capacities with Ally since first joining Ally in 1992. He also served in a number of capacities with GM since joining the company in 1983. Muir received a bachelor's degree in industrial engineering and operations research from Cornell University in 1977. He earned a master's of business administration degree from Harvard University in 1983.

David J. DeBrunner — Vice President, Chief Accounting Officer, and Controller of Ally since September 2007. DeBrunner joined Ally from Fifth Third Bancorp (Fifth Third) where he was senior vice president, corporate controller, and chief accounting officer from January 2002 to August 2007. Prior to that position, he served as the chief financial officer for the commercial division of Fifth Third beginning in December 1999. DeBrunner joined Fifth Third in 1992 and held various financial leadership positions throughout the company. Prior to his time at Fifth Third, he held positions at Deloitte and Touche LLP in the Chicago and Cincinnati offices. DeBrunner holds a bachelor's of science in accounting from Indiana University and is a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

Brian Gunn — Chief Risk Officer of Ally since November 2011. In this role, Gunn has overall responsibility for achieving an appropriate balance between risk and return, mitigating unnecessary risk and protecting the company's financial returns. Gunn joined Ally in 2008 as chief risk officer for the Global Automotive Services business where he was responsible for overseeing disciplined risk processes, governance and analytics in support of Ally's efforts to diversify and grow its automotive product lines. In this role, Gunn established a global automotive risk management framework for all product lines across North America, Latin America, Europe and China. Prior to joining Ally, Gunn served in a number of senior leadership positions with GE Money of Stamford, Conn., most recently as chief risk officer for GE Money Canada. In this role, he was responsible for all areas of risk management and collections across various product lines. Gunn received a master's degree in Banking and Finance from Hofstra University in Hempstead, N.Y., and a bachelor's degree in Finance from Providence College in Providence, R.I.

Ally Code of Ethics

Ally has published on its website the Ally Code of Conduct and Ethics (the Code) that is applicable to all employees. The Code further includes certain provisions that apply specifically to Ally “financial professionals” (as that term is defined in the Code). The Code has been posted on Ally's internet website at www.ally.com, under “About Ally,” and “Policies & Charters.” Any amendment to, or waiver from, a provision of the Code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions will be posted at this same internet website location as required by applicable law.

Certain Corporate Governance Matters

Election of Directors — Our current directors were elected pursuant to the terms of the Amended and Restated Governance Agreement dated May 21, 2009 (the Governance Agreement), which we have entered into with certain of our shareholders (see Exhibit 10.2 to our Form 8-K filed on May 22, 2009). Based on the current ownership of our common stock, the Governance Agreement provides that the Ally Board of Directors (Board) is to be comprised of the following: (1) one director designated by affiliates of Cerberus Capital Management, L.P., (2) six directors designated by the U.S. Department of Treasury (Treasury), (3) the chief executive officer of Ally and (4) three independent directors chosen by the members described in (1) through (3) above. Currently, the Board consists of the Cerberus appointed director, the chief executive officer of Ally, six directors appointed by Treasury, and three independent directors.

Audit Committee — We have established a separately designated standing Audit Committee. Members currently include Chairman Robert T. Blakely, Mayree C. Clark, John D. Durrett Jr., Marjorie Wagner, and John J. Stack. Each member is “independent” as required by Rule 10A-3 of the Exchange Act and under rules of the New York Stock Exchange, and the Board has determined that all members are also qualified as “audit committee financial experts,” as defined by the SEC.

Other Board Committees — We have also established a Risk and Compliance Committee (Risk Committee) and a Compensation, Nominating, and Governance Committee (CNG Committee). Members of the Risk Committee currently include Mayree C. Clark (Committee Chairwoman), Franklin W. Hobbs, Marjorie Wagner, Henry S. Miller, and John J. Stack. Members of the CNG Committee currently include Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, and Franklin W. Hobbs.

Director Independence — Our common stock is not registered with the SEC or listed on any stock exchange. As such, we are not required by law to have a majority of our Board consist of independent directors. However, the Governance Agreement provides that, based on the current common stock ownership structure, the Ally Board is to consist of eleven members with three of such members being independent. For this purpose, “independent” is determined in accordance with the rules and regulations promulgated by the SEC and the New York Stock Exchange, each as in effect from time to time. Independent directors are appointed by a majority vote of Treasury Designated Managers, the Cerberus Designated Managers, and the Management Designated Managers (as those terms are defined in the Governance Agreement) which majority must include at least one designee of Treasury. The Board has independently and affirmatively determined that all Board members, except for Mr. Carpenter, meet all the requirements for independence. Pursuant to Ally's Bylaws, any Board member that qualifies as “independent” under the applicable standards may perform any independent director function (e.g., serve on an audit committee of the Board). Members of the Ally Audit Committee include Chairman Robert T. Blakely, Mayree C. Clark, John D. Durrett Jr., Marjorie Wagner, and John J. Stack. New York Stock Exchange rules require members of our audit committee to meet the SEC's definition of “independence” as provided by Rule 10A-3 of the Exchange Act. The Ally Board has determined that each member of our audit committee meets this independence requirement.

Item 11. Executive Compensation

Corporate Governance and Related Disclosures

The Compensation, Nominating and Governance Committee

The Ally Compensation, Nominating and Governance Committee (the Committee) is a committee of the Ally Board of Directors (Board) consisting of three non-employee independent directors, including Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, and Franklin W. Hobbs.

The Committee, pursuant to its Charter, is, among other things, responsible for the following:

- Discharging the Board's responsibilities with respect to the establishment, maintenance and administration of Ally's compensation plans, including determining the total compensation of the Chief Executive Officer and executive officers plus other senior executives designated by the Committee as under its purview;
- Overseeing Ally's leadership development and succession planning programs;
- Identifying qualified individuals for membership on the Board (consistent with criteria approved by the Board) and to recommend to the Board the director nominees;
- Reviewing and recommending to the Board the director compensation for service on the Board;
- Leading the Board and its committees in their annual self-evaluation and the annual review of the Board's performance;
- Developing and recommending to the Board a corporate governance policy for the Board, and overseeing Ally's corporate governance procedures and practices related to the Board; and
- Performing any and all duties required of it under applicable laws, rules, regulations, regulatory guidance, or other legal authority.

Compensation, Nominating and Governance Committee Process

Ally's executive compensation programs are administered by the Committee. During 2012, the Committee met 14 times.

The Committee determines the compensation of senior executives under its purview, including the compensation of our named executive officers (NEOs, who are also our Senior Executive Officers (SEOs) for purposes of the Troubled Asset Relief Program (TARP) requirements). In making its determination for senior executives other than the Chief Executive Officer (CEO) and Residential Capital, LLC (ResCap) executives, and in making changes to our executive compensation program, the Committee considers the recommendations of the CEO. The Committee determines the compensation of the CEO without recommendations from the CEO or other management. The Committee considers the recommendations of the ResCap Board of Directors and the ResCap CEO in making changes to compensation for ResCap executives under its purview. The Committee has delegated to the CEO the authority to determine cash and equity compensation for executives other than for the approximately 25 highest-compensated employees (Top 25), ResCap executives, and other select senior executives as determined by the Committee. The Committee also meets periodically in executive session without the presence of any members of management. The Committee seeks the input of Ally's Risk Management functions, and in its deliberations on compensation related issues it also consults with the chairperson of the Board's Risk and Compliance Committee and Audit Committee.

Frederic W. Cook & Co. (Cook) served as an independent advisor during 2012. Cook reports directly to the Committee and provides ongoing advice with respect to the plans and programs covering the executives, including our NEOs and non-employee directors, for which the Committee is responsible. Cook reviews all materials developed by management in advance of Committee meetings, provides advice and recommendations concerning changes to our plans and programs, as well as information on market practices and trends, and attends meetings of the Committee. Cook undertakes no separate work for Ally.

Ally management engaged Pearl Meyer & Partners (Pearl Meyer) to provide consulting assistance on matters pertaining to executive compensation, including a competitive assessment of the compensation paid to Ally's CEO, a price differential analysis for purposes of assisting in the Company's valuation to determine restricted stock unit awards, an analysis of total direct compensation for top executives and an updated competitive assessment of the compensation for Ally's 25 highest-compensated executives requested by the Special Master for TARP related to executive compensation (the Special Master). Ally management also engaged McLagan Partners (McLagan), an Aon Hewitt Company, to provide consulting assistance on certain matters pertaining to executive compensation, including compensation benchmarking.

Compensation, Nominating and Governance Committee Report

The Committee has reviewed and discussed with Ally management the Compensation Discussion and Analysis and, based on that discussion, recommended it to the Ally Board of Directors for inclusion in this Form 10-K.

The Committee, with the assistance of Ally's Risk Management and Human Resource functions, conducts assessments of the risks associated with Ally's compensation policies and practices every six months as required by TARP. To complete such assessments, in 2012 the Committee followed a process that consisted of the following: (1) ranking plans in a tiered system based on each plan's potential to encourage risk taking as determined by the size of the potential payout and the nature of the activities engaged in by participants; (2) identifying risk

mitigators built into each plan such as caps, clawback features, and mandatory deferrals; and (3) implementing as necessary additional risk mitigators or controls in plans.

Based on the risk assessments conducted during 2012, the Committee concluded that (1) the SEO compensation programs do not encourage excessive and unnecessary risk taking that could threaten the value of Ally; (2) other employee compensation plans do not encourage unnecessary or excessive risk taking that could threaten the value of the Company, or reward short-term results to the detriment of long-term value creation; and (3) Ally's compensation programs do not encourage the manipulation of reported earnings.

The Committee, with the assistance of the Company's senior risk officers, will continue to assess the risks associated with Ally's compensation plans every six months and take necessary steps to identify and eliminate any features that may unnecessarily expose Ally to risks or encourage manipulation of reported earnings.

The Compensation, Nominating and Governance Committee certifies that:

- It has reviewed with senior risk officers the SEO compensation plans and has identified and limited features to ensure that these plans do not encourage SEOs to take unnecessary and excessive risks that threaten the value of Ally.
- It has reviewed with senior risk officers the employee compensation plans and has identified and limited features as it deemed necessary to ensure that Ally is not exposed to unnecessary risks.
- It has reviewed the employee compensation plans to eliminate any features in these plans that would encourage the manipulation of reported earnings of Ally to enhance the compensation of any employee.

THE COMPENSATION, NOMINATING AND GOVERNANCE COMMITTEE

Kim S. Fennebresque (Committee Chairman)
Robert T. Blakely
Franklin W. Hobbs

Executive Compensation Discussion and Analysis

Introduction

For the full year 2012, Ally reported net income of \$1.2 billion. Ally's industry-leading U.S. automotive finance franchise remained well-positioned, despite significant competition. Ally grew U.S. net financing revenue 39 percent from the prior year, and also showed significant growth in U.S. automotive earning assets, increasing 18 percent year-over-year, and the Ally Bank franchise continued to build its deposit base and maintained strong customer loyalty with a unique consumer value proposition. Ally made significant strides in the fourth quarter on its key strategic actions aimed at strengthening the company's longer term financial profile and accelerating repayment of the U.S. Department of Treasury's investment.

Executive Compensation Limitations

In connection with our participation in TARP, certain determinations of the Office of the Special Master for TARP Executive Compensation (Special Master), and other laws and regulations, Ally is subject to certain limitations on executive compensation, the most significant of which are:

- Cash salaries are limited based on the determination of the Special Master;
- The majority of an SEO's compensation paid in equity that must be held long-term;
- Any incentive compensation granted must be in the form of long-term restricted equity that is contingent on performance and paid out after incremental TARP repayments;
- Perquisites and "other" compensation capped at \$25,000, with limited exceptions;
- Suspension of the accrual of benefits to supplemental executive retirement plans;
- Prohibition on incentives for SEOs that could cause them to take unnecessary or excessive risks;
- Clawback of any bonus or incentive compensation paid to an SEO based on statements of earnings, revenues, gains, or other performance criteria that are later found to be materially inaccurate, is based on erroneous data that resulted in an accounting restatement due to material noncompliance with any financial reporting requirement under the securities laws within the three years prior to payment, or is found to require repayment under the provisions of any other Federal law or regulation that may govern the Company's executive compensation; and
- Prohibition on any severance payable to the SEOs and the next five most highly compensated employees.

Ally Compensation Program Overview and Philosophy

Working within the limitations imposed on our executive compensation by TARP, Ally's compensation philosophy has been, and continues to be, that there should be a strong linkage between compensation and performance. We believe compensation should:

- Align with long-term value creation for our shareholders;
- Provide appropriate incentives based on individual, business, and Company performance;
- Encourage prudent, but not excessive risk taking;
- Provide a total compensation opportunity competitive with market practice; and
- Be internally equitable for the relative value of the employee's position at Ally.

In addition, our compensation plans are intended to achieve performance enabling us to complete the repayment to the U.S. taxpayers as quickly as practicable.

Ally supports the compensation principles underlying the TARP compensation rules, and we believe our compensation philosophy is consistent with the TARP compensation principles. The Special Master has required that the majority of compensation for NEOs and the next 20 highest-compensated employees be in the form of long-term stock or stock units, that such stock or stock units should be held for specified minimum periods of time, and that any incentive payments should be subject to recoupment if paid based on information that is subsequently found to be materially inaccurate. The Company and the Committee fully support and have implemented these principles for our NEOs and the next 20 highest-compensated employees.

Refer to the *Long-term Equity-based Incentives* section for a discussion of the long-term stock awards that are granted to our NEOs.

The Pay Process for 2012

For 2012, the total compensation opportunity for the NEOs was determined by the Special Master, following review and approval of recommended total direct compensation levels for each of the NEOs by the Committee.

On May 14, 2012, our indirect mortgage subsidiary Residential Capital, LLC (ResCap), and certain of its wholly owned direct and indirect subsidiaries, filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). Further, and also on May 14, 2012, we announced that we were launching a process to explore strategic alternatives with respect to our international operations. The Committee determined that the existing compensation structures in place for Ally did not adequately address issues raised by these developments. As a result, the Committee sought and obtained the Special Master's approval of certain modifications to the compensation structures for the NEOs and other senior executives of the company. The purpose of the modifications was to better ensure that existing senior management was retained and remained fully focused on implementing the announced steps as well as operating the ongoing businesses.

Effective with the bankruptcy filing of Residential Capital, LLC, compensation for all employees of Residential Capital, LLC, including Thomas Marano, were under the purview of the Bankruptcy Court and not directly determined by Ally. Following the bankruptcy filing, Ally and ResCap reached an agreement, memorialized by a Bankruptcy Court order, that clarified that Ally was financially responsible for compensation issued to ResCap employees prior to May 14, 2012, and ResCap was financially responsible for compensation issued to ResCap employees on or after May 14, 2012. Additionally, following the bankruptcy filing, at the request of the ResCap Board of Directors, the Committee sought and obtained the Special Master's approval of a modified compensation structure for Mr. Marano and other employees of ResCap whose compensation was restricted by TARP. The Special Master's Supplemental Determination Letter of November 30, 2012, provides that no compensation awarded after May 14, 2012 to covered employees of ResCap should be in the form of Ally equity and all that such compensation should be awarded in either cash or deferred cash. These modifications were also disclosed, as required, to the Bankruptcy Court. All compensation paid to employees of ResCap after the deconsolidation of ResCap following the bankruptcy filing on May 14, 2012, including Thomas Marano, is the responsibility of ResCap, and was therefore not reflected as compensation expense by Ally in its financial statements for 2012.

Assessing Ally Compensation Competitiveness

We compare our total direct compensation against a peer group of other comparably sized financial services companies with whom we compete for business and senior executive talent. We use publicly available reported pay data from a peer group of companies approved by the Committee to conduct the competitive assessment for the CEO and principal financial officer positions. For the other NEO and senior executive positions, we use market survey data from several survey sources to conduct the competitive assessments. Wherever practical, the market surveys include companies that are part of the peer group approved by the Committee.

During 2011, the Committee approved revisions to the peer group to increase the focus on bank holding companies. No changes were made to the peer group during 2012, which consists of the ten financial services companies listed below:

- BB&T
- Capital One Financial
- Discover
- Fifth Third Bancorp
- KeyCorp
- PNC Financial
- Regions Financial
- SunTrust Banks
- U.S. Bancorp
- Wells Fargo

For 2012, survey data used for the remaining NEOs and other senior executives came from one or more survey sources, including the Hewitt Total Compensation Measurement™ (TCM™) database, Towers Watson Executive Financial Services survey, McLagan Investment Management survey, and McLagan Fixed Income Sales and Trading survey. Because multiple survey sources are used and not all survey participants provide data for each of the remaining NEOs, it is not possible to list the survey participants included in our competitive data analyzed for positions other than the CEO and the principal financial officer.

For executives below the Top 25 whose pay is not determined by the Special Master, our compensation philosophy is to set base salaries and employee benefits at median competitive levels and to set annual incentive compensation to deliver total annual cash and equity compensation up to or exceeding the 75th percentile when warranted by achievement of aggressive performance goals and top quartile competitive performance. If annual performance goals are not achieved, annual incentive compensation is reduced or eliminated, and total annual cash and equity compensation falls to below the market median. The size of long-term equity-based incentive awards relative to total compensation is set annually to ensure senior management maintains an appropriate level of long-term balance in their total compensation and to achieve individual differentiation of total compensation based on performance considerations and retention needs.

Due to the pay restrictions applicable to the NEOs under TARP, including limitations on incentive compensation, total direct compensation rather than individual elements of pay (i.e., base salary, annual incentives, and long-term incentives) is set to be competitive.

The Committee sets proposed total direct compensation levels for each of the NEOs based on his or her job responsibilities. Once the Committee determines and approves the proposed compensation packages for the NEOs, they are submitted to the Special Master for approval. The Special Master then reviews the proposed packages to determine if they are aligned with TARP requirements and set at appropriate market levels. The Special Master subsequently issues a Determination Letter, specifying the final design and allocation of total pay approved for the NEOs. At the end of the year, the Committee reviews the performance of the NEOs relative to their individual goals and objectives. For 2012, there was no incentive compensation (i.e., the long-term incentive restricted stock units (RSUs)) eligible to be awarded to any NEO under the Supplemental Determination Letters issued by the Special Master.

Role of Management in Compensation Decisions

Compensation recommendations for the NEOs other than the CEO and Thomas Marano are presented to and discussed with the Committee by the CEO. The Committee then determines and approves the proposed compensation for the NEOs, which is submitted to the Special Master for final approval.

The Committee determines and approves the compensation of the CEO without the recommendation of management. The Committee exercises its responsibilities with respect to the determination of the compensation of Thomas Marano based on the recommendation of the ResCap Board of Directors and, subsequent to May 14, 2012, upon Bankruptcy Court approval.

Components of Ally Compensation Program

Due to the TARP restrictions on cash compensation and limitations on incentive compensation, base salary is delivered in a combination of cash and equity. All NEOs were ineligible to receive any incentives for 2012. We also offer limited perquisites and other benefits in order to enhance the effectiveness of our NEOs in focusing their time and energy on performing their duties and responsibilities and to enable us to offer a competitive compensation package to attract and retain senior executive talent.

Base Salary

Under our compensation philosophy, base salary is intended to provide a predictable level of compensation that is competitive in the marketplace for the position responsibilities and individual skills, knowledge, and experience of each executive. However, the pay restrictions under TARP significantly limit the form and amount of base salary paid in 2012. As a result, a significant portion of total direct compensation is delivered in the form of equity-based salary for alignment with shareholders' interests.

The following table shows base salaries paid to the NEOs in 2012.

NEO	2012 Base salary			Total (\$)
	Cash (\$)	Deferred Cash (\$ (a))	Equity (Deferred stock units) (\$)	
Michael A. Carpenter	—	—	9,500,000	9,500,000
Jeffrey J. Brown	600,000	—	3,797,892	4,397,892
Barbara Yastine	600,000	—	4,587,357	5,187,357
William Muir	600,000	—	3,400,000	4,000,000
James G. Mackey	550,000	—	2,450,000	3,000,000
Thomas Marano	600,000	5,582,052	1,821,397	8,003,449

(a) Deferred cash awarded to Mr. Marano was granted after May 14, 2012 in lieu of DSUs pursuant to the request of the ResCap Board of Directors and the Special Master's November 30, 2012 Supplemental Determination Letter.

Equity salary is delivered in the form of deferred stock units (DSUs), which are immediately vested, but are subject to restrictions on the timing of payout. Except for the CEO, DSUs and deferred cash earned in 2012 will be payable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. DSUs earned by the CEO in 2012 are payable only in three equal, annual installments beginning on the first anniversary of grant.

Annual Cash Incentives

All NEOs were ineligible to receive annual cash incentives in 2012 due to restrictions under TARP and will continue to be ineligible for as long as the TARP restrictions are in place.

Long-term Equity-based Incentives

Prior to 2012, we provided long-term equity-based incentives in the form of IRSUs to have an incentive compensation component in the total direct compensation opportunity for our NEOs, and to provide retention and alignment with shareholder interests. Due to the restrictions under TARP, grants of long-term IRSUs are the only incentive compensation permitted for the NEOs and the next 20 highest-compensated employees.

NEOs and the balance of the Top 25 were not eligible for IRSUs in 2012. The long-term IRSU awards granted prior to 2012 to the Top 25 vest after two years from the day they are granted. The long-term IRSU award granted to our CEO in 2011 vests two-thirds after two years from the date they were granted and in full three years from the date they were granted. Earlier IRSU awards made to our CEO vest three years from the date they were granted. After the vesting requirement is met, the NEOs will receive payouts as the Company repays its TARP obligations. Payouts will be made in 25% increments based on the percentage of TARP obligations that have been repaid, as determined in accordance with the established guidelines for determining "repayment". As of December 31, 2012, Ally had repaid more than 25%, but less than 50%, of its TARP obligations, as determined in accordance with the established guidelines. Therefore, 25% of IRSUs granted will be immediately payable to recipients upon the vesting date(s).

Special Master's 2012 Supplemental Determination Letters and Modified Compensation Structures

On May 14, 2012, our indirect mortgage subsidiary Residential Capital, LLC, and certain of its wholly owned direct and indirect subsidiaries, filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Further, and also on May 14, 2012, we announced that we were launching a process to explore strategic alternatives with respect to our international operations. The Committee determined that the existing compensation structures in place for Ally did not adequately address issues raised by these developments. As a result, the Committee sought and obtained the Special Master's approval of certain modifications to the compensation structures for the NEOs and other senior executives of the company. The purpose of the modifications was to better ensure that existing senior management was retained and remained fully focused on implementing the announced steps as well as operating the ongoing businesses.

The modifications to the compensation structures for the NEOs and other senior executives, which were approved by the Special Master in 2012 and then adopted by the Committee, specified as follows:

- No increase in total direct compensation for any Top 25 employee.
- No increase in cash salary for any Top 25 employee.
- The portion of each Top 25 employee's total direct compensation for 2012 that would have been payable in the form of long-term IRSUs would instead be paid in additional salary in the form of DSUs. As a result, no incentive compensation of any kind would be payable for 2012 for any Top 25 employee.
- Except for the CEO, DSUs earned in 2012 will be payable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. DSUs earned by the CEO in 2012 are payable only in three equal, annual installments beginning on the first anniversary of grant.

- Except for the CEO, DSUs earned in 2009 and 2010 and not yet paid will be payable in equal installments over the period ending on the third anniversary of the grant.
- Except for the CEO, long-term IRSUs previously awarded for prior services will vest after two years of service. Even if vested, as required by the Interim Final Rule, all IRSU awards may be paid only in 25% installments as Ally repays its TARP obligations in 25% increments, and will otherwise be forfeited.

Benefits and Perquisites

We provide our NEOs with health and welfare benefits under the broad-based program generally available to all of our employees. This allows them to receive certain benefits that are not readily available to individuals except through an employer and to receive certain benefits on a pretax basis. Our benefit program includes the Ally Retirement Savings Plan. We provide the savings plan in lieu of higher current cash compensation to ensure that employees have a source of retirement income and because these plans enjoy more favorable tax treatment than current compensation. Under this plan, employee contributions of up to 6% of salary were matched 100% by Ally. The plan also provided a 2% nonmatching contribution on both salary and annual cash incentives, which fully vests after being employed for three years, and a 2% nonmatching discretionary contribution on salary in light of the Company's 2012 performance.

Ally suspended nonqualified contributions to its Retirement Savings Plan in 2009 and did not make any additional nonqualified contributions in 2012. Therefore, employer contributions for 2012 were made only under the qualified portion of the plan only which limits contributions to pay up to \$250,000.

In addition to broad-based benefits, the NEOs are provided with limited supplemental benefits and perquisites to remain competitive in attracting and retaining executive talent. For 2012, in accordance with the TARP restrictions, the total value of these perquisites and supplemental benefits was capped at \$25,000.

Long-term Compensation Structure

Based on the compensation structure for 2012, long-term equity-based compensation, represented by DSUs, comprises a significant portion of each NEOs total compensation. The long-term equity-based portion of total compensation for each NEO and its associated percentage of total compensation for 2012 are as follows.

Name	Total compensation (\$)	Long-term equity-based compensation	
		Dollar amount awarded (\$)	Percent of total compensation (%)
Michael A. Carpenter	9,557,119	9,500,000	99.4%
Jeffrey J. Brown	4,428,059	3,797,892	85.8%
Barbara Yastine	5,215,956	4,587,357	88.0%
William Muir	4,031,723	3,400,000	84.3%
James G. Mackey	3,030,904	2,450,000	80.8%
Thomas Marano	8,030,548	1,821,397	22.7%

Employment Agreements and Severance

Ally currently has no employment agreement with any of the NEOs.

As a condition to participating in TARP, Ally's NEOs and the next five most highly compensated employees are not eligible for any severance in the event of termination of employment. These restrictions apply until Ally repays its TARP obligations.

Clawback Provisions

In connection with the risk assessment Ally conducted in 2012, the Company has reviewed all of its incentive compensation programs to ensure they include language allowing the Company to recoup incentive payments made to recipients in the event those payments were based on financial statements that are later found to be materially inaccurate. Incentive plans that did not include such language were revised to allow for incentive payments to be recovered. A recipient who fails to promptly repay Ally under such circumstances is subject to termination of employment.

Summary Compensation Table

The following table shows compensation for any person serving as principal executive officer or principal financial officer during 2012, as well as Ally's next three most highly compensated executive officers.

Name and principal position	Year	Salary (\$ (a) (b))	Stock awards (\$ (c) (d) (e))	All other compensation (\$ (f))	Total (\$)
Michael A. Carpenter Chief Executive Officer	2012	—	9,500,000	57,119	9,557,119
	2011	—	9,500,000	43,077	9,543,077
	2010	186,346	9,708,750	29,958	9,925,054
Jeffrey J. Brown Senior Executive Vice President of Finance and Corporate Planning	2012	600,000	3,797,892	30,167	4,428,059
	2011	600,000	3,743,678	29,609	4,373,287
	2010	500,000	3,750,000	38,908	4,288,908
Barbara Yastine Chief Executive Officer and President, Ally Bank	2012	600,000	4,587,357	28,599	5,215,956
	2011	600,000	4,587,357	27,950	5,215,307
William Muir President	2012	600,000	3,400,000	31,723	4,031,723
	2011	509,000	3,147,280	30,595	3,686,875
James G. Mackey Chief Financial Officer	2012	550,000	2,450,000	30,904	3,030,904
	2011	550,000	2,305,738	29,653	2,885,391
	2010	475,068	1,922,951	21,604	2,419,623
Thomas Marano Chief Executive Officer, ResCap	2012	6,182,052	1,821,397	27,099	8,030,548
	2011	600,000	7,403,449	31,450	8,034,899
	2010	500,000	6,906,250	26,785	7,433,035

- (a) The amounts shown as salary represent the cash portion of base salary and do not include the DSU award values that are part of the executive's base salary and are shown as stock awards in this table. Amounts for Mr. Marano for 2012 include \$5,582,052 deferred cash paid in lieu of DSUs granted after May 14, 2012 pursuant to the request of the ResCap Board of Directors, the Special Master's November 30, 2012 Supplemental Determination Letter, and disclosure to the Bankruptcy Court. Deferred cash is payable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. At the request of the ResCap Board of Directors, effective January 1, 2013, the annual salary to be paid to Mr. Marano was reduced to \$2,000,000 per year. Of this amount, \$600,000 will be paid in cash and the balance will be paid in deferred cash, subject to the approval of the Special Master. Mr. Marano also served as Chief Capital Markets Officer through May 14, 2012.
- (b) For 2010, represents the amount of Mr. Carpenter's compensation that was paid in cash prior to March 23, 2010, when his compensation structure changed to be fully based on long-term equity of the Company.
- (c) The 2012 total represents the grant date fair value of the Ally DSU awards granted in 2012 and is not necessarily the cash payment received. The amounts for each NEO for 2012 are displayed in the following table. For Mr. Marano, Stock Awards for 2012 of \$1,821,397 were granted prior to May 14, 2012. Amounts granted after May 14, 2012 were granted as deferred cash as explained in footnote (a) above. For further information related to compensation paid to ResCap employees, including Mr. Marano, refer to *The Pay Process for 2012*.

Name	DSU (\$)	IRSU (\$)	Total (\$)
Michael A. Carpenter	9,500,000	—	9,500,000
Jeffrey J. Brown	3,797,892	—	3,797,892
Barbara Yastine	4,587,357	—	4,587,357
William Muir	3,400,000	—	3,400,000
James G. Mackey	2,450,000	—	2,450,000
Thomas Marano	1,821,397	—	1,821,397

- (d) The 2011 total represents the grant date fair value of the Ally DSU and IRSU awards granted in 2011 and is not necessarily the cash payment received. The amounts for each NEO for 2011 are displayed in the following table.

Name	DSU (\$)	IRSU (\$)	Total (\$)
Michael A. Carpenter	8,000,000	1,500,000	9,500,000
Jeffrey J. Brown	2,350,000	1,393,678	3,743,678
Barbara Yastine	2,858,238	1,729,119	4,587,357
William Muir	1,931,520	1,215,760	3,147,280
James G. Mackey	1,353,825	951,913	2,305,738
Thomas Marano	4,735,633	2,667,816	7,403,449

- (e) The 2010 total represents the grant date fair value of the Ally DSU and IRSU awards granted in 2010 and is not necessarily the cash payment received. The amount for Mr. Carpenter includes \$395,096 of IRSU awards that were granted in January 2010 for performance in 2009, as per the SEC rules. The amounts for each NEO for 2010 are displayed in the following table.

Name	DSU (\$)	IRSU (\$)	Total (\$)
Michael Carpenter	7,813,654	1,895,096	9,708,750
Jeffrey J. Brown	2,350,000	1,400,000	3,750,000
James G. Mackey	1,119,964	802,987	1,922,951
Thomas Marano	4,437,500	2,468,750	6,906,250

- (f) Refer to the *All Other Compensation in 2012* section for further details.

All Other Compensation in 2012

	Michael A. Carpenter	Jeffrey J. Brown	Barbara Yastine	William Muir	James G. Mackey	Thomas Marano
Financial counseling (a)	\$ 3,500	\$ 3,500	\$ —	\$ —	\$ 3,439	\$ 3,500
Liability insurance (b)	425	425	425	825	425	425
Wellness credit (c)	—	—	—	—	150	—
Total perquisites	3,925	3,925	425	825	4,014	3,925
Life insurance (d)	28,194	1,242	3,174	5,898	1,890	3,174
401(k) matching contribution (e)	25,000	25,000	25,000	25,000	25,000	20,000
Total all other compensation	\$ 57,119	\$ 30,167	\$ 28,599	\$ 31,723	\$ 30,904	\$ 27,099

- (a) We provide a taxable allowance to certain senior executives for financial counseling and estate planning services with one of several approved providers. The NEOs are provided an enhanced financial and estate planning service. Costs associated with this benefit are reflected in the table above, based on the actual charge for the services received. Any taxes assessed on the imputed income for the value of this service are the responsibility of the executive.
- (b) Represents the total cost of liability insurance for 2012.
- (c) Represents a \$150 wellness credit for participating in and completing various wellness initiatives as part of a company-wide wellness program.
- (d) Represents the total cost of life insurance for 2012.
- (e) Represents the employer contribution, Company match contribution, and discretionary contribution made to the employees' 401(k) fund.

Grants of Plan-based Awards in 2012 — Estimated Future Payments under Equity Incentive Plan Awards

The following table represents Ally DSU awards, which are stated in phantom shares.

Name	Awards made: January 1, 2012 - May 31, 2012 (a)	Awards made: June 1, 2012 - December 31, 2012 (a)	Total 2012 (\$)(a)
Michael A. Carpenter	463.3	609.0	9,500,000
Jeffrey J. Brown	114.6	311.5	3,797,892
Barbara Yastine	139.4	375.3	4,587,357
William Muir	101.0	280.4	3,400,000
James G. Mackey	70.7	204.1	2,450,000
Thomas Marano	210.7	—	1,821,397

- (a) For all NEOs, DSU awards were granted ratably during the respective periods.

Name	Award	All other stock awards: number of shares or unit of stock (b) (c)	Grant date fair value of stock or unit awards \$(d)
Michael A. Carpenter	DSU	1,072.3	9,500,000
Jeffrey J. Brown	DSU	426.1	3,797,892
Barbara Yastine	DSU	514.7	4,587,357
William Muir	DSU	381.4	3,400,000
James G. Mackey	DSU	274.8	2,450,000
Thomas Marano	DSU	210.7	1,821,397

- (b) For Mr. Marano, all 210.7 shares were granted prior to May 14, 2012. Amounts exclude deferred cash granted in lieu of DSUs after May 14, 2012 pursuant to the request of the ResCap Board of Directors, the Special Master's November 30, 2012 Supplemental Determination Letter, and disclosure to the Bankruptcy Court.
- (c) The award grants are expressed as phantom shares of Ally.
- (d) The grant date fair value amounts shown do not reflect realized cash compensation by the NEOs, which is described in the Stock Awards Vested Table for the awards. The value shown represents the computed fair value at the date of grant of each award, which was \$8,500 per share for each award from January 1, 2012 through March 31, 2012. The grant date fair value for awards granted between April 1, 2012 through December 31, 2012 was \$9,000 per share. For a further discussion of the valuation of equity awards, see footnote (a) in the *Outstanding Equity Awards at 2012 Fiscal Year End - Stock Awards* section below and Note 24 to our Consolidated Financial Statements.

Outstanding Equity Awards at 2012 Fiscal Year End — Stock Awards

The following table provides information for the named executive officers regarding the Ally IRSU awards outstanding at December 31, 2012.

Name	Grant date	Number of shares or units of stock that have not vested (#) (a) (b)	Market value of shares or units of stock that have not vested (\$) (a)
Michael A. Carpenter	1/28/2010	50.6	455,151
	12/16/2010	192.0	1,728,001
	12/19/2011	187.5	1,687,500
Jeffrey J. Brown	12/19/2011	174.2	1,567,888
Barbara Yastine	12/19/2011	216.1	1,945,259
William Muir	12/19/2011	152.0	1,367,730
James G. Mackey	12/19/2011	119.0	1,070,903
Thomas Marano	12/19/2011	333.5	3,001,293

- (a) Amounts shown represent Ally IRSU awards granted to named executives that have not vested. Each award represents one phantom share of Ally. The fair market value for the phantom shares is determined by the Board at least annually, as required by the Ally Financial Long-Term Equity Compensation Incentive Plan. The fair market value for each phantom share at December 31, 2012 was determined to be \$9,000. During 2012, Sandler O'Neill & Partners, L.P. (Sandler O'Neill), an independent investment banking firm, was engaged to provide certain valuation analyses and to prepare an annual report regarding the fair market value of the Company's common equity securities, and to provide other services related thereto. The valuation amounts as of March 31, 2012 and December 31, 2012 were determined based on the analyses provided by Sandler O'Neill.
- (b) Vesting terms of IRSUs granted to NEOs (with the exception of Mr. Carpenter) were modified in 2012 as a result of the Special Master's Supplemental Determination Letter dated June 8, 2012. For these NEOs, 2011 awards will vest after two years of service. Even if vested, as required by the Interim Final Rule, IRSU awards may be paid only in 25% installments as Ally repays its TARP obligations in 25% increments, and will otherwise be forfeited. No modifications were made to Mr. Carpenter's awards. Mr. Carpenter's grants vest as follows: grant dated January 28, 2010 vests January 28, 2013, grant dated December 16, 2010 vests December 16, 2013 and grant dated December 19, 2011 vests December 19, 2014.

Options Exercised and Shares Vested in 2012

During 2012, no stock options were held by the named executive officers.

The following table reflects the Ally IRSU and RSU awards that vested in 2012. A substantial portion of the value cannot be paid until Ally further repays its TARP obligations.

Name	Number of shares acquired on vesting (#) (a) (b)	Value realized on vesting (\$) (b) (c)
Michael A. Carpenter	—	—
Jeffrey J. Brown	336.8	3,030,934
Barbara Yastine	64.0	576,000
William Muir	281.4	2,532,831
James G. Mackey	172.9	1,526,579
Thomas Marano	559.0	5,030,628

- (a) Amounts shown represent the 2012 vesting of the continued service portion of Mr. Brown's, Mr. Muir's, Mr. Mackey's and Mr. Marano's 2009 IRSU grants and 2010 IRSU grants. Also for Mr. Muir, the amount shown represents the 2008 RSU which vested and paid December 31, 2012. Ms. Yastine's amount shown represents the 2012 vesting of the continued service portion of her 2010 IRSU. The 2009 IRSU and 2010 IRSU vesting was modified in 2012 as a result of the Special Master Supplemental letter dated June 8, 2012. Except for Mr. Carpenter, these awards vested after two years of service from the grant date. Even if vested, as required by the Interim Final Rule, these awards may be paid only in 25% installments as Ally repays its TARP obligations in 25% increments, and will otherwise be forfeited.
- (b) Mr. Muir's final tranche of his 2008 RSU award vested and paid on December 31, 2012.
- (c) The value realized for the vested shares is their fair market value as determined at least annually by the Board, as required by the Ally Long-Term Equity Compensation Incentive Plan. The amounts paid in 2012 represent the first 25% installment based on the partial repayment of TARP obligations and were as follows: \$757,734 for Mr. Brown, \$144,000 for Ms. Yastine, \$603,361 for Mr. Muir, \$381,645 for Mr. Mackey, and \$1,257,657 for Mr. Marano.

Nonqualified Deferred Compensation in 2012

The table below reflects year-end balances, Company distributions, and all earnings associated primarily with the Ally nonqualified equalization plan. This plan allows Company contributions to this plan to continue after the IRS maximum limits under our 401(k) plan have been reached.

Nonqualified deferred compensation						
Name	Plan name	Executive contributions in last FY (\$)	Registrant contributions in last FY (\$)	Aggregate earnings in last FY (\$)	Aggregate withdrawals/distributions (\$)	Aggregate balance at last FYE (\$)
Michael A. Carpenter	DSUs (a) (b)	—	9,500,000	904,553	4,488,084	19,859,733
Jeffrey J. Brown	Nonqualified Benefit Equalization Plan (c)	—	—	2,650	—	27,413
	DSUs (a) (b)	—	3,797,892	254,624	2,947,646	5,121,993
Barbara Yastine	DSUs (a) (b)	—	4,587,357	297,361	3,293,894	6,107,921
William Muir	Nonqualified Benefit Equalization Plan (c)	—	—	23,020	—	213,996
	DSUs (a) (b)	—	3,400,000	254,810	3,532,010	4,241,966
James G. Mackey	DSUs (a) (b)	—	2,450,000	137,038	1,695,288	3,006,041
Thomas Marano	Nonqualified Benefit Equalization Plan (c)	—	—	5,733	—	50,986
	DSUs (a) (b)	—	1,821,397	518,350	4,230,388	6,364,448
	Deferred Cash (d)	—	5,582,052	—	1,943,035	3,639,017

- (a) In 2009, we included DSU awards, which vested at grant date, within the Options Exercised and Shares Vested in 2009 table. Starting in 2010 and continuing in 2012, we have included the DSU award information in the *Nonqualified Deferred Compensation in 2012* table to more accurately reflect the form of the awards.
- (b) The NEOs had outstanding DSU award values at December 31, 2011, of \$13,943,264 for Mr. Carpenter, \$4,017,124 for Mr. Brown, \$4,517,096 for Ms. Yastine, \$4,119,166 for Mr. Muir, \$2,114,292 for Mr. Mackey, and \$8,255,088 for Mr. Marano.
- (c) Ally maintains a nonqualified benefit equalization plan for highly-compensated employees, including the NEOs. This plan is a nonqualified savings plan designed to allow for the equalization of benefits for highly compensated employees under the Ally 401(k) Program when such employees' contribution and benefit levels exceed the maximum limitations on contributions and benefits imposed by Section 2004 of the Employee Retirement Income Security Act of 1974, as amended, and Section 401(a)(17) and 415 of the Internal Revenue Code of 1986, as amended. This plan is maintained as an unfunded plan and all expenses for administration of the plan and payment of amounts to participants are borne by Ally. Each participant is credited with earnings based on a set of investment options selected by the participant similar to 401(k) investment option to all employees. Pursuant to the Special Master's Determination Letter dated October 22, 2009, contributions to this plan were suspended. Therefore, the amounts shown reflect contributions made by the Company prior to receipt of the Determination Letter.
- (d) Mr. Marano received deferred cash after May 14, 2012 in lieu of DSUs pursuant to the request of the ResCap Board of Directors, the Special Master's November 30, 2012 Supplemental Determination Letter, and disclosure to the Bankruptcy Court. Deferred cash is payable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014.

Executive Compensation — Post-employment and Termination Benefits

As a condition to participating in TARP, Ally's NEOs and next five highest paid employees waived any right to severance in the event of their termination of employment. These waivers apply until Ally repays its TARP obligations to the U.S. Department of Treasury.

Director Compensation

Employee directors do not receive any separate compensation for their Board activities. Non-employee directors receive the compensation described below.

Effective April 1, 2012, the annual retainer paid to non-employee directors was increased from \$180,000 to \$200,000 and was paid entirely in cash. DSUs had been included in the program for \$110,000 of the \$180,000 annual retainer in 2011, and were also awarded for a portion of the annual retainer paid for the first quarter of 2012, as part of planning for a potential initial public offering. An additional retainer is paid to non-employee directors who serve as a chair of a standing committee, which was also increased during 2012 from \$30,000 to \$50,000 each. All non-employee directors who serve as members of committees, including chairs of a committee, are paid additional retainers of \$20,000 each. The Chair of the Board receives an additional retainer of \$250,000. For the first quarter of 2012, this additional retainer was paid half in cash and half in DSUs, and was changed to all cash effective April 1, 2012, the same as the Board retainer. Meeting fees of \$2,000 for each in-person meeting and telephonic meeting lasting more than one hour are payable when the Board or any committee meets more than eight times per year.

Non-employee directors are reimbursed for travel expenses incurred in conjunction with their duties as directors. Furthermore, Ally will provide the broadest form of indemnification permitted under Delaware law in connection with liabilities that may arise as a result of their role on the Board, provided that the director satisfies the statutory standard of care.

Beginning January 1, 2012, Ally pays additional director compensation to John J. Stack for his service as a director of Ally Bank in an annual amount equal to \$165,000, representing the equivalent of a Board retainer of \$115,000 and an additional retainer of \$50,000 for service on committees in lieu of meeting fees.

The following table provides compensation for non-employee directors who served during fiscal 2012.

2012 Director Compensation Table

Director name	Fees earned or paid in cash (\$)		Stock awards (\$)		Total (\$) (a)
	(a)	(b)	(a)	(c) (d)	
Robert T. Blakely	281,500		27,500		309,000
Mayree C. Clark	277,250		27,500		304,750
John D. Durrett	230,250		27,500		257,750
Kim S. Fennebresque	248,500		27,500		276,000
Franklin W. Hobbs	446,250		58,750		505,000
Marjorie Magner	246,750		27,500		274,250
John J. Stack	462,250		27,500		489,750
Henry S. Miller	85,001		—		85,001
Gerald Greenwald	85,850		—		85,850

(a) The retainer and fees for our non-employee directors were prorated based on when each director served on the Board and their respective committees.

(b) As noted above, the non-employee directors' cash retainer and fees consist of the following components:

Director Name	Annual cash retainer (\$)	Committee chair or member/chair of Board fees (\$)	Ally Bank Board Fees (\$)	Additional meeting fees (\$)
Robert T. Blakely	167,500	85,000	—	29,000
Mayree C. Clark	167,500	85,000	—	24,750
John D. Durrett	167,500	40,000	—	22,750
Kim S. Fennebresque	167,500	65,000	—	16,000
Franklin W. Hobbs	167,500	258,750	—	20,000
Marjorie Magner	167,500	60,000	—	19,250
John J. Stack	167,500	105,000	165,000	24,750
Henry S. Miller	75,754	7,247	—	2,000
Gerald Greenwald	75,754	6,096	—	4,000

- (c) As noted above, stock awards granted to the non-employee directors are in the form of DSUs. Amounts in this column represent the aggregate grant date fair value of the DSU awards granted to the directors in 2012 and 2011. The grant date fair value of each DSU award granted to the directors in 2012 and 2011 are as follows:

Director name	Award	Grant Date	Grant date fair value of stock or unit awards (\$)
Robert T. Blakely	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
Mayree C. Clark	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
John D. Durrett	DSU	3/31/2011	2,411
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
Kim S. Fennebresque	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
Franklin W. Hobbs	DSU	3/31/2011	58,750
	DSU	6/30/2011	58,750
	DSU	10/1/2011	58,750
	DSU	12/31/2011	58,750
	DSU	3/31/2012	58,750
Marjorie Magner	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500
John J. Stack	DSU	3/31/2011	27,500
	DSU	6/30/2011	27,500
	DSU	10/1/2011	27,500
	DSU	12/31/2011	27,500
	DSU	3/31/2012	27,500

- (d) The following table sets forth the aggregate number of DSUs held by each non-employee director at December 31, 2012. Each DSU represents one phantom share of Ally.

Name	Number of DSUs (#)
Robert T. Blakely	15.0
Mayree C. Clark	15.0
John D. Durrett	12.6
Kim S. Fennebresque	15.0
Franklin W. Hobbs	32.1
Marjorie Magner	15.0
John J. Stack	15.0

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information with respect to beneficial ownership of Ally common stock by each person known by us to be the beneficial owner of more than five percent of our outstanding common stock. The number of shares reported below are as reflected in our stock register at February 28, 2013, and the percentages provided are based on 1,330,970 shares of common stock outstanding at February 28, 2013.

Name and address of beneficial owner	Amount and nature of beneficial ownership (a)	Percent of class
U.S. Department of Treasury 1500 Pennsylvania Avenue Washington, D.C. 20220	981,971	73.78%
GMAC Common Equity Trust I c/o Hillel Bennett Stroock & Stroock & Lavan 180 Maiden Lane New York, New York 10038-4982	132,280	9.94%
Persons affiliated with Cerberus Capital Management, L.P. c/o Cerberus Capital Management, L.P. 299 Park Avenue, 22nd Floor New York, New York 10171	115,434	8.67%

(a) All ownership is direct.

For details with respect to equity incentive plans, refer to Item 11, Executive Compensation.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Certain relationships and related transactions are described below.

Relationship with General Motors

Products and Services Provided to GM

We provide various products and services to GM on terms comparable to those we provide to third parties. Except as described below, we currently expect to continue to provide these services to GM on an ongoing basis. These products and services include the following:

- We provide wholesale and term-loan financing to dealerships that are either wholly owned by GM or in which GM has a controlling interest. The majority of these dealerships are located in the United States. At December 31, 2012, finance receivables and loans to dealerships owned or majority-owned by GM totaled \$260 million.
- We provide operating leases to GM-affiliated entities for buildings with a net book value of \$61 million at December 31, 2012. The income statement effect of lease revenues was \$8 million during the year ended December 31, 2012.
- The income statement effect for interest on notes receivable from GM was \$7 million during the year ended December 31, 2012.
- We have other lease arrangements whereby we lease facilities to GM whereby we have advanced \$3 million. The income statement effect for leasing revenues under these arrangements was \$1 million for the year ended December 31, 2012.
- In certain states, we provide insurance to GM for vehicle service contracts and for which we have recognized insurance premiums of \$101 million for the year ended December 31, 2012.
- GM may elect to sponsor financing incentive programs for wholesale dealer financing, which is known as wholesale subvention. The income statement effect of wholesale subvention and service fees was \$177 million for the year ended December 31, 2012.

Support Services Provided by GM

GM historically has provided a variety of support services for our business, and we reimburse GM for the costs of providing these services to us. In addition, GM supports us by reimbursing us for certain programs it has with its customers or for expenses we may experience due to their business operations. The services GM provides us, including reimbursement arrangements, include:

- GM may elect to sponsor incentive programs (on both retail contracts and leases) by supporting financing rates below standard rates at which we purchase retail contracts. In addition, under residual support programs, GM may upwardly adjust residual values above the standard lease rates. The subvention related receivables were \$172 million at December 31, 2012.
- GM provides lease residual value support as a marketing incentive to encourage consumers to lease vehicles. For certain specific contracts at termination of the lease, GM reimburses us to the extent the remarketing sales proceeds are less than the residual value

set forth in the contract and no greater than our standard residual rates. To the extent remarketing sales proceeds are more than the contract residual at termination, we reimburse GM for its portion of the higher residual value. The income from GM for residual support was \$5 million for the year ended December 31, 2012.

- GM provides financing rates below standard rates at which we purchase contracts (rate support). The revenue from GM for rate support was \$629 million for the year ended December 31, 2012.
- GM reimburses us for certain selling expenses we may incur on certain vehicles sold by us at auction. The income statement effect for the reimbursements was \$1 million for the year ended December 31, 2012.
- GM occasionally provides payment guarantees on certain commercial and dealer loans and receivables Ally has outstanding. The amount of commercial and dealer loans and receivables covered by a GM guarantee was \$127 million at December 31, 2012.
- GM provides us certain other services and facilities services for which we reimburse them. The income statement effect for these services was \$86 million for the year ended December 31, 2012.
- GM provides us certain marketing services for which we reimburse them. The income statement effect for the marketing services was \$5 million for the year ended December 31, 2012.
- We have accounts payable to GM that include wholesale settlement payments to GM and notes payable. The balance outstanding for accounts payable was \$563 million for the year ended December 31, 2012.

Credit Arrangements and Other Amounts Due from or Owed to GM

- We provide wholesale financing to GM for vehicles in which GM retains title while the vehicles are consigned to Ally or dealers in Italy. The financing to GM remains outstanding until title is transferred to the dealers. The amount of financing provided to GM by Ally under this arrangement varies based on inventory levels. At December 31, 2012, the amount of this financing outstanding was \$11 million.
- In various countries in Europe, we were party to a Rental Fleet Agreement in which we agreed to buy from the rental companies, on agreed terms reflecting fair value, all vehicles sold by GM to rental car companies that GM had become obligated to repurchase. The Rental Fleet Agreement provided for a true-up mechanism whereby GM was required to reimburse us to the extent the revenues we earned from the resale of the vehicles were less than the amount we paid the rental companies to purchase such vehicles. At December 31, 2012, we had a receivable in the amount of \$18 million for providing this service.

Capital Contributions Received from GM

During 2012, we did not receive any capital contributions from GM.

Related Party Transaction Procedures

Pursuant to the Ally Financial Inc. Bylaws dated December 30, 2009 (the Bylaws), Ally and its subsidiaries must, subject to certain limited exceptions, conduct all transactions with its affiliates, stockholders and their affiliates, current or former officers or directors, or any of their respective family members on terms that are fair and reasonable and no less favorable to Ally than it would obtain in a comparable arm's-length transaction with an independent third party.

In addition, the Bylaws further provide for procedures and approval requirements for certain transactions with related persons. Specifically, without prior approval of the holders of a majority of Ally common stock (which must include a minimum of two common stockholders) and at least a majority of the Ally independent directors, we are not permitted to enter into any transaction with any affiliate, stockholder (other than governmental entities, except for the U.S. Department of Treasury in its capacity as a stockholder) or any of their affiliates, or any senior executive officer (other than agreements entered into in connection with a person's employment) if the value of the consideration provided exceeds \$5 million or, if there is no monetary consideration paid or quantifiable value exchanged, if the agreement is otherwise determined to be material. Notwithstanding the foregoing, no stockholder approval is required if at least a majority of Ally independent directors determine that such transaction is entered into in the ordinary course of Ally's business and is on terms no less favorable to Ally than those that would have been obtained in a comparable transaction with an independent third party.

Director Independence

For a discussion of the independence of members of the Ally Board of Directors and certain other corporate governance matters, refer to Certain Corporate Governance Matters in Item 10.

Item 14. Principal Accountant Fees and Services

We retained Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu Limited, and their respective affiliates (collectively, Deloitte & Touche) to audit our consolidated financial statements for the year ended December 31, 2012. We also retained Deloitte & Touche, as well as other accounting and consulting firms, to provide various other services in 2012.

The aggregate fees billed to us for professional services performed by Deloitte & Touche were as follows.

December 31, (<i>\$ in millions</i>)	2012	2011
Audit fees (a)	\$ 20	\$ 20
Audit-related fees (b)	5	6
Tax fees (c)	—	1
Total principal accountant fees	\$ 25	\$ 27

- (a) Audit fees include fees for the integrated audit of our annual Consolidated Financial Statements, reviews of interim financial statements included in our Quarterly Reports on Form 10-Q, and audit services in connection with statutory and regulatory filings. In addition, this category includes approximately \$1 million in both 2012 and 2011, pertaining to services such as comfort letters for securities issuances and consents to the incorporation of audit reports in filings with SEC.
- (b) Audit-related fees include fees for assurance and related services that are traditionally performed by the principal accountant, including attest services related to servicing and compliance, agreed-upon procedures relating to securitizations and financial asset sales, internal control reviews, consultation concerning financial accounting and reporting standards, audits in connection with acquisitions and divestitures, employee benefit plan audits, and audits of actuarial estimates.
- (c) Tax fees include fees for services performed for tax compliance, tax planning, and tax advice, including preparation of tax returns and claims for refund, and tax payment-planning services. Tax planning and advice also include assistance with tax audits and appeals and tax advice related to specific transactions.

The services performed by Deloitte & Touche in 2012 were preapproved in accordance with the Independent Auditor Services and Preapproval Policy of the Ally Audit Committee. This policy requires the independent registered public accounting firm to present the proposed audit services and related fees to the Ally Audit Committee for approval prior to the commencement of the services. Amounts exceeding the initially approved audit fees, or audit services not initially contemplated or considered during the initial approval, must be separately approved by the Committee.

The Ally Audit Committee must also preapprove all audit-related services, tax services, and all other services that are proposed to be provided by the independent registered public accounting firm. Similar to audit services, management and the independent registered public accounting firm annually present the proposed services and related fees to the Ally Audit Committee for approval prior to the commencement of services. The Committee's approval of the services and fees form the basis for an annual limit on such fees. The Committee periodically reviews the spending against these limits. Services that were not initially contemplated or considered during the initial approval must be separately approved by the Committee.

The Ally Audit Committee determined that all services provided by Deloitte & Touche during 2012 were compatible with maintaining their independence as principal accountants.

Part IV

Ally Financial Inc. • Form 10-K

Item 15. Exhibits, Financial Statement Schedules

The exhibits listed on the accompanying Index of Exhibits are filed or incorporated by reference as a part of this report. This Index is incorporated herein by reference. Certain financial statements schedules have been omitted because prescribed information has been incorporated into our Consolidated Financial Statements or notes thereto.

Exhibit	Description	Method of Filing
3.1	Amended and Restated Certificate of Incorporation of Ally Financial Inc., dated as of March 25, 2011	Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated as of March 25, 2011 (File No. 1-3754), incorporated herein by reference.
3.2	Bylaws of Ally Financial Inc., dated as of March 25, 2011	Filed as Exhibit 3.2 to the Company's Current Report on Form 8-K dated as of March 25, 2011, (File No. 1-3754), incorporated herein by reference.
4.1	Form of Indenture dated as of July 1, 1982, between the Company and Bank of New York (Successor Trustee to Morgan Guaranty Trust Company of New York), relating to Debt Securities	Filed as Exhibit 4(a) to the Company's Registration Statement No. 2-75115, incorporated herein by reference.
4.1.1	Form of First Supplemental Indenture dated as of April 1, 1986, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(g) to the Company's Registration Statement No. 33-4653, incorporated herein by reference.
4.1.2	Form of Second Supplemental Indenture dated as of June 15, 1987, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(h) to the Company's Registration Statement No. 33-15236, incorporated herein by reference.
4.1.3	Form of Third Supplemental Indenture dated as of September 30, 1996, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(i) to the Company's Registration Statement No. 333-33183, incorporated herein by reference.
4.1.4	Form of Fourth Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(j) to the Company's Registration Statement No. 333-48705, incorporated herein by reference.
4.1.5	Form of Fifth Supplemental Indenture dated as of September 30, 1998, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(k) to the Company's Registration Statement No. 333-75463, incorporated herein by reference.
4.2	Form of Indenture dated as of September 24, 1996, between the Company and The Chase Manhattan Bank, Trustee, relating to SmartNotes	Filed as Exhibit 4 to the Company's Registration Statement No. 333-12023, incorporated herein by reference.
4.2.1	Form of First Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.2	Filed as Exhibit 4(a)(1) to the Company's Registration Statement No. 333-48207, incorporated herein by reference.
4.2.2	Form of Second Supplemental Indenture dated as of June 20, 2006, supplementing the Indenture designated as Exhibit 4.2	Filed as Exhibit 4(a)(2) to the Company's Registration Statement No. 33-136021, incorporated herein by reference.
4.3	Form of Indenture dated as of October 15, 1985, between the Company and U.S. Bank Trust (Successor Trustee to Comerica Bank), relating to Demand Notes	Filed as Exhibit 4 to the Company's Registration Statement No. 2-99057, incorporated herein by reference.
4.3.1	Form of First Supplemental Indenture dated as of April 1, 1986, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(a) to the Company's Registration Statement No. 33-4661, incorporated herein by reference.
4.3.2	Form of Second Supplemental Indenture dated as of June 24, 1986, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(b) to the Company's Registration Statement No. 33-6717, incorporated herein by reference.
4.3.3	Form of Third Supplemental Indenture dated as of February 15, 1987, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(c) to the Company's Registration Statement No. 33-12059, incorporated herein by reference.
4.3.4	Form of Fourth Supplemental Indenture dated as of December 1, 1988, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(d) to the Company's Registration Statement No. 33-26057, incorporated herein by reference.
4.3.5	Form of Fifth Supplemental Indenture dated as of October 2, 1989, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(e) to the Company's Registration Statement No. 33-31596, incorporated herein by reference.
4.3.6	Form of Sixth Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(f) to the Company's Registration Statement No. 333-56431, incorporated herein by reference.

Exhibit	Description	Method of Filing
4.3.7	Form of Seventh Supplemental Indenture dated as of June 15, 1998, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(g) to the Company's Registration Statement No. 333-56431, incorporated herein by reference.
4.4	Form of Indenture dated as of December 1, 1993, between the Company and Citibank, N.A., Trustee, relating to Medium Term Notes	Filed as Exhibit 4 to the Company's Registration Statement No. 33-51381, incorporated herein by reference.
4.4.1	Form of First Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.4	Filed as Exhibit 4(a)(1) to the Company's Registration Statement No. 333-59551, incorporated herein by reference.
4.5	Indenture, dated as of December 31, 2008, between the Company and The Bank of New York Mellon, Trustee	Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated as of January 2, 2009, (File No. 1-3754), incorporated herein by reference.
4.6	Amended and Restated Indenture, dated March 1, 2011, between the Company and The Bank of New York Mellon, Trustee	Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated as of March 4, 2011 (File No. 1-3754), incorporated herein by reference.
4.7	Form of Guarantee Agreement related to Ally Financial Inc. Senior Unsecured Guaranteed Notes	Filed as Exhibit 4.7 to the Company's Annual Report for the period ended December 31, 2010, on Form 10-K (File No. 1-3754), incorporated herein by reference.
4.8	Second Amended and Restated Declaration of Trust by and between the trustees of each series of GMAC Capital Trust I, Ally Financial Inc., as Sponsor, and by the holders, from time to time, of undivided beneficial interests in the relevant series of GMAC Capital Trust I, dated as of March 1, 2011	Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated as of March 4, 2011 (File No. 1-3754), incorporated herein by reference.
4.9	Series 2 Trust Preferred Securities Guarantee Agreement between Ally Financial Inc. and The Bank of New York Mellon, dated as of March 1, 2011	Filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated as of March 4, 2011 (File No. 1-3754), incorporated herein by reference.
10	Amended and Restated Governance Agreement, dated as of May 21, 2009, by and between GMAC Inc., FIM Holdings LLC, GM Finance Co. Holdings LLC and the United States Department of the Treasury	Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of May 22, 2009 (File No. 1-3754), incorporated herein by reference.
10.1	Letter Agreement, dated as of May 21, 2009, between GMAC Inc. and the United States Department of the Treasury (which includes the Securities Purchase Agreement — Standard Terms attached thereto, with respect to the issuance and sale of the Convertible Preferred Membership Interests and the Warrant)	Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 22, 2009 (File No. 1-3754), incorporated herein by reference.
10.2	Securities Purchase and Exchange Agreement, dated as of December 30, 2009, between GMAC Inc. and the United States Department of the Treasury*	Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of December 30, 2009, (File No. 1-3754), incorporated herein by reference.
10.3	Master Transaction Agreement, dated May 21, 2009, between GMAC Inc., Chrysler LLC, U.S. Dealer Automotive Receivables Transition LLC and the United States Department of the Treasury	Filed as Exhibit 10.3 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q (File No. 1-3754), incorporated herein by reference.
10.4	Amended and Restated United States Consumer Financing Services Agreement, dated May 22, 2009, between GMAC Inc. and General Motors Corporation*	Filed as Exhibit 10.4 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.
10.5	Amended and Restated Master Services Agreement, dated May 22, 2009, between GMAC Inc. and General Motors Corporation*	Filed as Exhibit 10.5 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.
10.6	Auto Finance Operating Agreement, entered into on August 6, 2010, between Ally Financial Inc. and Chrysler Group LLC*	Filed as Exhibit 10.1 to the Company's Quarterly Report for the period ended September 30, 2010, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.
10.7	Intellectual Property License Agreement, dated November 30, 2006, by and between General Motors Corporation and GMAC LLC	Filed as Exhibit 10.1 to the Company's Quarterly Report for the period ended March 31, 2007, on Form 10-Q (File No. 1-3754), incorporated herein by reference.
10.8	Capital and Liquidity Maintenance Agreement, entered into on October 29, 2010, between Ally Financial Inc., IB Finance Holding Company, LLC, Ally Bank and the Federal Deposit Insurance Corporation	Filed as Exhibit 10.2 to the Company's Quarterly Report for the period ended September 30, 2010, on Form 10-Q (File No. 1-3754), incorporated herein by reference.

Exhibit	Description	Method of Filing
10.9	Settlement agreement, dated December 23, 2010, by and between GMAC Mortgage, LLC, Residential Capital, LLC, Residential Funding Securities, LLC, Residential Asset Mortgage Products, Inc., Residential Funding Company LLC, Residential Funding Mortgage Securities I, Inc., Residential Accredited Loans, Inc., Homecomings Financial LLC, and the Federal National Mortgage Association*	Filed as Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2010, on Form 10-K/A (File No. 1-3754), incorporated herein by reference.
10.10	Ally Financial Inc. Long-Term Equity Compensation Incentive Plan, as amended	Filed herewith.
10.11	Ally Financial Inc. Severance Plan, Plan Document and Summary Plan Description, as amended	Filed herewith.
10.12	Form of Award Agreement related to the issuance of Deferred Stock Units	Filed herewith.
10.13	Deferred Stock Unit Award Agreement for Michael A. Carpenter, dated April 12, 2012	Filed herewith.
10.14	Deferred Stock Unit Award Agreement for Jeffrey J. Brown, dated April 12, 2012	Filed herewith.
10.15	Deferred Stock Unit Award Agreement for Barbara A. Yastine, dated April 12, 2012	Filed herewith.
10.16	Deferred Stock Unit Award Agreement for William F. Muir, dated April 12, 2012	Filed herewith.
10.17	Deferred Stock Unit Award Agreement for James G. Mackey, dated April 12, 2012	Filed herewith.
10.18	Deferred Stock Unit Award Agreement for Thomas F. Marano, dated April 12, 2012	Filed herewith.
10.19	Partial Release of Liability Agreement, dated March 17, 2010, by and among Federal Home Loan Mortgage Corporation, GMAC Mortgage, LLC and Residential Funding Company, LLC	Filed as Exhibit 10.26 to the Company's Annual Report for the period ended December 31, 2011, on Form 10-K (File No. 1-3754), incorporated herein by reference.
10.2	Purchase and Sale Agreement, by and between Ally Financial Inc. and Royal Bank of Canada, dated October 23, 2012	Filed herewith.
10.21	Amended and Restated Purchase and Sale Agreement, by and among Ally Financial Inc., General Motors Financial Company, Inc., and General Motors Company, dated November 21, 2012, as amended and restated as of February 22, 2013	Filed herewith.
10.22	Share Transfer Agreement, by and between Ally Financial Inc. and General Motors Financial Company, Inc., dated November 21, 2012	Filed herewith.
10.23	Consent Judgment, dated March 12, 2012	Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 12, 2012 (File No. 1-3754), incorporated herein by reference.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
21	Ally Financial Inc. Subsidiaries as of December 31, 2012	Filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
99	Certification of Principal Executive Officer and Principal Financial Officer, as required pursuant to the TARP Standards for Compensation and Corporate Governance; 31 CFR Part 30, Section 30.15	Filed herewith.
101	Interactive Data File	Filed herewith.
*	Certain confidential portions have been omitted pursuant to a confidential treatment request which has been separately filed with the Securities and Exchange Commission.	

Signatures

Ally Financial Inc. • Form 10-K

Pursuant to the requirements of Section 133 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 1st day of March, 2013.

Ally Financial Inc.
(Registrant)

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, this 1st day of March, 2013.

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter

Chief Executive Officer

/S/ JEFFREY J. BROWN

Jeffrey J. Brown

Senior Executive Vice President of Finance and Corporate Planning

/S/ DAVID J. DEBRUNNER

David J. DeBrunner

Vice President, Chief Accounting Officer, and Corporate Controller

Signatures

Ally Financial Inc. • Form 10-K

/S/ FRANKLIN W. HOBBS

Franklin W. Hobbs
Ally Chairman

/S/ ROBERT T. BLAKELY

Robert T. Blakely
Director

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer and Director

/S/ MAYREE C. CLARK

Mayree C. Clark
Director

/S/ JOHN D. DURRETT

John D. Durrett
Director

/S/ STEPHEN A. FEINBERG

Stephen A. Feinberg
Director

/S/ KIM S. FENNEBRESQUE

Kim S. Fennebresque
Director

/S/ GERALD GREENWALD

Gerald Greenwald
Director

/S/ MARJORIE MAGNER

Marjorie Magner
Director

/S/ HENRY S. MILLER

Henry S. Miller
Director

/S/ JOHN J. STACK

John J. Stack
Director

Public
Exhibit
No. 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2013, or

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

For the transition period from _____ to _____

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

38-0572512

*(I.R.S. Employer
Identification No.)*

**200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000**

*(Address of principal executive offices)
(Zip Code)*

(866) 710-4623

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing for the past 90 days.

Yes No

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).

Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At April 30, 2013, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

INDEX

Ally Financial Inc. • Form 10-Q

	Page
<hr/>	
Part I — Financial Information	
Item 1. Financial Statements	3
Condensed Consolidated Statement of Comprehensive Income (unaudited) for the Three Months Ended March 31, 2013 and 2012	3
Condensed Consolidated Balance Sheet (unaudited) at March 31, 2013 and December 31, 2012	5
Condensed Consolidated Statement of Changes in Equity (unaudited) for the Three Months Ended March 31, 2013 and 2012	7
Condensed Consolidated Statement of Cash Flows (unaudited) for the Three Months Ended March 31, 2013 and 2012	8
Notes to Condensed Consolidated Financial Statements (unaudited)	10
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	72
Item 3. Quantitative and Qualitative Disclosures About Market Risk	114
Item 4. Controls and Procedures	115
Part II — Other Information	116
Item 1. Legal Proceedings	116
Item 1A. Risk Factors	116
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	117
Item 3. Defaults Upon Senior Securities	117
Item 4. Mine Safety Disclosures	117
Item 5. Other Information	117
Item 6. Exhibits	117
Signatures	118
Index of Exhibits	119

Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	Three months ended March 31,	
	2013	2012
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	\$ 1,135	\$ 1,093
Interest on loans held-for-sale	16	31
Interest on trading assets	—	9
Interest and dividends on available-for-sale investment securities	68	74
Interest-bearing cash	3	2
Operating leases	734	507
Total financing revenue and other interest income	1,956	1,716
Interest expense		
Interest on deposits	164	163
Interest on short-term borrowings	16	17
Interest on long-term debt	701	880
Total interest expense	881	1,060
Depreciation expense on operating lease assets	435	305
Net financing revenue	640	351
Other revenue		
Servicing fees	82	122
Servicing asset valuation and hedge activities, net	(201)	(106)
Total servicing income, net	(119)	16
Insurance premiums and service revenue earned	259	270
Gain on mortgage and automotive loans, net	38	20
Other gain on investments, net	51	89
Other income, net of losses	157	210
Total other revenue	386	605
Total net revenue	1,026	956
Provision for loan losses	131	98
Noninterest expense		
Compensation and benefits expense	285	303
Insurance losses and loss adjustment expenses	115	98
Other operating expenses	558	454
Total noninterest expense	958	855
(Loss) income from continuing operations before income tax expense	(63)	3
Income tax (benefit) expense from continuing operations	(123)	1
Net income from continuing operations	60	2
Income from discontinued operations, net of tax	1,033	308
Net income	1,093	310
Other comprehensive (loss) income, net of tax	(317)	187
Comprehensive income	\$ 776	\$ 497

Statement continues on the next page.

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

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

<i>(\$ in millions except per share data)</i>	Three months ended March 31,	
	2013	2012
Net income attributable to common shareholders		
Net income from continuing operations	\$ 60	\$ 2
Preferred stock dividends — U.S. Department of Treasury	(133)	(134)
Preferred stock dividends	(67)	(67)
Net loss from continuing operations attributable to common shareholders	(140)	(199)
Income from discontinued operations, net of tax	1,033	308
Net income attributable to common shareholders	\$ 893	\$ 109
Basic weighted-average common shares outstanding	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970
Basic earnings per common share		
Net loss from continuing operations	\$ (105)	\$ (149)
Income from discontinued operations, net of tax	776	231
Net income	\$ 671	\$ 82
Diluted earnings per common share (a)		
Net loss from continuing operations	\$ (105)	\$ (149)
Income from discontinued operations, net of tax	776	231
Net income	\$ 671	\$ 82

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulatively Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for the three months ended March 31, 2013 and 2012, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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

Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,043	\$ 1,073
Interest-bearing	6,394	6,440
Total cash and cash equivalents	7,437	7,513
Investment securities	15,752	14,178
Loans held-for-sale, net (\$701 and \$2,490 fair value-elected)	718	2,576
Finance receivables and loans, net		
Finance receivables and loans, net	99,123	99,055
Allowance for loan losses	(1,197)	(1,170)
Total finance receivables and loans, net	97,926	97,885
Investment in operating leases, net	14,828	13,550
Mortgage servicing rights	917	952
Premiums receivable and other insurance assets	1,608	1,609
Other assets	7,950	11,908
Assets of operations held-for-sale	19,063	32,176
Total assets	\$ 166,199	\$ 182,347
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 844	\$ 1,977
Interest-bearing	49,482	45,938
Total deposit liabilities	50,326	47,915
Short-term borrowings	7,618	7,461
Long-term debt	67,621	74,561
Interest payable	972	932
Unearned insurance premiums and service revenue	2,286	2,296
Accrued expenses and other liabilities	3,669	6,585
Liabilities of operations held-for-sale	13,233	22,699
Total liabilities	145,725	162,449
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(6,128)	(7,021)
Accumulated other comprehensive (loss) income	(6)	311
Total equity	20,474	19,898
Total liabilities and equity	\$ 166,199	\$ 182,347

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

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.

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net	\$ 30,181	\$ 31,510
Allowance for loan losses	(152)	(144)
Total finance receivables and loans, net	30,029	31,366
Investment in operating leases, net	5,276	6,060
Other assets	2,211	2,868
Assets of operations held-for-sale	7,835	12,139
Total assets	\$ 45,351	\$ 52,433
Liabilities		
Short-term borrowings	\$ 400	\$ 400
Long-term debt	25,757	26,461
Interest payable	—	1
Accrued expenses and other liabilities	21	16
Liabilities of operations held-for-sale	5,762	9,686
Total liabilities	\$ 31,940	\$ 36,564

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

Ally Financial Inc. • Form 10-Q

<i>(\$ in millions)</i>	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2012	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,415)	\$ 87	\$ 19,280
Net income				310		310
Preferred stock dividends — U.S. Department of Treasury				(134)		(134)
Preferred stock dividends				(67)		(67)
Other comprehensive income					187	187
Balance at March, 2012	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,306)	\$ 274	\$ 19,576
Balance at January 1, 2013	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,021)	\$ 311	\$ 19,898
Net income				1,093		1,093
Preferred stock dividends — U.S. Department of Treasury				(133)		(133)
Preferred stock dividends				(67)		(67)
Other comprehensive loss					(317)	(317)
Balance at March 31, 2013	\$ 19,668	\$ 5,685	\$ 1,255	\$ (6,128)	\$ (6)	\$ 20,474

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

Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, (<i>\$ in millions</i>)	2013	2012
Operating activities		
Net income	\$ 1,093	\$ 310
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	657	568
Changes in fair value of mortgage servicing rights	90	(1)
Provision for loan losses	158	140
Gain on sale of loans, net	(38)	(131)
Net gain on investment securities	(53)	(96)
Originations and purchases of loans held-for-sale	(5,759)	(9,626)
Proceeds from sales and repayments of loans held-for-sale	7,481	11,111
Gain on sale of subsidiaries, net	(888)	—
Net change in		
Trading assets	—	(268)
Deferred income taxes	(116)	(31)
Interest payable	44	86
Other assets	1,329	755
Other liabilities	(1,259)	(865)
Other, net	(485)	190
Net cash provided by operating activities	2,254	2,142
Investing activities		
Purchases of available-for-sale securities	(4,626)	(3,172)
Proceeds from sales of available-for-sale securities	1,543	2,940
Proceeds from maturities and repayment of available-for-sale securities	1,604	1,222
Net increase in finance receivables and loans	(42)	(4,409)
Purchases of operating lease assets	(2,352)	(1,468)
Disposals of operating lease assets	641	465
Proceeds from sale of business units, net (a)	2,829	29
Net change in restricted cash	1,067	280
Other, net	41	43
Net cash provided by (used in) investing activities	705	(4,070)

Statement continues on the next page.

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

Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, (<i>\$ in millions</i>)	2013	2012
Financing activities		
Net change in short-term borrowings	518	(546)
Net increase in deposits	2,360	2,089
Proceeds from issuance of long-term debt	4,253	10,749
Repayments of long-term debt	(11,445)	(10,024)
Dividends paid	(200)	(200)
Net cash (used in) provided by financing activities	(4,514)	2,068
Effect of exchange-rate changes on cash and cash equivalents	67	(141)
Net decrease in cash and cash equivalents	(1,488)	(1)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	1,412	45
Cash and cash equivalents at beginning of year	7,513	13,035
Cash and cash equivalents at March 31,	\$ 7,437	\$ 13,079
Supplemental disclosures		
Cash paid for		
Interest	\$ 1,026	\$ 1,218
Income taxes	37	178
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	10	63

(a) The amounts are net of cash and cash equivalents of \$905 million at March 31, 2013 and \$64 million at March 31, 2012 of business units at the time of disposition.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

Residential Capital, LLC

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtor's estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

On November 21, 2012, the Bankruptcy Court entered orders approving the sale of the Debtors' (i) mortgage servicing platform (the Platform Sale) to Ocwen Loan Servicing, LLC and Walter Investment Management Corp. and (ii) "whole-loan" portfolio (the Whole-Loan Sale) to Berkshire Hathaway Inc. under section 363 of the Bankruptcy Code, and not as part of the Plan as originally contemplated. The Whole-Loan Sale closed on February 5, 2013, and the Platform Sale closed on February 15, 2013.

As of the Petition Date, two separate groups of institutional investors in residential mortgage-backed securities (RMBS Investors) issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to settle alleged representation and warranty claims against the Debtors' estates in exchange for a total \$8.7 billion allowed claim in the Debtors' bankruptcy cases, subject to the applicable securitization trustees' acceptance of the terms of the settlements (the RMBS Settlements). The RMBS Investors also signed separate plan support agreements (PSAs) with the Debtors and AFI in support of the Plan at the time of entering into the RMBS Settlements. To date, RMBS Investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to the RMBS Settlements. These 336 securitizations have an aggregate original principal balance of approximately \$189 billion (out of a total of 392 outstanding securitizations with an original principal balance of \$221 billion). The RMBS Settlements are subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing to consider such approval beginning on May 28, 2013. The PSAs are not part of this scheduled Bankruptcy Court hearing. A number of creditors have raised objections to the RMBS Settlements, but the trustees representing the 336 securitization trusts and AFI have filed statements in support of the Debtors' motion to approve the RMBS Settlements. Separately, the Debtors have failed to meet several Plan milestones in their bankruptcy cases, each of which has given the RMBS Investors the right to terminate the PSAs upon three business days advance written notice to the Debtors and AFI. On April 18, 2013, one of the two groups of RMBS Investors represented by Talcott Franklin P.C. sent the Debtors and AFI a notice of termination of its PSA. The other group of RMBS Investors represented by Gibbs and Bruns LLP has not given the Debtors and AFI such a notice to date, but have the right to do so at any time. If the RMBS Settlements were not approved or the RMBS Investors were to decide not to support any proposed plan, it could adversely impact the likelihood that any plan is approved by the Bankruptcy Court. AFI continues to support the RMBS Settlements at this time.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the Examiner's investigation. The investigation includes, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors proposed to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. In the Examiner's original work plan, the Examiner estimated that his investigation and related report would be completed six months from approximately August 6, 2012. However, on February 7, 2013 the Examiner informed the Bankruptcy Court in the third supplement to the work plan that the investigation and related report will not be completed until early May 2013.

On December 26, 2012, the Bankruptcy Court, in an effort to facilitate plan negotiations, entered an order appointing bankruptcy judge James M. Peck, Esq. as mediator (the Mediator) through and until February 28, 2013, to assist the parties in resolving certain issues relating to the formulation and confirmation of the Plan. On March 5, 2013, the Bankruptcy Court entered an order extending the Mediator's term to and including May 31, 2013, unless the Mediator declares in a written order on an earlier date that the mediation is at an impasse and should be terminated. AFI, the Debtors, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) and certain other creditor constituencies are engaging in ongoing mediation sessions under a Bankruptcy Court order of confidentiality. Given the inherent uncertainty of the bankruptcy process, it is reasonably possible that a settlement could be reached that results in a payment substantially higher than the current \$750 million estimate, or that no settlement is reached at all. The ultimate outcome of these settlement discussions will be affected by various factors, including, among others, the highly complex nature of the bankruptcy process, competing interests of various parties, disparate creditor priorities, the uncertainty of obtaining certain non-financial terms being sought, competing jurisdictional claims, uncertain residual estate property value, and the timing and unknown conclusions of the independent examiner's investigation.

On February 26, 2013, the Debtors and the Creditors' Committee entered into an agreement, the terms of which provided that, among other things, the Creditors' Committee would support extending the Debtors' exclusive period to file a Chapter 11 plan through and until April 30, 2013, the Debtors would consent to any motion filed by the Creditors' Committee after April 30, 2013 seeking standing to bring estate causes of action against AFI and the Debtors would allow the Settlement to automatically expire on February 28, 2013.

Thereafter, on March 5, 2013, the Bankruptcy Court entered an order extending the Debtors' exclusive period to file a Chapter 11 plan through and until April 30, 2013. On April 15, 2013, the Bankruptcy court entered an order further extending the Debtors' exclusive period to file a Chapter 11 plan through and until May 7, 2013.

On April 11, 2013, the Creditors' Committee filed a motion seeking standing to assert claims against AFI on behalf of the Debtors' estates. In its motion, the Creditors' Committee alleged, among other things, that AFI stripped the Debtors of valuable assets and exercised domination, control and abuse of the Debtors. The Creditors' Committee's claims against AFI include veil-piercing, fraudulent conveyance, indemnification, preferential transfer, and equitable subordination. The Creditors' Committee asserted that AFI may be liable for billions of dollars on account of these claims. AFI believes that these claims have no merit and is fully prepared to litigate these claims to final resolution. The Bankruptcy Court has scheduled a hearing for May 7, 2013 to consider the Creditors' Committee's motion for standing.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed Chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors (the Foreclosure Review Motion). The Bankruptcy Court is expected to issue a written opinion on the relief sought in the Foreclosure Review Motion in the near future. If the Bankruptcy Court approves the Foreclosure Review Motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material.

We are currently named as defendants in various lawsuits relating to ResCap mortgage-backed securities and certain other mortgage-related matters (the Mortgage Cases), which are described in more detail in Note 26. We had previously disclosed that several of the Mortgage Cases were subject to orders entered by the Bankruptcy Court staying the matters through April 30, 2013 in connection with the Debtors' bankruptcy. On May 1, 2013, all stay orders applicable to the Ally non-Debtor defendants with respect to the Mortgage Cases expired. As a result, all of the Mortgage Cases are proceeding against us.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows. We would have strong legal and factual defenses with respect to any such claims, and would vigorously defend them.

As a result of the bankruptcy filing, effective May 14, 2012, we deconsolidated ResCap from our financial statements. During the first quarter of 2013, we discontinued performing certain mortgage activities, which were required as part of the bankruptcy process until the sale

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

of certain assets occurred. As a result of us discontinuing these certain mortgage activities, the operations of ResCap were classified as discontinued.

Based on our assessment of the effect of the deconsolidation of ResCap, obligations under the Plan, and other impacts related to the Chapter 11 filing, we recorded a charge of \$1.2 billion during 2012, within our (loss) income from discontinued operations, net of tax. This charge primarily consists of the impairment of Ally's \$442 million equity investment in ResCap and the \$750 million cash contribution to be made by us to the Debtors' estate described above. As of March 31, 2013, we have \$1.1 billion of financing due from ResCap, which is classified as Finance Receivables and Loans, net on our Condensed Consolidated Balance Sheet. We maintain no allowance or impairment against these receivables because management considers them to be fully collectible. At March 31, 2013, our hedging arrangements with ResCap were fully collateralized. Because of the uncertain nature of the bankruptcy proceedings, we cannot predict the ultimate financial impact to Ally. Refer to Note 26 for additional information regarding these bankruptcy proceedings.

Significant Accounting Policies

Income Taxes

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

Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

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

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

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

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

Recently Issued Accounting Standards

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

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

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

In March 2013, the Financial Accounting Standards Board issued ASU 2013-05. This ASU requires a reporting entity that ceases to have a controlling financial interest, in a subsidiary or group of assets or a business, within a foreign entity to release any related Cumulative Translation Adjustment (CTA) into net income. The CTA should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For an equity method investment that is a foreign entity, a pro rata portion of the CTA should be released into net income upon a partial sale of such an investment. This ASU clarifies that the sale of an investment in a foreign entity includes both events that result in the loss of a controlling financial interest in a foreign entity, irrespective of any retained investment, and events that result in step acquisition under which an acquirer obtains control of an acquiree in which it held an equity interest

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

immediately before the acquisition date. Under these circumstances, the CTA should be released into net income upon their occurrence. ASU 2013-04 will be effective for us prospectively on January 1, 2014. Management is currently assessing the potential impact of the application of this guidance. However, since the guidance is prospective and we are in the process of exiting most of our international operations, it is not expected to have a material effect on our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

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

Select Mortgage Operations

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

Select Insurance Operations

During the fourth quarter of 2012, we committed to sell our Mexican insurance business, ABA Seguros, to the ACE Group. We expect to complete the ABA Seguros sale during the second quarter of 2013. During the first quarter of 2013, we sold our U.K.-based operations to a wholly owned subsidiary of AmTrust Financial Services, Inc.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. On April 1, 2013, we completed the sale of the majority of our operations in Europe and Latin America to GM Financial. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium and the Netherlands, and Latin American operations in Mexico, Chile and Colombia. Refer to Note 27 for further detail. We expect to complete the sale of the remaining operations during 2013 and possibly 2014.

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

Select Corporate and Other Operations

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Select Financial Information

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Select Mortgage operations		
Total net revenue	\$ —	\$ 403
Pretax (loss) income including direct costs to transact a sale (a)	(20)	133
Tax expense (b)	16	16
Select Insurance operations		
Total net revenue	\$ 148	\$ 156
Pretax income including direct costs to transact a sale	28	38
Tax expense	1	9
Select Automotive Finance operations		
Total net revenue	\$ 286	\$ 387
Pretax income including direct costs to transact a sale (a)	1,042 (c)	196
Tax (benefit) expense (b)	(1)	39
Select Corporate and Other operations		
Total net revenue	\$ —	\$ 2
Pretax (loss) income	(1)	6
Tax expense	—	1

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

(b) Includes certain income tax activity recognized by Corporate and Other.

(c) Includes recognized pretax gain of \$888 million in connection with the sale of our Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Held-for-sale Operations

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

March 31, 2013 (\$ in millions)	Select Insurance operations (a)	Select Automotive Finance operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	\$ 4	\$ 150	\$ 154
Interest-bearing	66	514	580
Total cash and cash equivalents	70	664	734
Investment securities	418	3	421
Finance receivables and loans, net			
Finance receivables and loans, net	—	15,175	15,175
Allowance for loan losses	—	(177)	(177)
Total finance receivables and loans, net	—	14,998	14,998
Investment in operating leases, net	—	128	128
Premiums receivable and other insurance assets	257	—	257
Other assets	70	2,455	2,525
Total assets	\$ 815	\$ 18,248	\$ 19,063
Liabilities			
Interest-bearing deposit liabilities	\$ —	\$ 17	\$ 17
Short-term borrowings	—	3,059	3,059
Long-term debt	—	8,092	8,092
Interest payable	—	155	155
Unearned insurance premiums and service revenue	417	—	417
Accrued expenses and other liabilities	221	1,272	1,493
Total liabilities	\$ 638	\$ 12,595	\$ 13,233

(a) Includes ABA Seguros.

(b) Includes our international entities being sold to GM Financial.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Recurring Fair Value

The following table displays the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. Refer to Note 22 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

(\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
March 31, 2013				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 328	\$ —	\$ —	\$ 328
Corporate debt	—	93	—	93
Other assets				
Derivative assets:				
Interest rate contracts	—	—	7	7
Foreign currency contracts	—	17	—	17
Total assets	\$ 328	\$ 110	\$ 7	\$ 445
Liabilities				
Accrued expenses and other liabilities:				
Derivative liabilities				
Interest rate contracts	\$ —	\$ 11	\$ 8	\$ 19
Total liabilities	\$ —	\$ 11	\$ 8	\$ 19
December 31, 2012				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 555	\$ 42	\$ —	\$ 597
Corporate debt	—	76	—	76
Other	—	327	—	327
Other assets				
Derivative assets:				
Interest rate contracts	—	22	9	31
Total assets	\$ 555	\$ 467	\$ 9	\$ 1,031
Liabilities				
Accrued expenses and other liabilities:				
Derivative liabilities				
Interest rate contracts	\$ —	\$ 24	\$ 11	\$ 35
Foreign currency contracts	—	1	18	19
Total liabilities	\$ —	\$ 25	\$ 29	\$ 54

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

3. Other Income, Net of Losses

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

<i>(\$ in millions)</i>	Three months ended March 31,	
	2013	2012
Mortgage processing fees and other mortgage income	\$ 79	\$ 122
Late charges and other administrative fees	23	21
Remarketing fees	20	17
Fair value adjustment on derivatives (a)	—	12
Other, net	35	38
Total other income, net of losses	\$ 157	\$ 210

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

4. Other Operating Expenses

Details of other operating expenses were as follows.

<i>(\$ in millions)</i>	Three months ended March 31,	
	2013	2012
Insurance commissions	\$ 92	\$ 99
Mortgage representation and warranty obligation, net (a)	83	—
Lease and loan administration	81	54
Technology and communications	71	89
Professional services	48	38
Advertising and marketing	35	35
Regulatory and licensing fees	33	33
Premises and equipment depreciation	20	17
Vehicle remarketing and repossession	14	16
Occupancy	11	14
State and local non-income taxes	10	9
Other	60	50
Total other operating expenses	\$ 558	\$ 454

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

5. Investment Securities

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

(\$ in millions)	March 31, 2013				December 31, 2012			
	Amortized cost	Gross unrealized		Fair value	Amortized cost	Gross unrealized		Fair value
		gains	losses			gains	losses	
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 2,097	\$ 3	\$ (1)	\$ 2,099	\$ 2,212	\$ 3	\$ (1)	\$ 2,214
Foreign government	297	9	—	306	295	8	—	303
Mortgage-backed residential (a)	8,722	111	(18)	8,815	6,779	130	(3)	6,906
Asset-backed	2,191	31	(1)	2,221	2,309	32	(1)	2,340
Corporate debt	1,272	56	(2)	1,326	1,209	57	(3)	1,263
Total debt securities	14,579	210	(22)	14,767	12,804	230	(8)	13,026
Equity securities	986	48	(49)	985	1,193	32	(73)	1,152
Total available-for-sale securities (b)	\$ 15,565	\$ 258	\$ (71)	\$ 15,752	\$ 13,997	\$ 262	\$ (81)	\$ 14,178

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$6,217 million and \$4,983 million at March 31, 2013, and December 31, 2012, respectively.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
March 31, 2013										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 2,099	0.9%	\$ 584	0.1%	\$ 538	1.0%	\$ 977	1.4%	\$ —	—%
Foreign government	306	3.2	3	4.3	139	3.0	164	3.3	—	—
Mortgage-backed residential	8,815	2.4	—	—	—	—	140	2.3	8,675	2.4
Asset-backed	2,221	2.0	7	2.0	1,595	2.0	511	1.8	108	2.6
Corporate debt	1,326	5.1	4	5.8	627	4.1	604	6.0	91	6.0
Total available-for-sale debt securities	\$ 14,767	2.4	\$ 598	0.1	\$ 2,899	2.2	\$ 2,396	2.6	\$ 8,874	2.5
Amortized cost of available-for-sale debt securities	\$ 14,579		\$ 598		\$ 2,852		\$ 2,352		\$ 8,777	
December 31, 2012										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 2,214	0.9%	\$ 422	—%	\$ 682	0.7%	\$ 1,110	1.4%	\$ —	—%
Foreign government	303	2.5	1	2.2	136	1.8	166	3.0	—	—
Mortgage-backed residential	6,906	2.7	—	—	—	—	35	4.3	6,871	2.7
Asset-backed	2,340	2.1	—	—	1,543	2.0	510	1.7	287	3.3
Corporate debt	1,263	5.1	9	3.2	560	4.0	596	6.0	98	5.8
Total available-for-sale debt securities	\$ 13,026	2.4	\$ 432	0.1	\$ 2,921	2.0	\$ 2,417	2.6	\$ 7,256	2.6
Amortized cost of available-for-sale debt securities	\$ 12,804		\$ 431		\$ 2,880		\$ 2,369		\$ 7,124	

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

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

The balances of cash equivalents were \$2.7 billion and \$3.4 billion at March 31, 2013, and December 31, 2012, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Gross realized gains	\$ 70	\$ 97
Gross realized losses	(11)	(8)
Other-than-temporary impairment	(8)	—
Net realized gains	\$ 51	\$ 89

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Taxable interest	\$ 63	\$ 69
Taxable dividends	5	5
Interest and dividends on available-for-sale securities	\$ 68	\$ 74

Certain available-for-sale securities were sold at a loss in 2013 as a result of market conditions within these respective periods. The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of March 31, 2013, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of March 31, 2013, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at March 31, 2013. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

(\$ in millions)	March 31, 2013				December 31, 2012			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	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	\$ 724	\$ (1)	\$ —	\$ —	\$ 244	\$ (1)	\$ —	\$ —
Foreign government	—	—	—	—	11	—	—	—
Mortgage-backed residential	2,360	(18)	11	—	493	(2)	23	(1)
Asset-backed	163	(1)	1	—	143	(1)	1	—
Corporate debt	110	(2)	6	—	120	(2)	15	(1)
Total temporarily impaired debt securities	3,357	(22)	18	—	1,011	(6)	39	(2)
Temporarily impaired equity securities	217	(27)	156	(22)	380	(39)	218	(34)
Total temporarily impaired available-for-sale securities	\$ 3,574	\$ (49)	\$ 174	\$ (22)	\$ 1,391	\$ (45)	\$ 257	\$ (36)

6. Loans Held-for-Sale, Net

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

(\$ in millions)	March 31, 2013	December 31, 2012
Consumer mortgage		
1st Mortgage	\$ 701	\$ 2,490
Total consumer mortgage (a)	701	2,490
Commercial and industrial		
Other	17	86
Total loans held-for-sale (b)	\$ 718	\$ 2,576

(a) Fair value option-elected domestic consumer mortgages were \$701 million and \$2.5 billion at March 31, 2013, and December 31, 2012, respectively. Refer to Note 22 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized discounts of \$34 million at March 31, 2013, and net unamortized premiums of \$26 million at December 31, 2012.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	March 31, 2013	December 31, 2012
High original loan-to-value (greater than 100%) mortgage loans	\$ 74	\$ 378
Interest-only mortgage loans	3	10
Total higher-risk mortgage loans held-for-sale	\$ 77	\$ 388

7. Finance Receivables and Loans, Net

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

(\$ in millions)	March 31, 2013	December 31, 2012
Consumer automobile	\$ 55,014	\$ 53,715
Consumer mortgage		
1st Mortgage	7,095	7,173
Home equity	2,577	2,648
Total consumer mortgage	9,672	9,821
Commercial		
Commercial and industrial		
Automobile	29,255	30,270
Mortgage	—	—
Other	2,562	2,697
Commercial real estate		
Automobile	2,620	2,552
Mortgage	—	—
Total commercial	34,437	35,519
Total finance receivables and loans (a) (b)	\$ 99,123	\$ 99,055

(a) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$842 million and \$895 million at March 31, 2013, and December 31, 2012, respectively.

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

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

Three months ended March 31, 2013 (\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	\$ 575	\$ 452	\$ 143	\$ 1,170
Charge-offs	(142)	(24)	(1)	(167)
Recoveries	49	3	1	53
Net charge-offs	(93)	(21)	—	(114)
Provision for loan losses	107	20	4	131
Other	10	—	—	10
Allowance at March 31, 2013	\$ 599	\$ 451	\$ 147	\$ 1,197
Allowance for loan losses				
Individually evaluated for impairment	\$ 22	\$ 209	\$ 28	\$ 259
Collectively evaluated for impairment	575	242	119	936
Loans acquired with deteriorated credit quality	2	—	—	2
Finance receivables and loans at historical cost				
Ending balance	55,014	9,672	34,437	99,123
Individually evaluated for impairment	270	933	1,397	2,600
Collectively evaluated for impairment	54,722	8,739	33,040	96,501
Loans acquired with deteriorated credit quality	22	—	—	22

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 221	\$ 1,503
Charge-offs (a)	(136)	(45)	(2)	(183)
Recoveries (b)	62	2	12	76
Net charge-offs	(74)	(43)	10	(107)
Provision for loan losses	83	27	(12)	98
Other (c)	57	1	(6)	52
Allowance at March 31, 2012	\$ 832	\$ 501	\$ 213	\$ 1,546
Allowance for loan losses				
Individually evaluated for impairment	\$ 8	\$ 168	\$ 47	\$ 223
Collectively evaluated for impairment	816	333	166	1,315
Loans acquired with deteriorated credit quality	8	—	—	8
Finance receivables and loans at historical cost				
Ending balance	67,214	9,958	41,814	118,986
Individually evaluated for impairment	88	619	367	1,074
Collectively evaluated for impairment	67,055	9,339	41,447	117,841
Loans acquired with deteriorated credit quality	71	—	—	71

(a) Includes foreign consumer automobile charge-offs of \$36 million.

(b) Includes foreign consumer automobile and foreign commercial recoveries of \$16 million and \$5 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of \$42 million.

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Consumer mortgage	\$ —	\$ 40
Commercial	18	—
Total sales and transfers	\$ 18	\$ 40

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
March 31, 2013						
Consumer automobile	\$ 743	\$ 152	\$ 133	\$ 1,028	\$ 53,986	\$ 55,014
Consumer mortgage						
1st Mortgage	76	32	147	255	6,840	7,095
Home equity	16	6	15	37	2,540	2,577
Total consumer mortgage	92	38	162	292	9,380	9,672
Commercial						
Commercial and industrial						
Automobile	26	—	24	50	29,205	29,255
Mortgage	—	—	—	—	—	—
Other	—	—	—	—	2,562	2,562
Commercial real estate						
Automobile	1	—	15	16	2,604	2,620
Mortgage	—	—	—	—	—	—
Total commercial	27	—	39	66	34,371	34,437
Total consumer and commercial	\$ 862	\$ 190	\$ 334	\$ 1,386	\$ 97,737	\$ 99,123
December 31, 2012						
Consumer automobile	\$ 920	\$ 213	\$ 138	\$ 1,271	\$ 52,444	\$ 53,715
Consumer mortgage						
1st Mortgage	66	37	156	259	6,914	7,173
Home equity	15	6	18	39	2,609	2,648
Total consumer mortgage	81	43	174	298	9,523	9,821
Commercial						
Commercial and industrial						
Automobile	—	—	16	16	30,254	30,270
Mortgage	—	—	—	—	—	—
Other	—	—	1	1	2,696	2,697
Commercial real estate						
Automobile	—	—	8	8	2,544	2,552
Mortgage	—	—	—	—	—	—
Total commercial	—	—	25	25	35,494	35,519
Total consumer and commercial	\$ 1,001	\$ 256	\$ 337	\$ 1,594	\$ 97,461	\$ 99,055

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	March 31, 2013	December 31, 2012
Consumer automobile	\$ 266	\$ 260
Consumer mortgage		
1st Mortgage	372	342
Home equity	30	40
Total consumer mortgage	402	382
Commercial		
Commercial and industrial		
Automobile	168	146
Mortgage	—	—
Other	63	33
Commercial real estate		
Automobile	39	37
Mortgage	—	—
Total commercial	270	216
Total consumer and commercial finance receivables and loans	\$ 938	\$ 858

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

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information.

(\$ in millions)	March 31, 2013			December 31, 2012		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	\$ 54,748	\$ 266	\$ 55,014	\$ 53,455	\$ 260	\$ 53,715
Consumer mortgage						
1st Mortgage	6,723	372	7,095	6,831	342	7,173
Home equity	2,547	30	2,577	2,608	40	2,648
Total consumer mortgage	\$ 9,270	\$ 402	\$ 9,672	\$ 9,439	\$ 382	\$ 9,821

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	March 31, 2013			December 31, 2012		
	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	\$ 27,905	\$ 1,350	\$ 29,255	\$ 28,978	\$ 1,292	\$ 30,270
Mortgage	—	—	—	—	—	—
Other	2,296	266	2,562	2,417	280	2,697
Commercial real estate						
Automobile	2,502	118	2,620	2,440	112	2,552
Mortgage	—	—	—	—	—	—
Total commercial	\$ 32,703	\$ 1,734	\$ 34,437	\$ 33,835	\$ 1,684	\$ 35,519

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

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

<i>(\$ in millions)</i>	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
March 31, 2013					
Consumer automobile	\$ 270	\$ 270	\$ —	\$ 270	\$ 22
Consumer mortgage					
1st Mortgage	790	784	125	659	149
Home equity	148	149	2	147	60
Total consumer mortgage	938	933	127	806	209
Commercial					
Commercial and industrial					
Automobile	168	168	54	114	10
Mortgage	—	—	—	—	—
Other	63	63	10	53	7
Commercial real estate					
Automobile	39	39	12	27	11
Mortgage	—	—	—	—	—
Total commercial	270	270	76	194	28
Total consumer and commercial finance receivables and loans	\$ 1,478	\$ 1,473	\$ 203	\$ 1,270	\$ 259
December 31, 2012					
Consumer automobile	\$ 260	\$ 260	\$ 90	\$ 170	\$ 16
Consumer mortgage					
1st Mortgage	811	725	123	602	137
Home equity	147	148	1	147	49
Total consumer mortgage	958	873	124	749	186
Commercial					
Commercial and industrial					
Automobile	146	146	54	92	7
Mortgage	—	—	—	—	—
Other	33	33	9	24	7
Commercial real estate					
Automobile	37	37	9	28	12
Mortgage	—	—	—	—	—
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	\$ 1,434	\$ 1,349	\$ 286	\$ 1,063	\$ 228

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Three months ended March 31, (<i>\$ in millions</i>)	2013		2012	
	Average balance	Interest income	Average balance	Interest income
Consumer automobile	\$ 272	\$ 4	\$ 83	\$ 2
Consumer mortgage				
1st Mortgage	744	7	512	4
Home equity	135	1	100	1
Total consumer mortgage	879	8	612	5
Commercial				
Commercial and industrial				
Automobile	157	2	196	2
Mortgage	—	—	7	—
Other	57	—	34	—
Commercial real estate				
Automobile	38	—	63	—
Mortgage	—	—	15	—
Total commercial	252	2	315	2
Total consumer and commercial finance receivables and loans	\$ 1,403	\$ 14	\$ 1,010	\$ 9

Troubled Debt Restructurings (TDRs)

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we offer several types of assistance to aid our customers including extension of the maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were \$1.3 billion and \$1.2 billion at March 31, 2013, and December 31, 2012, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Three months ended March 31, (\$ in millions)	2013 (a)			2012		
	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	5,285	\$ 79	\$ 68	2,792	\$ 33	\$ 33
Consumer mortgage						
1st Mortgage	474	165	130	77	28	27
Home equity	71	4	4	173	10	9
Total consumer mortgage	545	169	134	250	38	36
Commercial						
Commercial and industrial						
Automobile	4	25	25	3	3	3
Mortgage	—	—	—	—	—	—
Other	1	33	31	—	—	—
Commercial real estate						
Automobile	3	11	11	1	2	2
Mortgage	—	—	—	—	—	—
Total commercial	8	69	67	4	5	5
Total consumer and commercial finance receivables and loans	5,838	\$ 317	\$ 269	3,046	\$ 76	\$ 74

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

The following table presents information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a troubled debt restructuring. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans where redefault is defined as 90 days past due.

Three months ended March 31, (\$ in millions)	2013 (a)			2012		
	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	1,333	\$ 16	\$ 8	208	\$ 2	\$ 1
Consumer mortgage						
1st Mortgage	8	2	—	5	1	—
Home equity	2	—	—	4	1	1
Total consumer mortgage	10	2	—	9	2	1
Commercial						
Commercial and industrial						
Automobile	—	—	—	2	2	—
Commercial real estate						
Automobile	—	—	—	—	—	—
Total commercial	—	—	—	2	2	—
Total consumer and commercial finance receivables and loans	1,343	\$ 18	\$ 8	219	\$ 6	\$ 2

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

At March 31, 2013, and December 31, 2012, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were \$13 million and \$25 million, respectively.

Higher-Risk Mortgage Concentration Risk

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

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Interest-only mortgage loans (a)	\$ 1,853	\$ 2,063
Below-market rate (teaser) mortgages	185	192
Total higher-risk mortgage finance receivables and loans	\$ 2,038	\$ 2,255

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

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Vehicles and other equipment	\$ 17,524	\$ 16,009
Accumulated depreciation	(2,696)	(2,459)
Investment in operating leases, net	\$ 14,828	\$ 13,550

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

<i>(\$ in millions)</i>	Three months ended March 31,	
	2013	2012
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 499	\$ 328
Remarketing gains	(64)	(23)
Depreciation expense on operating lease assets	\$ 435	\$ 305

9. Securitizations and Variable Interest Entities

Overview

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

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

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, other commercial loans, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We previously securitized consumer mortgage loans through private-label mortgage securitizations and through transactions involving the Government National Mortgage Association (Ginnie Mae). We refer to Fannie Mae, Freddie Mac, and Ginnie Mae collectively as the Government-Sponsored Enterprises or GSEs. During the three months ended March 31, 2013 and 2012, our consumer mortgage loans were primarily securitized through the GSEs.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

beneficial interests take the form of either notes or trust certificates, which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred loans and entitle the investors to specified cash flows generated from the securitized loans. In addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

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

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

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

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

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 26 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the three months ended March 31, 2013 or 2012.

Other Variable Interest Entities

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Involvement with Variable Interest Entities

The determination of whether financial assets transferred by us to these VIEs (and related liabilities) are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the VIE. We are deemed the primary beneficiary and therefore consolidate VIEs for which we have both (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

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

<i>(\$ in millions)</i>	Consolidated involvement with VIEs (a)	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs
March 31, 2013			
On-balance sheet variable interest entities			
Consumer automobile	\$ 25,048		
Commercial automobile	19,576		
Commercial other	727		
Off-balance sheet variable interest entities			
Consumer automobile	—	\$ 1,336	\$ 1,336 (b)
Consumer mortgage — other	—	— (c)	10 (d)
Commercial other	(27) (e)	— (c)	73
Total	\$ 45,324	\$ 1,336	\$ 1,419
December 31, 2012			
On-balance sheet variable interest entities			
Consumer automobile	\$ 28,566		
Commercial automobile	23,139		
Commercial other	728		
Off-balance sheet variable interest entities			
Consumer automobile	—	\$ 1,495	\$ 1,495 (b)
Consumer mortgage — other	—	— (c)	12 (d)
Commercial other	(28) (e)	— (c)	85
Total	\$ 52,405	\$ 1,495	\$ 1,592

- (a) Asset values represent the current unpaid principal balance of outstanding consumer and commercial finance receivables and loans within the VIEs.
- (b) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.
- (c) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE.
- (d) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.
- (e) Amounts classified as accrued expenses and other liabilities.

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

We consolidated certain of these entities because we had a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant variable interest in the VIE. We are generally the primary beneficiary of automobile securitization

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

entities for which we perform servicing activities and have retained a significant variable interest in the form of a beneficial interest. We were previously the primary beneficiary of certain mortgage private-label securitization entities.

The consolidated VIEs included in the Condensed Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 22 for discussion of the assets and liabilities for which the fair value option has been elected.

Off-balance Sheet Variable Interest Entities

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

Nonconsolidated VIEs include entities for which we either do not hold potentially significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet the sale accounting conditions in ASC 860, *Transfers and Servicing*. Previously, our residential mortgage loan securitizations consisted of Ginnie Mae and private-label securitizations. We are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Previously, we did not consolidate certain private-label mortgage securitizations because we did not have a variable interest that could potentially have been significant or we did not have power to direct the activities that most significantly impacted the performance of the VIE.

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

The pretax gains recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities for consumer mortgage — GSEs were \$93 million and \$28 million at March 31, 2013 and March 31, 2012, respectively.

The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the three months ended March 31, 2013 and 2012. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Three months ended March 31, (\$ in millions)	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
2013			
Cash proceeds from transfers completed during the period	\$ —	\$ 7,580	\$ —
Servicing fees	4	119	—
Representations and warranties obligations	—	(23)	—
Other cash flows	—	3	—
2012			
Cash proceeds from transfers completed during the period	\$ —	\$ 10,645	\$ —
Cash flows received on retained interests in securitization entities	—	—	14
Servicing fees	—	249	48
Purchases of previously transferred financial assets	—	(580)	(8)
Representations and warranties obligations	—	(19)	(4)
Other cash flows	—	10	23

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Total Amount		Amount 60 days or more past due	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
On-balance sheet loans				
Consumer automobile	\$ 55,014	\$ 53,715	\$ 285	\$ 351
Consumer mortgage	10,373	12,311	226	241
Commercial automobile	31,875	32,822	39	24
Commercial mortgage	—	—	—	—
Commercial other	2,579	2,783	—	1
Total on-balance sheet loans	99,841	101,631	550	617
Off-balance sheet securitization entities				
Consumer automobile	1,336	1,495	3	4
Consumer mortgage - GSEs	117,342	119,384	1,835	1,892
Total off-balance sheet securitization entities	118,678	120,879	1,838	1,896
Whole-loan transactions (a)	5,558	6,756	103	129
Total	\$ 224,077	\$ 229,266	\$ 2,491	\$ 2,642

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

(\$ in millions)	Net credit losses	
	Three months ended March 31,	
	2013	2012
On-balance sheet loans		
Consumer automobile	\$ 93	\$ 74
Consumer mortgage	21	18
Commercial automobile	1	—
Commercial mortgage	n/m	(1)
Commercial other	(1)	(8)
Total on-balance sheet loans	114	83
Off-balance sheet securitization entities		
Consumer automobile	1	n/m
Consumer mortgage - GSEs (a)	n/m	n/m
Total off-balance sheet securitization entities	1	—
Whole-loan transactions	n/m	8
Total	\$ 115	\$ 91

n/m = not meaningful

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

10. Servicing Activities

Mortgage Servicing Rights

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

Three months ended March 31, (\$ in millions)	2013 (a)(b)	2012 (c)
Estimated fair value at January 1,	\$ 952	\$ 2,519
Additions recognized on sale of mortgage loans	54	75
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(28)	163
Other changes in fair value	(61)	(162)
Estimated fair value at March 31,	\$ 917	\$ 2,595

(a) The remaining balance is at Ally Bank, due to the deconsolidation of ResCap.

(b) In April 2013, we sold our agency MSR portfolio. Refer to Note 27 for further details.

(c) Includes activities of our discontinued operations.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information regarding our significant assumptions and valuation techniques used in the valuation of mortgage servicing rights.

The key economic assumptions and sensitivity of the fair value of MSR to immediate 10% and 20% adverse changes in those assumptions were as follows.

(\$ in millions)	March 31, 2013	December 31, 2012
Weighted average life (in years)	5.4	4.6
Weighted average prepayment speed	10.3%	13.5%
Impact on fair value of 10% adverse change	\$ (64)	\$ (77)
Impact on fair value of 20% adverse change	(122)	(144)
Weighted average discount rate	9.3%	7.7%
Impact on fair value of 10% adverse change	\$ (42)	\$ (10)
Impact on fair value of 20% adverse change	(80)	(19)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rates and prepayment risks associated with these assets.

Risk Mitigation Activities

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Change in estimated fair value of mortgage servicing rights	\$ (89)	\$ (10)
Change in fair value of derivative financial instruments	(112)	(96)
Servicing asset valuation and hedge activities, net	\$ (201)	\$ (106)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

(\$ in millions)	Three months ended March 31,	
	2013	2012
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 58	\$ 86
Late fees	1	2
Ancillary fees	4	4
Total mortgage servicing fees	\$ 63	\$ 92

Mortgage Servicing Advances

In connection with our primary mortgage servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances, including contractual interest, are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled \$78 million and \$82 million at March 31, 2013 and December 31, 2012, respectively. We maintained an allowance for uncollected primary servicing advances of \$1 million and \$1 million at March 31, 2013 and December 31, 2012, respectively. Our potential obligation is influenced by the loan's performance and credit quality.

Mortgage Serviced Assets

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

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

(\$ in millions)	March 31, 2013	December 31, 2012
On-balance sheet mortgage loans		
Held-for-sale and investment	\$ 9,208	\$ 10,938
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
GSEs	117,675	119,384
Whole-loan	2	2
Total primary serviced mortgage loans (a)	\$ 126,885	\$ 130,324

(a) In April 2013, we sold our agency MSRs portfolio, refer to Note 27 for further details.

Ally Bank is subject to certain net worth requirements associated with its servicing agreements with Fannie Mae and Freddie Mac. The majority of Ally Bank's serviced mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. At March 31, 2013, Ally Bank was in compliance with the requirements of the servicing agreements.

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of \$19 million and \$30 million, during the three months ended March 31, 2013 and 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
On-balance sheet automobile finance loans and leases		
Consumer automobile	\$ 55,014	\$ 53,715
Commercial automobile	31,875	32,822
Operating leases	14,828	13,550
Operations held-for-sale	15,304	25,979
Other	45	41
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	1,317	1,474
Whole-loan	5,374	6,541
Other (a)	9,060	—
Total serviced automobile finance loans and leases	\$ 132,817	\$ 134,122

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

11. Other Assets

The components of other assets were as follows.

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Property and equipment at cost	\$ 696	\$ 693
Accumulated depreciation	(428)	(411)
Net property and equipment	268	282
Restricted cash collections for securitization trusts (a)	2,159	2,983
Deferred tax asset	1,309	1,190
Fair value of derivative contracts in receivable position	668	2,298
Restricted cash and cash equivalents	531	889
Collateral placed with counterparties	447	1,290
Other accounts receivable	445	525
Cash reserve deposits held-for-securitization trusts (b)	429	442
Unamortized debt issuance costs	418	425
Nonmarketable equity securities	283	303
Other assets	993	1,281
Total other assets	\$ 7,950	\$ 11,908

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

12. Deposit Liabilities

Deposit liabilities consisted of the following.

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Deposits		
Noninterest-bearing deposits	\$ 844	\$ 1,977
Interest-bearing deposits		
Savings and money market checking accounts	17,512	13,871
Certificates of deposit	31,135	31,084
Dealer deposits	835	983
Total deposit liabilities	\$ 50,326	\$ 47,915

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At March 31, 2013, and December 31, 2012, certificates of deposit included \$12.3 billion and \$12.0 billion, respectively, of certificates of deposit in denominations of \$100 thousand or more.

13. Short-term Borrowings

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

<i>(\$ in millions)</i>	March 31, 2013			December 31, 2012		
	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	\$ 3,229	\$ —	\$ 3,229	\$ 3,094	\$ —	\$ 3,094
Bank loans and overdrafts	7	—	7	167	—	167
Federal Home Loan Bank	—	3,500	3,500	—	3,800	3,800
Securities sold under agreements to repurchase	—	482	482	—	—	—
Other (b)	—	400	400	—	400	400
Total short-term borrowings	\$ 3,236	\$ 4,382	\$ 7,618	\$ 3,261	\$ 4,200	\$ 7,461

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

(b) Other relates to secured borrowings at our Commercial Finance Group at March 31, 2013 and December 31, 2012.

14. Long-term Debt

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

<i>(\$ in millions)</i>	March 31, 2013			December 31, 2012		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	\$ 3,809	\$ 10,964	\$ 14,773	\$ 1,070	\$ 11,503	\$ 12,573
Due after one year (a)	28,448	23,444	51,892	31,486	29,408	60,894
Fair value adjustment	956	—	956	1,094	—	1,094
Total long-term debt	\$ 33,213	\$ 34,408	\$ 67,621	\$ 33,650	\$ 40,911	\$ 74,561

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Year ended December 31, (\$ in millions)	2013	2014	2015	2016	2017	2018 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	\$ 1,008	\$ 5,588	\$ 5,092	\$ 1,970	\$ 3,681	\$ 16,698	\$ 956	\$ 34,993
Original issue discount	(201)	(188)	(56)	(63)	(75)	(1,197)	—	(1,780)
Total unsecured	807	5,400	5,036	1,907	3,606	15,501	956	33,213
Secured								
Long-term debt	7,109	12,005	8,137	3,574	2,722	861	—	34,408
Total long-term debt	\$ 7,916	\$ 17,405	\$ 13,173	\$ 5,481	\$ 6,328	\$ 16,362	\$ 956	\$ 67,621

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.

(\$ in millions)	March 31, 2013		December 31, 2012	
	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities	\$ 500	\$ 500	\$ 1,911	\$ 1,911
Mortgage assets held-for-investment and lending receivables	9,715	9,715	9,866	9,866
Consumer automobile finance receivables	23,953	12,673	29,557	14,833
Commercial automobile finance receivables	18,574	18,574	19,606	19,606
Investment in operating leases, net	6,872	2,966	6,058	1,691
Other assets	973	252	999	272
Total assets restricted as collateral (b)	\$ 60,587	\$ 44,680	\$ 67,997	\$ 48,179
Secured debt (c)	\$ 38,790	\$ 25,864	\$ 45,111	\$ 29,162

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

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling \$12.5 billion and \$12.6 billion at March 31, 2013, and December 31, 2012, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling \$3.1 billion and \$1.9 billion at March 31, 2013, and December 31, 2012, respectively. These assets were composed of consumer mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes \$4.4 billion and \$4.2 billion of short-term borrowings at March 31, 2013, and December 31, 2012, respectively.

Trust Preferred Securities

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

On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series (Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Covenants and Other Requirements

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, commercial payment rates. During 2012, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

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

Funding Facilities

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

As of March 31, 2013, Ally Bank had exclusive access to \$3.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a \$4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At March 31, 2013, \$26.1 billion of our \$33.4 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2013, we had \$16.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

	Outstanding		Unused Capacity (a)		Total Capacity	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
<i>(\$ in billions)</i>						
Bank funding						
Secured	\$ 1.7	\$ 3.8	\$ 1.8	\$ 4.7	\$ 3.5	\$ 8.5
Nonbank funding						
Unsecured (b)	0.1	0.1	—	—	0.1	0.1
Secured (c) (d) (e)	13.9	22.5	11.8	7.8	25.7	30.3
Total nonbank funding	14.0	22.6	11.8	7.8	25.8	30.4
Shared capacity (f) (g)	1.1	1.1	3.0	3.0	4.1	4.1
Total committed facilities	\$ 16.8	\$ 27.5	\$ 16.6	\$ 15.5	\$ 33.4	\$ 43.0

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Total unsecured nonbank funding capacity represents committed funding for our discontinued international automobile financing business.
- (c) Total secured nonbank funding capacity includes committed funding for our discontinued international automobile financing business of \$6.9 billion and \$12.0 billion as of March 31, 2013 and December 31, 2012, respectively, with outstanding debt of \$5.1 billion and \$9.6 billion, respectively.
- (d) Total unused capacity includes \$2.1 billion and \$2.2 billion as of March 31, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.
- (e) Includes the secured facilities of our Commercial Finance Group.
- (f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.
- (g) Total shared bank facilities includes committed funding for our discontinued international automobile financing business of \$0.1 billion and \$0.1 billion as of March 31, 2013 and December 31, 2012, respectively with outstanding debt of \$0.1 billion and \$0.1 billion, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Uncommitted Funding Facilities

	Outstanding		Unused Capacity (a)		Total Capacity	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
<i>(\$ in billions)</i>						
Bank funding						
Secured						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8
FHLB advances	4.5	4.8	0.8	0.4	5.3	5.2
Repurchase agreements	0.5	—	—	—	0.5	—
Total bank funding	5.0	4.8	2.6	2.2	7.6	7.0
Nonbank funding						
Unsecured	2.2	2.1	0.4	0.4	2.6	2.5
Secured	—	0.1	0.1	0.1	0.1	0.2
Total nonbank funding (a)	2.2	2.2	0.5	0.5	2.7	2.7
Total uncommitted facilities	\$ 7.2	\$ 7.0	\$ 3.1	\$ 2.7	\$ 10.3	\$ 9.7

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

15. Accrued Expenses and Other Liabilities

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

	March 31, 2013	December 31, 2012
<i>(\$ in millions)</i>		
Accrual related to ResCap Bankruptcy (a)	\$ 750	\$ 750
Collateral received from counterparties	565	941
Accounts payable	475	565
Fair value of derivative contracts in payable position	406	2,468
Employee compensation and benefits	364	494
Reserves for insurance losses and loss adjustment expenses	342	341
Reserve for mortgage representation and warranty obligation	170	105
Deferred revenue	102	97
Other liabilities	495	824
Total accrued expenses and other liabilities	\$ 3,669	\$ 6,585

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

16. Equity

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

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

(a) Mandatorily convertible to common equity on December 30, 2016.

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

(c) Nonredeemable prior to May 15, 2016.

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

(e) Redeemable beginning at December 31, 2011.

17. Accumulated Other Comprehensive Income (Loss)

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

(\$ in millions)	Unrealized gains on investment securities	Translation adjustments and net investment hedges	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at December 31, 2012	\$ 76	\$ 368	\$ 2	\$ (135)	\$ 311
2013 net change	12	(350)	4	17	(317)
Balance at March 31, 2013	\$ 88	\$ 18	\$ 6	\$ (118)	\$ (6)

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

March 31, (\$ in millions)	Before Tax	Tax Effect	After Tax
2013			
Unrealized gains on investment securities			
Net unrealized gains arising during the period	\$ 69	\$ (1)	\$ 68
Less: Net realized gains reclassified to net income	51 (a)	(2) (b)	49
Less: Net realized gains reclassified to income from discontinued operations, net of tax	8	(1)	7
Net change	10	2	12
Translation adjustments			
Net unrealized losses arising during the period	(49)	2	(47)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	432	3	435
Net change	(481)	(1)	(482)
Net investment hedges			
Net unrealized gains arising during the period	20	(8)	12
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(149)	29	(120)
Net change	169	(37)	132
Cash flow hedges			
Less: Net realized losses reclassified to net income	(7) (c)	3 (b)	(4)
Defined benefit pension plans			
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(2) (d)	— (b)	(2)
Less: Net losses, prior service costs, and transition obligations reclassified to income from discontinued operations, net of tax	(17)	2	(15)
Net change	19	(2)	17
Other comprehensive income	\$ (276)	\$ (41)	\$ (317)

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

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

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

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

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.

(\$ in millions except per share data)	Three months ended March 31,	
	2013	2012
Net income from continuing operations	\$ 60	\$ 2
Preferred stock dividends — U.S. Department of Treasury	(133)	(134)
Preferred stock dividends	(67)	(67)
Net loss from continuing operations attributable to common shareholders	(140)	(199)
Income from discontinued operations, net of tax	1,033	308
Net income attributable to common shareholders	\$ 893	\$ 109
Basic weighted-average common shares outstanding	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970
Basic earnings per common share		
Net loss from continuing operations	\$ (105)	\$ (149)
Income from discontinued operations, net of tax	776	231
Net income	\$ 671	\$ 82
Diluted earnings per common share (a)		
Net loss from continuing operations	\$ (105)	\$ (149)
Income from discontinued operations, net of tax	776	231
Net income	\$ 671	\$ 82

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for the three months ended March 31, 2013 and 2012, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three months ended March 31, 2013 and 2012, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the three months ended March 31, 2013 and 2012, respectively.

19. Regulatory Capital and Other Regulatory Matters

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

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

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

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

A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The banking regulators have also developed a measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally's capital with the capital of other financial services companies. Also, bank holding companies with assets of \$50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

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

The following table summarizes our capital ratios.

(\$ in millions)	March 31, 2013		December 31, 2012		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 20,663	14.59%	\$ 20,232	13.13%	4.00%	6.00%
Ally Bank	14,380	16.68	14,136	16.26	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	\$ 22,084	15.59%	\$ 21,669	14.07%	8.00%	10.00%
Ally Bank	15,073	17.48	14,827	17.06	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (a)						
Ally Financial Inc.	\$ 20,663	12.01%	\$ 20,232	11.16%	3.00–4.00%	(b)
Ally Bank	14,380	15.59	14,136	15.30	15.00	(c) 5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	\$ 11,180	7.89%	\$ 10,749	6.98%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

- (a) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.
 (b) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.
 (c) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

At March 31, 2013, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

20. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

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

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

- **MSRs** — Our MSRs are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivative instruments that increase in value when interest

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

rates decline. The primary objective is to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes.

A multitude of derivative instruments have been used to manage the interest rate risk related to MSRs. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of mortgage-backed securities (MBS), futures, interest rate swaps, interest rate floors, and interest rate caps.

- **Mortgage loan commitments and mortgage loans held-for-sale** — We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish the risk management objective for mortgage loans and IRLCs is forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale.

- **Debt** — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowings associated with Ally Bank's secured credit facilities, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.
- **Other** — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Exchange Risk

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

We also enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. Our foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss). The hedges are recorded at fair value with the changes recorded to accumulated other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in accumulated other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

We also have a centralized-lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

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

Counterparty Credit Risk

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

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

We placed cash and securities collateral totaling \$447 million and \$1.3 billion at March 31, 2013 and December 31, 2012, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$565 million and \$941 million at March 31, 2013 and December 31, 2012, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At March 31, 2013 and December 31, 2012, we received noncash collateral of \$1 million and \$0.3 million, respectively.

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At March 31, 2013 and December 31, 2012, \$668 million and \$2.3 billion, respectively, of the derivative contracts in a receivable position were classified as other assets on the Condensed Consolidated Balance Sheet. At March 31, 2013 and December 31, 2012, \$406 million and \$2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

(\$ in millions)	March 31, 2013			December 31, 2012		
	Derivative contracts in a		Notional amount	Derivative contracts in a		Notional amount
	receivable position (a)	payable position (b)		receivable position (a)	payable position (b)	
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges	\$ 279	\$ —	\$ 6,910	\$ 411	\$ —	\$ 7,248
Cash flow accounting hedges	—	1	1,874	—	10	2,580
Total interest rate risk	279	1	8,784	411	10	9,828
Foreign exchange risk						
Net investment accounting hedges	21	21	9,737	35	53	8,693
Total derivatives qualifying for hedge accounting	300	22	18,521	446	63	18,521
Economic hedges and trading derivatives						
Interest rate risk						
MSRs	158	329	7,401	1,616	2,299	146,405
Mortgage loan commitments and mortgage loans held-for-sale	10	5	2,238	49	23	9,617
Debt	28	20	12,150	28	29	17,716
Other (c)	141	28	54,896	154	27	41,514
Total interest rate risk	337	382	76,685	1,847	2,378	215,252
Foreign exchange risk	31	2	2,629	5	27	2,464
Total economic hedges and trading derivatives	368	384	79,314	1,852	2,405	217,716
Total derivatives	\$ 668	\$ 406	\$ 97,835	\$ 2,298	\$ 2,468	\$ 236,237

(a) Includes accrued interest of \$127 million and \$175 million at March 31, 2013 and December 31, 2012, respectively.

(b) Includes accrued interest of \$16 million and \$144 million at March 31, 2013 and December 31, 2012, respectively.

(c) Primarily consists of exchange-traded Eurodollar futures.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Statement of Comprehensive Income Presentation

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Derivatives qualifying for hedge accounting		
Loss recognized in earnings on derivatives (a)		
Interest rate contracts		
Interest on long-term debt	\$ (98)	\$ (69)
Gain recognized in earnings on hedged items (b)		
Interest rate contracts		
Interest on long-term debt	101	51
Total derivatives qualifying for hedge accounting	3	(18)
Economic and trading derivatives		
(Loss) gain recognized in earnings on derivatives		
Interest rate contracts		
Servicing asset valuation and hedge activities, net	(112)	(96)
(Loss) gain on mortgage and automotive loans, net	(32)	83
Other income, net of losses	(1)	18
Total interest rate contracts	(145)	5
Foreign exchange contracts (c)		
Interest on long-term debt	39	(9)
Other income, net of losses	28	(25)
Total foreign exchange contracts	67	(34)
Loss recognized in earnings on derivatives	\$ (75)	\$ (47)

- (a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$33 million and \$26 million for the three months ended March 31, 2013 and 2012, respectively.
- (b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were \$38 million and \$60 million for the three months ended March 31, 2013 and 2012, respectively.
- (c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Losses of \$65 million and gains of \$31 million were recognized for the three months ended March 31, 2013 and 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Cash flow hedges		
Interest rate contracts		
Loss reclassified from accumulated other comprehensive income to interest on long-term debt (a)	\$ (7)	\$ —
Loss recorded directly to interest on long-term debt	—	(5)
Total interest on long-term debt	\$ (7)	\$ (5)
Gain (loss) recognized in other comprehensive income	\$ 7	\$ (3)
Net investment hedges		
Foreign exchange contracts		
Loss reclassified from accumulated other comprehensive income (loss) to discontinued operations, net	\$ (149)	\$ —
Total other income, net of losses	\$ (149)	\$ —
Gain (loss) recognized in other comprehensive income (b)	\$ 169	\$ (203)

- (a) The amount represents losses reclassified from other comprehensive income (OCI) into earnings as a result of the discontinuance of hedge accounting because it is probable that the forecasted transaction will not occur.
- (b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were losses of \$519 million and gains of \$300 million for the three months ended March 31, 2013 and 2012, respectively.

21. Income Taxes

We recognized an income tax benefit from continuing operations of \$123 million during the three months ended March 31, 2013, compared to income tax expense of \$1 million for the same period in 2012. The income tax benefit resulted primarily from the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

As of each reporting date, we consider both positive and negative evidence that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for certain state net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we continue to provide a partial valuation allowance on the deferred tax assets relating to these carryforwards.

The completed sale of our Canadian operations during the quarter generated capital gain income that reduced our \$2.2 billion capital loss carryforward that existed as of December 31, 2012. The tax impact of this utilization also resulted in an offsetting tax benefit associated with the reversal of valuation allowance of approximately \$230 million. Furthermore, successful completion during 2013 of additional sales of entities currently held-for-sale may result in additional capital gains that would allow us to realize additional capital loss carryforwards. Any related reversal of valuation allowance on these deferred tax assets would also be recognized as an income tax benefit in discontinued operations upon such utilization.

On May 14, 2012, we deconsolidated ResCap for financial reporting purposes. During the first quarter of 2013, the operations of ResCap were classified as discontinued. However, for U.S. federal tax purposes ResCap will continue to be included in our consolidated return filing until ultimate disposition of our ownership in ResCap.

22. Fair Value

Fair Value Measurements

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

GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

- Level 2 Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.
- Transfers Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the three months ended March 31, 2013.

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

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

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

- **MSRs** — MSRs are classified as Level 3, management estimates fair value using our transaction data and other market data or, in periods when there are limited MSR market transactions that are directly observable, internally developed discounted cash flow models (an income approach) are used to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.
- **Interests retained in financial asset sales** — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
- **Derivative instruments** — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

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

We have interest rate lock commitments accounted for as derivative instruments at Ally Bank that are classified as Level 3. We have also historically held certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often were utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount was often indexed to the hedged item. As a result, we typically were required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

However, as of the quarter ended March 31, 2013, we no longer hold such positions within continuing operations due to the sales of our international automotive finance operations.

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

Recurring Fair Value

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

March 31, 2013 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	\$ 809	\$ 1,290	\$ —	\$ 2,099
Foreign government	3	303	—	306
Mortgage-backed residential	—	8,815	—	8,815
Asset-backed	—	2,221	—	2,221
Corporate debt securities	—	1,326	—	1,326
Total debt securities	812	13,955	—	14,767
Equity securities (a)	985	—	—	985
Total available-for-sale securities	1,797	13,955	—	15,752
Mortgage loans held-for-sale, net (b)	—	701	—	701
Mortgage servicing rights	—	—	917	917
Other assets				
Interests retained in financial asset sales	—	—	139	139
Derivative contracts in a receivable position				
Interest rate	31	580	5	616
Foreign currency	—	52	—	52
Total derivative contracts in a receivable position	31	632	5	668
Collateral placed with counterparties (c)	—	308	—	308
Total assets	\$ 1,828	\$ 15,596	\$ 1,061	\$ 18,485
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	\$ (14)	\$ (369)	\$ —	\$ (383)
Foreign currency	—	(23)	—	(23)
Total derivative contracts in a payable position	(14)	(392)	—	(406)
Total liabilities	\$ (14)	\$ (392)	\$ —	\$ (406)

(a) Our investment in any one industry did not exceed 20%.

(b) Carried at fair value due to fair value option elections.

(c) Represents collateral in the form of investment securities. Cash collateral was excluded.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(a) Our investment in any one industry did not exceed 21%.

(b) Carried at fair value due to fair value option elections.

(c) Includes derivatives classified as trading.

(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

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

March 31, 2013 (\$ in millions)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Mortgage servicing rights	\$ 917	(a)	(a)	(a)
Other assets				
Interests retained in financial asset sales	139	Discounted cash flow	Discount rate	5.4-6.1%
			Commercial paper rate	0-0.2%

(a) Refer to Note 10 for information related to MSRs valuation assumptions and sensitivities.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

	Level 3 recurring fair value measurements									
	Fair value at Jan. 1, 2013	Net realized/unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Fair value at Mar. 31, 2013	Net unrealized gains (losses) included in earnings still held at Mar. 31, 2013	
included in earnings		included in OCI								
<i>(\$ in millions)</i>										
Assets										
Mortgage servicing rights	\$ 952	\$ (89) (a)	\$ —	\$ —	\$ —	\$ 54	\$ —	\$ 917	\$ (89) (a)	
Other assets										
Interests retained in financial asset sales	154	2 (b)	—	—	—	—	(17)	139	—	
Derivative contracts, net (c)										
Interest rate	47	(46) (d)	—	—	—	—	4	5	(9) (d)	
Foreign currency	(2)	2 (d)	—	—	—	—	—	—	(1) (d)	
Total derivative contracts in a receivable position, net	45	(44)	—	—	—	—	4	5	(10)	
Total assets	\$ 1,151	\$ (131)	\$ —	\$ —	\$ —	\$ 54	\$ (13)	\$ 1,061	\$ (99)	

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

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

(c) Includes derivatives classified as trading.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Level 3 recurring fair value measurements

(\$ in millions)	Net realized/unrealized gains (losses)							Fair value at Mar. 31, 2012	Net unrealized gains (losses) included in earnings still held at Mar. 31, 2012	
	Fair value at Jan. 1, 2012	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements			
Assets										
Trading assets (excluding derivatives)										
Mortgage-backed residential securities	\$ 33	\$ 2 (a)	\$ —	\$ —	\$ —	\$ —	\$ (3)	\$ 32	\$ 4 (a)	
Investment securities										
Available-for-sale debt securities										
Asset-backed	62	—	1	—	—	—	—	63	—	
Mortgage loans held-for-sale, net (b)	30	—	—	9	—	—	(9)	30	—	
Consumer mortgage finance receivables and loans, net (b)	835	87 (b)	—	—	—	—	(90)	832	35 (b)	
Mortgage servicing rights	2,519	1 (c)	—	—	—	11	64	2,595	1 (c)	
Other assets										
Interests retained in financial asset sales	231	5 (d)	—	—	—	—	(42)	194	—	
Derivative contracts, net (e)										
Interest rate	71	(24) (f)	—	—	—	—	(3)	44	(28) (f)	
Foreign currency	16	(11) (f)	—	—	—	—	—	5	(11) (f)	
Total derivative contracts in a receivable position, net	87	(35)	—	—	—	—	(3)	49	(39)	
Total assets	\$ 3,797	\$ 60	\$ 1	\$ 9	\$ —	\$ 11	\$ (83)	\$ 3,795	\$ 1	
Liabilities										
Long-term debt										
On-balance sheet securitization debt (b)	\$ (830)	\$ (83) (b)	\$ —	\$ —	\$ —	\$ —	\$ 85	\$ (828)	\$ (39) (b)	
Accrued expenses and other liabilities										
Loan repurchase liabilities (b)	(29)	—	—	(9)	—	—	8	(30)	—	
Total liabilities	\$ (859)	\$ (83)	\$ —	\$ (9)	\$ —	\$ —	\$ 93	\$ (858)	\$ (39)	

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

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

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

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

(e) Includes derivatives classified as trading.

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

Nonrecurring Fair Value

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

March 31, 2013 (\$ in millions)	Nonrecurring fair value measurements				Lower-of- cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended
	Level 1	Level 2	Level 3	Total		
Assets						
Loans held-for-sale	\$ —	\$ —	\$ 18	\$ 18	\$ —	n/m (a)
Commercial finance receivables and loans, net (b)						
Automotive	—	—	121	121	(21)	n/m (a)
Other	—	—	46	46	(7)	n/m (a)
Total commercial finance receivables and loans, net	—	—	167	167	(28)	n/m (a)
Other assets						
Repossessed and foreclosed assets (c)	—	—	6	6	(4)	n/m (a)
Total assets	\$ —	\$ —	\$ 191	\$ 191	\$ (32)	n/m

n/m = not meaningful

- (a) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (b) Represents the portion of the portfolio specifically impaired during 2013. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

March 31, 2012 (\$ in millions)	Nonrecurring fair value measurements				Lower-of- cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended
	Level 1	Level 2	Level 3	Total		
Assets						
Mortgage loans held-for-sale (a)	\$ —	\$ —	\$ 580	\$ 580	\$ (57)	n/m (b)
Commercial finance receivables and loans, net (c)						
Automotive	—	—	122	122	(25)	n/m (b)
Mortgage	—	1	15	16	(11)	n/m (b)
Other	—	—	20	20	(10)	n/m (b)
Total commercial finance receivables and loans, net	—	1	157	158	(46)	n/m (b)
Other assets						
Repossessed and foreclosed assets (d)	—	62	21	83	(13)	n/m (b)
Total assets	\$ —	\$ 63	\$ 758	\$ 821	\$ (116)	n/m

n/m = not meaningful

- (a) Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (d) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

March 31, 2013 (\$ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	\$ 121	Fair value of collateral	Adjusted appraisal value	65.0-95.0%

Fair Value Option for Financial Assets

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

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

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

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

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

Three months ended March 31, (\$ in millions)	Changes included in the Condensed Consolidated Statement of Comprehensive Income		
	Interest on loans held-for- sale (a)	Gain on mortgage loans, net	Total included in earnings
2013			
Assets			
Mortgage loans held-for-sale, net	\$ 16	\$ (41)	\$ (25) (b)
2012			
Assets			
Mortgage loans held-for-sale, net	\$ 26	\$ (59)	\$ (33) (b)

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	March 31, 2013		December 31, 2012	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	\$ 731	\$ 701	\$ 2,416	\$ 2,490
Nonaccrual loans	50	26	47	25
Loans 90+ days past due (b)	41	21	36	19

(a) Excludes accrued interest receivable.

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

Fair Value of Financial Instruments

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

(\$ in millions)	Carrying value	Estimated fair value			
		Level 1	Level 2	Level 3	Total
March 31, 2013					
Financial assets					
Loans held-for-sale, net (a)	\$ 718	\$ —	\$ 701	\$ 18	\$ 719
Finance receivables and loans, net (a)	97,926	—	—	99,039	99,039
Nonmarketable equity investments	283	—	252	35	287
Financial liabilities					
Deposit liabilities	\$ 50,326	\$ —	\$ —	\$ 51,146	\$ 51,146
Short-term borrowings	7,618	5	—	7,613	7,618
Long-term debt (a)(b)	67,951	—	35,847	35,936	71,783
December 31, 2012					
Financial assets					
Loans held-for-sale, net (a)	\$ 2,576	\$ —	\$ 2,490	\$ 86	\$ 2,576
Finance receivables and loans, net (a)	97,885	—	—	98,907	98,907
Nonmarketable equity investments	303	—	272	34	306
Financial liabilities					
Deposit liabilities	\$ 47,915	\$ —	\$ —	\$ 48,752	\$ 48,752
Short-term borrowings	7,461	6	—	7,454	7,460
Long-term debt (a)(b)	74,882	—	36,018	42,533	78,551

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

(b) The carrying value includes deferred interest for zero-coupon bonds of \$330 million and \$321 million at March 31, 2013, and December 31, 2012, respectively.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

- Loans held-for-sale, net** — Loans held-for-sale classified as Level 2 include all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.
- Finance receivables and loans, net** — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain other automotive- and mortgage-lending 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.

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

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

23. Offsetting Assets and Liabilities

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

March 31, 2013 (\$ in millions)	Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/ (Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		Net Amount
				Financial Instruments	Collateral (a)	
Assets						
Derivative assets in net asset positions	\$ 545	\$ —	\$ 545	\$ (34)	\$ (469)	\$ 42
Derivative assets in net liability positions	37	—	37	(37)	—	—
Derivative assets with no offsetting arrangements	86	—	86	—	—	86
Total assets	\$ 668	\$ —	\$ 668	\$ (71)	\$ (469)	\$ 128
Liabilities						
Derivative liabilities in net liability positions	\$ (362)	\$ —	\$ (362)	\$ 37	\$ 304	\$ (21)
Derivative liabilities in net asset positions	(34)	—	(34)	34	—	—
Derivative liabilities with no offsetting arrangements	(10)	—	(10)	—	—	(10)
Total liabilities	\$ (406)	\$ —	\$ (406)	\$ 71	\$ 304	\$ (31)

(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.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

24. Segment and Geographic Information

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

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

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

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Three months ended March 31, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2013					
Net financing revenue (loss)	\$ 773	\$ 12	\$ 34	\$ (179)	\$ 640
Other revenue (loss)	82	308	(19)	15	386
Total net revenue (loss)	855	320	15	(164)	1,026
Provision for loan losses	112	—	20	(1)	131
Total noninterest expense	400	259	199	100	958
Income (loss) from continuing operations before income tax expense	\$ 343	\$ 61	\$ (204)	\$ (263)	\$ (63)
Total assets	\$ 118,882	\$ 8,331	\$ 11,284	\$ 27,702	\$ 166,199
2012					
Net financing revenue (loss)	\$ 630	\$ 12	\$ 37	\$ (328)	\$ 351
Other revenue	77	338	137	53	605
Total net revenue (loss)	707	350	174	(275)	956
Provision for loan losses	78	—	27	(7)	98
Total noninterest expense	388	250	84	133	855
Income (loss) from continuing operations before income tax expense	\$ 241	\$ 100	\$ 63	\$ (401)	\$ 3
Total assets	\$ 119,081	\$ 8,394	\$ 30,079	\$ 28,796	\$ 186,350

(a) Total assets for the Commercial Finance Group were \$1.4 billion and \$1.2 billion at March 31, 2013 and 2012, respectively.

(b) Net financing revenue after the provision for loan losses totaled \$0.5 billion and \$0.3 billion for the three months ended 2013 and 2012, respectively.

Information concerning principal geographic areas were as follows.

Three months ended March 31, (\$ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013			
Canada	\$ 49	\$ 14	\$ 1,230
Europe (d)	(10)	(18)	60
Latin America	—	(4)	80
Asia-Pacific	1	(2)	25
Total foreign	40	(10)	1,395
Total domestic (e)	986	(53)	(302)
Total	\$ 1,026	\$ (63)	\$ 1,093
2012			
Canada	\$ 59	\$ 14	\$ 83
Europe (d)	(10)	(10)	26
Latin America	1	(3)	46
Asia-Pacific	1	—	27
Total foreign	51	1	182
Total domestic (e)	905	2	128
Total	\$ 956	\$ 3	\$ 310

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

(b) The domestic amounts include original discount amortization of \$60 million and \$111 million for the three months ended March 31, 2013 and 2012, respectively.

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

(d) Amounts include eliminations between our foreign operations.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

25. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of March 31, 2013, the Guarantors included, Ally US LLC, IB Finance Holding Company, LLC (IB Finance), and GMAC Continental Corporation (GMAC Continental). In connection with the purchase and sale agreement with General Motors Financial (GMF) described in Note 2, all of the common stock of GMAC Continental was sold to GMF effective April 1, 2013 and pursuant to the terms of the applicable senior notes, the proceeds from the sale were reinvested in IB Finance. As a result, GMAC Continental ceased to be a subsidiary of Ally and is no longer a Guarantor. As of April 1, 2013, the Guarantors include Ally US LLC and IB Finance, each of which fully and unconditionally guarantee the senior notes on a joint and several basis.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statements of Comprehensive Income

Three months ended March 31, 2013 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 159	\$ —	\$ 976	\$ —	\$ 1,135
Interest and fees on finance receivables and loans — intercompany	24	—	5	(29)	—
Interest on loans held-for-sale	—	—	16	—	16
Interest and dividends on available-for-sale investment securities	—	—	68	—	68
Interest-bearing cash	1	—	2	—	3
Interest-bearing cash — intercompany	—	—	2	(2)	—
Operating leases	96	—	638	—	734
Total financing revenue and other interest income	280	—	1,707	(31)	1,956
Interest expense					
Interest on deposits	9	—	155	—	164
Interest on short-term borrowings	12	—	4	—	16
Interest on long-term debt	560	—	146	(5)	701
Interest on intercompany debt	(1)	—	26	(25)	—
Total interest expense	580	—	331	(30)	881
Depreciation expense on operating lease assets	62	—	373	—	435
Net financing (loss) revenue	(362)	—	1,003	(1)	640
Dividends from subsidiaries					
Nonbank subsidiaries	3,299	3,254	—	(6,553)	—
Other revenue					
Servicing fees	44	—	38	—	82
Servicing asset valuation and hedge activities, net	—	—	(201)	—	(201)
Total servicing income, net	44	—	(163)	—	(119)
Insurance premiums and service revenue earned	—	—	259	—	259
Gain on mortgage and automotive loans, net	—	—	38	—	38
Other gain on investments, net	—	—	51	—	51
Other income, net of losses	51	—	425	(319)	157
Total other revenue	95	—	610	(319)	386
Total net revenue	3,032	3,254	1,613	(6,873)	1,026
Provision for loan losses	124	—	7	—	131
Noninterest expense					
Compensation and benefits expense	192	—	223	(130)	285
Insurance losses and loss adjustment expenses	—	—	115	—	115
Other operating expenses	58	—	688	(188)	558
Total noninterest expense	250	—	1,026	(318)	958
Income (loss) from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	2,658	3,254	580	(6,555)	(63)
Income tax (benefit) expense from continuing operations	(329)	—	206	—	(123)
Net income from continuing operations	2,987	3,254	374	(6,555)	60
(Loss) income from discontinued operations, net of tax	(265)	13	1,284	1	1,033
Undistributed income (loss) of subsidiaries					
Bank subsidiary	226	226	—	(452)	—
Nonbank subsidiaries	(1,855)	(2,052)	—	3,907	—
Net income	1,093	1,441	1,658	(3,099)	1,093
Other comprehensive loss, net of tax	(317)	(578)	(601)	1,179	(317)
Comprehensive income	\$ 776	\$ 863	\$ 1,057	\$ (1,920)	\$ 776

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 253	\$ —	\$ 844	\$ (4)	\$ 1,093
Interest and fees on finance receivables and loans — intercompany	38	1	8	(47)	—
Interest on loans held-for-sale	5	—	26	—	31
Interest on trading assets	—	—	9	—	9
Interest and dividends on available-for-sale investment securities	—	—	74	—	74
Interest-bearing cash	1	—	1	—	2
Operating leases	52	—	455	—	507
Total financing revenue and other interest income	349	1	1,417	(51)	1,716
Interest expense					
Interest on deposits	17	—	146	—	163
Interest on short-term borrowings	20	—	1	(4)	17
Interest on long-term debt	723	—	161	(4)	880
Interest on intercompany debt	(5)	1	45	(41)	—
Total interest expense	755	1	353	(49)	1,060
Depreciation expense on operating lease assets	13	—	292	—	305
Net financing (loss) revenue	(419)	—	772	(2)	351
Dividends from subsidiaries					
Nonbank subsidiaries	141	—	—	(141)	—
Other revenue					
Servicing fees	52	—	70	—	122
Servicing asset valuation and hedge activities, net	—	—	(106)	—	(106)
Total servicing income, net	52	—	(36)	—	16
Insurance premiums and service revenue earned	—	—	270	—	270
(Loss) gain on mortgage and automotive loans, net	(1)	—	21	—	20
Other gain on investments, net	—	—	89	—	89
Other income, net of losses	35	144	345	(314)	210
Total other revenue	86	144	689	(314)	605
Total net (loss) revenue	(192)	144	1,461	(457)	956
Provision for loan losses	78	—	20	—	98
Noninterest expense					
Compensation and benefits expense	213	144	90	(144)	303
Insurance losses and loss adjustment expenses	—	—	98	—	98
Other operating expenses	86	—	538	(170)	454
Total noninterest expense	299	144	726	(314)	855
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries					
Income tax (benefit) expense from continuing operations	(268)	—	269	—	1
Net (loss) income from continuing operations	(301)	—	446	(143)	2
Income from discontinued operations, net of tax	10	3	298	(3)	308
Undistributed income of subsidiaries					
Bank subsidiary	223	223	—	(446)	—
Nonbank subsidiaries	378	85	—	(463)	—
Net income	310	311	744	(1,055)	310
Other comprehensive income, net of tax	187	126	388	(514)	187
Comprehensive income	\$ 497	\$ 437	\$ 1,132	\$ (1,569)	\$ 497

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Balance Sheet

March 31, 2013 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 554	\$ —	\$ 489	\$ —	\$ 1,043
Noninterest-bearing — intercompany	84	—	—	(84)	—
Interest-bearing	2,700	—	3,694	—	6,394
Interest-bearing — intercompany	—	—	654	(654)	—
Total cash and cash equivalents	3,338	—	4,837	(738)	7,437
Investment securities	—	—	15,752	—	15,752
Loans held-for-sale, net	—	—	718	—	718
Finance receivables and loans, net					
Finance receivables and loans, net	16,495	—	82,628	—	99,123
Intercompany loans to					
Bank subsidiary	2,200	—	—	(2,200)	—
Nonbank subsidiaries	3,285	—	109	(3,394)	—
Allowance for loan losses	(253)	—	(944)	—	(1,197)
Total finance receivables and loans, net	21,727	—	81,793	(5,594)	97,926
Investment in operating leases, net	2,306	—	12,522	—	14,828
Intercompany receivables from					
Bank subsidiary	968	2	—	(970)	—
Nonbank subsidiaries	202	—	550	(752)	—
Investment in subsidiaries					
Bank subsidiary	14,513	14,513	—	(29,026)	—
Nonbank subsidiaries	14,589	917	—	(15,506)	—
Mortgage servicing rights	—	—	917	—	917
Premiums receivable and other insurance assets	—	—	1,617	(9)	1,608
Other assets	2,567	—	5,762	(379)	7,950
Assets of operations held-for-sale	900	453	17,725	(15)	19,063
Total assets	\$ 61,110	\$ 15,885	\$ 142,193	\$ (52,989)	\$ 166,199
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 844	\$ —	\$ 844
Noninterest-bearing — intercompany	—	—	84	(84)	—
Interest-bearing	835	—	48,647	—	49,482
Total deposit liabilities	835	—	49,575	(84)	50,326
Short-term borrowings	3,229	—	4,389	—	7,618
Long-term debt	31,941	—	35,680	—	67,621
Intercompany debt to					
Nonbank subsidiaries	691	—	5,557	(6,248)	—
Intercompany payables to					
Bank subsidiary	934	2	—	(936)	—
Nonbank subsidiaries	466	—	329	(795)	—
Interest payable	732	—	240	—	972
Unearned insurance premiums and service revenue	—	—	2,286	—	2,286
Accrued expenses and other liabilities	1,775	111	2,163	(380)	3,669
Liabilities of operations held-for-sale	33	425	12,775	—	13,233
Total liabilities	40,636	538	112,994	(8,443)	145,725
Total equity	20,474	15,347	29,199	(44,546)	20,474
Total liabilities and equity	\$ 61,110	\$ 15,885	\$ 142,193	\$ (52,989)	\$ 166,199

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

December 31, 2012 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 729	\$ —	\$ 344	\$ —	\$ 1,073
Noninterest-bearing — intercompany	39	—	—	(39)	—
Interest-bearing	3,204	—	3,236	—	6,440
Interest-bearing — intercompany	—	—	452	(452)	—
Total cash and cash equivalents	3,972	—	4,032	(491)	7,513
Investment securities	—	—	14,178	—	14,178
Loans held-for-sale, net	—	—	2,576	—	2,576
Finance receivables and loans, net					
Finance receivables and loans, net	12,486	—	86,569	—	99,055
Intercompany loans to					
Bank subsidiary	1,600	—	—	(1,600)	—
Nonbank subsidiaries	3,514	—	672	(4,186)	—
Allowance for loan losses	(170)	—	(1,000)	—	(1,170)
Total finance receivables and loans, net	17,430	—	86,241	(5,786)	97,885
Investment in operating leases, net	2,003	—	11,547	—	13,550
Intercompany receivables from					
Bank subsidiary	677	—	—	(677)	—
Nonbank subsidiaries	315	334	378	(1,027)	—
Investment in subsidiaries					
Bank subsidiary	14,288	14,288	—	(28,576)	—
Nonbank subsidiaries	19,180	3,723	—	(22,903)	—
Mortgage servicing rights	—	—	952	—	952
Premiums receivable and other insurance assets	—	—	1,609	—	1,609
Other assets	2,514	—	9,968	(574)	11,908
Assets of operations held-for-sale	855	762	30,582	(23)	32,176
Total assets	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 1,977	\$ —	\$ 1,977
Noninterest-bearing — intercompany	—	—	39	(39)	—
Interest-bearing	983	—	44,955	—	45,938
Total deposit liabilities	983	—	46,971	(39)	47,915
Short-term borrowings	3,094	—	4,367	—	7,461
Long-term debt	32,342	—	42,219	—	74,561
Intercompany debt to					
Nonbank subsidiaries	530	—	5,708	(6,238)	—
Intercompany payables to					
Bank subsidiary	752	—	—	(752)	—
Nonbank subsidiaries	674	—	278	(952)	—
Interest payable	748	—	184	—	932
Unearned insurance premiums and service revenue	—	—	2,296	—	2,296
Accrued expenses and other liabilities	2,187	451	4,517	(570)	6,585
Liabilities of operations held-for-sale	26	725	21,948	—	22,699
Total liabilities	41,336	1,176	128,488	(8,551)	162,449
Total equity	19,898	17,931	33,575	(51,506)	19,898
Total liabilities and equity	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statement of Cash Flows

Three months ended March 31, 2013 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 5,272	\$ 3,109	\$ 426	\$ (6,553)	\$ 2,254
Investing activities					
Purchases of available-for-sale securities	—	—	(4,626)	—	(4,626)
Proceeds from sales of available-for-sale securities	—	—	1,543	—	1,543
Proceeds from maturities and repayments of available-for-sale securities	—	—	1,604	—	1,604
Net (increase) decrease in finance receivables and loans	(5,260)	80	5,138	—	(42)
Net (increase) decrease in loans — intercompany	(369)	251	312	(194)	—
Net increase in operating lease assets	(354)	—	(1,357)	—	(1,711)
Capital contributions to subsidiaries	(126)	—	—	126	—
Returns of contributed capital	158	149	—	(307)	—
Proceeds from sale of business units, net	409	—	2,420	—	2,829
Net change in restricted cash	—	(26)	1,093	—	1,067
Other, net	11	—	30	—	41
Net cash (used in) provided by investing activities	(5,531)	454	6,157	(375)	705
Financing activities					
Net change in short-term borrowings — third party	135	35	348	—	518
Net (decrease) increase in deposits	(148)	—	2,553	(45)	2,360
Proceeds from issuance of long-term debt — third party	24	—	4,229	—	4,253
Repayments of long-term debt — third party	(347)	(70)	(11,028)	—	(11,445)
Net change in debt — intercompany	161	(271)	118	(8)	—
Dividends paid — third party	(200)	—	—	—	(200)
Dividends paid and returns of contributed capital — intercompany	—	(3,254)	(3,606)	6,860	—
Capital contributions from parent	—	—	126	(126)	—
Net cash used in financing activities	(375)	(3,560)	(7,260)	6,681	(4,514)
Effect of exchange-rate changes on cash and cash equivalents	—	—	67	—	67
Net (decrease) increase in cash and cash equivalents	(634)	3	(610)	(247)	(1,488)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	(3)	1,415	—	1,412
Cash and cash equivalents at beginning of year	3,972	—	4,032	(491)	7,513
Cash and cash equivalents at March 31	\$ 3,338	\$ —	\$ 4,837	\$ (738)	\$ 7,437

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended March 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash (used in) provided by operating activities	\$ (412)	\$ 12	\$ 2,688	\$ (146)	\$ 2,142
Investing activities					
Purchases of available-for-sale securities	—	—	(3,172)	—	(3,172)
Proceeds from sales of available-for-sale securities	—	—	2,940	—	2,940
Proceeds from maturities and repayments of available-for-sale securities	—	—	1,222	—	1,222
Net (increase) decrease in finance receivables and loans	(3,691)	26	(744)	—	(4,409)
Net decrease (increase) in loans — intercompany	1,649	(9)	32	(1,672)	—
Net decrease (increase) in operating lease assets	216	—	(1,219)	—	(1,003)
Capital contributions to subsidiaries	(44)	—	—	44	—
Returns of contributed capital	366	—	—	(366)	—
Proceeds from sale of business units, net	29	—	—	—	29
Net change in restricted cash	—	—	280	—	280
Other, net	(48)	—	91	—	43
Net cash (used in) provided by investing activities	(1,523)	17	(570)	(1,994)	(4,070)
Financing activities					
Net change in short-term borrowings — third party	231	3	(780)	—	(546)
Net increase in deposits	92	—	1,997	—	2,089
Proceeds from issuance of long-term debt — third party	859	5	9,885	—	10,749
Repayments of long-term debt — third party	(574)	—	(9,450)	—	(10,024)
Net change in debt — intercompany	390	(8)	(1,640)	1,258	—
Dividends paid — third party	(200)	—	—	—	(200)
Dividends paid and returns of contributed capital — intercompany	—	(11)	(501)	512	—
Capital contributions from parent	—	—	44	(44)	—
Net cash provided by (used in) by financing activities	798	(11)	(445)	1,726	2,068
Effect of exchange-rate changes on cash and cash equivalents	(136)	—	(5)	—	(141)
Net (decrease) increase in cash and cash equivalents	(1,273)	18	1,668	(414)	(1)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	45	—	45
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035
Cash and cash equivalents at March 31	\$ 4,988	\$ 32	\$ 8,989	\$ (930)	\$ 13,079

26. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk. For additional information on contingencies and other risks arising from such transactions, refer to Note 29 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K.

Mortgage-Related Matters

ResCap Bankruptcy Filing

On May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtors' estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows. For further information with respect to the bankruptcy, refer to Note 1.

Mortgage Settlements and Consent Order

On February 9, 2012, we announced that we had reached an agreement with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (the Mortgage Settlement). Further, as a result of an examination conducted by the FRB and FDIC, on April 13, 2011, we entered into a consent order (the Consent Order) with the FRB and the FDIC, that required, among other things, GMAC Mortgage, LLC (GMAC Mortgage) to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (the Foreclosure Review). The Debtors are primarily liable for all remaining obligations under both the Mortgage Settlement and Consent Order. AFI is secondarily liable for the specific performance of required actions, and is jointly and severally liable for certain financial obligations. On September 19, 2012, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed an objection to the Debtors' motions to compensate the independent consultants for their Foreclosure Review services. In its objection, the Creditors' Committee alleged, among other things, that AFI should be responsible for the costs of the Foreclosure Review. On October 11, 2012, the Bankruptcy Court entered an interim order allowing the Debtors to continue paying the independent consultants on an interim 90 day basis, while reserving all parties' rights with respect to the allocation of costs between the Debtors and AFI for the Foreclosure Review. The Bankruptcy Court has subsequently issued interim orders authorizing the Debtors to continue paying the independent consultants until May 14, 2013.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed Chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors (the Foreclosure Review Motion). The Bankruptcy Court is expected to issue a written opinion on the relief sought in the Foreclosure Review Motion in the near future. If the Bankruptcy Court approves the Foreclosure Review Motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material.

Legal Proceedings

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

Mortgage-backed Securities Litigation

Ally Financial Inc. and certain of its subsidiaries are named as defendants in various cases relating to ResCap mortgage-backed securities (MBS) and certain other mortgage-related matters, which are described in Note 29 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K (collectively, the Mortgage Cases). We had previously disclosed that several of the Mortgage Cases were subject to orders entered by the Bankruptcy Court staying the matters through April 30, 2013 in connection with the Debtors bankruptcy. On May 1, 2013, all stay orders applicable to the Ally non-Debtor defendants with respect to the Mortgage Cases expired. As a result, all of the Mortgage Cases are proceeding against us.

The following supplements the case descriptions provided in Note 29 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K.

FDIC Litigation

The Federal Deposit Insurance Corporation filed four complaints against Ally Securities LLC (Ally Securities) between May 2012 and August 2012 alleging violations of federal and state securities laws, in each alleging that Ally Securities made misleading statements in a registration statement. Plaintiff seeks rescission and money damages in all cases including pre- and post-judgment interest, attorney's fees and costs of court. Ally Securities has motions to dismiss pending in two of the four cases. Of the remaining two cases, one case has been remanded to state court in Texas, and the FDIC is challenging the federal court's jurisdiction in the second case.

FHLB Litigation

The claims against Ally Financial Inc. and GMAC Mortgage Group were dismissed in an order dated March 14, 2013. The negligent misrepresentation claim remains against Ally Securities.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

New Jersey Carpenters Litigation

A class was certified upon Plaintiffs' request for reconsideration. The defendants' application for leave to appeal the class certification was denied on March 26, 2013.

Union Central Life Litigation

The defendants filed motion to dismiss on July 27, 2012, which was granted, and the case was dismissed on March 29, 2013. The plaintiffs have until May 28, 2013 to amend their complaint.

Regulatory Matters

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

Loan Repurchases and Obligations Related to Loan Sales

Representation and Warranty Obligation Reserve Methodology

The representation and warranty reserve was \$170 million at March 31, 2013 with respect to our sold and serviced loans. The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income.

On April 16, 2013, we completed the sales of agency MSR's to Ocwen Financial Corporation and Quicken Loans, Inc. The sale to Ocwen Financial Corporation included the transfer of the representation and warranty liabilities associated with the majority of the MSR's sold at a specified price. The repurchase reserve at March 31, 2013 also reflects losses associated with this contractual obligation. Pursuant to that obligation, we recognized additional provision expense in the period to reflect the terms of the sale of the MSR's asset. Refer to Note 27 to the Condensed Consolidated Financial Statements for further information related to the MSR's sale.

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

Three months ended March 31, (\$ in millions)	2013 (a)	2012 (b)
Balance at January 1,	\$ 105	\$ 825
Provision for mortgage representation and warranty expenses		
Loan sales	4	5
Change in estimate — continuing operations	83	19
Total additions	87	24
Resolved claims (c)	(23)	(42)
Recoveries	1	4
Balance at March 31,	\$ 170	\$ 811

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

(b) Includes activities of our discontinued operations.

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

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the loss becomes probable and the amount can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

27. Subsequent Events

Declaration of Quarterly Dividend Payments

On April 11, 2013, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$1.125 per share, or a total of \$134 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of \$17.50 per share, or a total of \$45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of \$0.53 per share, or a total of \$22 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends are payable on May 15, 2013.

Majority of European and Latin American Operations Sale

On April 1, 2013, we completed the sale of the majority of our operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial), a wholly-owned subsidiary of General Motors Co. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium, and the Netherlands; and Latin American operations in Mexico, Chile, and Colombia. We received \$2.6 billion for the business, which was composed of a \$2.4 billion payment at closing and \$190 million of dividends paid by the business to us prior to the closing.

Mortgage Servicing Rights Sale

On April 16, 2013, we completed the sales of approximately \$115 billion in unpaid principal balance (UPB) of agency MSR to Ocwen Financial Corp. and Quicken Loans, Inc. In total, we received approximately \$850 million in proceeds for the transactions. Final proceeds for the transactions are subject to adjustment based on the actual UPB on the closing dates. Additionally, the sale of our remaining MSRs is under agreement to close in stages over the coming months.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

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

Selected Financial Data

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

The following table presents selected statement of income data.

(\$ in millions)	Three months ended March 31,	
	2013	2012
Total financing revenue and other interest income	\$ 1,956	\$ 1,716
Interest expense	881	1,060
Depreciation expense on operating lease assets	435	305
Net financing revenue	640	351
Total other revenue	386	605
Total net revenue	1,026	956
Provision for loan losses	131	98
Total noninterest expense	958	855
(Loss) income from continuing operations before income tax (benefit) expense	(63)	3
Income tax (benefit) expense from continuing operations	(123)	1
Net income from continuing operations	60	2
Income from discontinued operations, net of tax	1,033	308
Net income	\$ 1,093	\$ 310
Basic and diluted earnings per common share:		
Net loss from continuing operations	\$ (105)	\$ (149)
Net income	671	82
Non-GAAP financial measures (a):		
Net income	\$ 1,093	\$ 310
Add: Original issue discount amortization expense (b)	57	108
Add: Income tax (benefit) expense from continuing operations	(123)	1
Less: Income from discontinued operations, net of tax	1,033	308
Core pretax (loss) income (a)	\$ (6)	\$ 111

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

(b) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange that was reported as a loss on extinguishment of debt in the Condensed Consolidated Statement of Comprehensive Income.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table presents selected balance sheet and ratio data.

(\$ in millions)	At and for the three months ended March 31,	
	2013	2012
Selected period-end balance sheet data:		
Total assets	\$ 166,199	\$ 186,350
Long-term debt	\$ 67,621	\$ 93,990
Preferred stock/interests	\$ 6,940	\$ 6,940
Total equity	\$ 20,474	\$ 19,576
Financial ratios		
Efficiency ratio (a)	93.37 %	89.44%
Core efficiency ratio (a)	88.46 %	80.36%
Return on assets		
Net income from continuing operations	0.14 %	—%
Net income	2.54 %	0.68%
Core pretax (loss) income	(0.01)%	0.24%
Return on equity		
Net income from continuing operations	1.20 %	0.04%
Net income	21.98 %	6.40%
Core pretax (loss) income	(0.12)%	2.29%
Equity to assets		
Net interest spread (b)	1.67 %	0.86%
Net interest spread excluding original issue discount (b)	1.89 %	1.29%
Net yield on interest-earning assets (c)	1.90 %	1.11%
Net yield on interest-earning assets excluding original issue discount (c)	2.07 %	1.45%
Regulatory capital ratios		
Tier 1 capital (to risk-weighted assets) (d)	14.59 %	13.45%
Total risk-based capital (to risk-weighted assets) (e)	15.59 %	14.47%
Tier 1 leverage (to adjusted quarterly average assets) (f)	12.01 %	11.60%
Total equity	\$ 20,474	\$ 19,576
Goodwill and certain other intangibles	(489)	(494)
Unrealized gains and other adjustments	(1,865)	(317)
Trust preferred securities	2,543	2,542
Tier 1 capital (d)	20,663	21,307
Preferred equity	(6,940)	(6,940)
Trust preferred securities	(2,543)	(2,542)
Tier 1 common capital (non-GAAP) (g)	\$ 11,180	\$ 11,825
Risk-weighted assets (h)	\$ 141,623	\$ 158,468
Tier 1 common (to risk-weighted assets) (g)	7.89 %	7.46%

- (a) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.
- (b) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
- (c) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
- (d) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
- (e) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
- (f) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
- (g) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
- (h) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Overview

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

Discontinued Operations

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

Sales transactions for our Automotive Finance operations are expected to close in stages throughout 2013 and possibly 2014. It is anticipated that there could be significant gains or losses occurring during interim periods as the various stages close. We believe that when all of the various stages are closed, we will realize a cumulative net gain on the sale of our Automotive Finance discontinued operations.

Primary Lines of Business

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

(\$ in millions)	Three months ended March 31,		
	2013	2012	Favorable/ (unfavorable) % change
Total net revenue (loss)			
Dealer Financial Services			
Automotive Finance operations	\$ 855	\$ 707	21
Insurance operations	320	350	(9)
Mortgage operations	15	174	(91)
Corporate and Other	(164)	(275)	40
Total	\$ 1,026	\$ 956	7
Income (loss) from continuing operations before income tax (benefit) expense			
Dealer Financial Services			
Automotive Finance operations	\$ 343	\$ 241	42
Insurance operations	61	100	(39)
Mortgage operations	(204)	63	n/m
Corporate and Other	(263)	(401)	34
Total	\$ (63)	\$ 3	n/m

n/m = not meaningful

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

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

- Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio. Our Mortgage operations also consist of noncore businesses that are winding down. On October 26, 2012, we announced that we had begun to explore strategic alternatives for our agency mortgage servicing rights (MSRs) portfolio and our business lending operations. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. On April 16, 2013, we completed the

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

sales of agency MSRs to Ocwen Financial Corp. and Quicken Loans, Inc. Refer to Note 27 to the Condensed Consolidated Financial Statements for further information. Also on April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Consolidated Results of Operations

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

(\$ in millions)	Three months ended March 31,		
	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue			
Total financing revenue and other interest income	\$ 1,956	\$ 1,716	14
Interest expense	881	1,060	17
Depreciation expense on operating lease assets	435	305	(43)
Net financing revenue	640	351	82
Other revenue			
Net servicing (loss) income	(119)	16	n/m
Insurance premiums and service revenue earned	259	270	(4)
Gain on mortgage and automotive loans, net	38	20	90
Other gain on investments, net	51	89	(43)
Other income, net of losses	157	210	(25)
Total other revenue	386	605	(36)
Total net revenue	1,026	956	7
Provision for loan losses	131	98	(34)
Noninterest expense			
Compensation and benefits expense	285	303	6
Insurance losses and loss adjustment expenses	115	98	(17)
Other operating expenses	558	454	(23)
Total noninterest expense	958	855	(12)
(Loss) income from continuing operations before income tax (benefit) expense	(63)	3	n/m
Income tax (benefit) expense from continuing operations	(123)	1	n/m
Net income from continuing operations	\$ 60	\$ 2	n/m

n/m = not meaningful

We earned net income from continuing operations of \$60 million for the three months ended March 31, 2013, compared to \$2 million for the three months ended March 31, 2012. Net income from continuing operations for the three months ended March 31, 2013, was favorably impacted by our Automotive Finance operations, primarily due to an increase in consumer automotive financing revenue related to growth in the retail loan and operating lease portfolios. Additional favorability for the three months ended March 31, 2013 was primarily the result of lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization, and lower funding costs. The increase was partially offset by higher depreciation expense related to higher lease asset balances as a result of strong lease origination volume, higher representation and warranty expense driven by the terms of our MSR portfolio sales agreements, and an increase in the provision for loan losses primarily resulting from the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession.

Total financing revenue and other interest income increased \$240 million for the three months ended March 31, 2013, compared to the same period in 2012. The increase resulted primarily from an increase in operating lease revenue and consumer financing revenue for our Automotive Finance operations driven primarily by an increase in consumer asset levels as a result of increased used vehicle automotive financing and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods. Additionally, we continue to maintain our nonprime origination volume across a broad credit spectrum. This increase was partially offset by lower mortgage loan production as a result of the shutdown of our warehouse lending operations and the wind-down of the consumer held-for-sale portfolio.

Interest expense decreased 17% for the three months ended March 31, 2013, compared to the same periods in 2012, primarily due to lower funding costs and a decrease in OID amortization expense. OID amortization expense decreased \$51 million for the three months ended March 31, 2013, compared to the same period in 2012, due to bond maturities and normal monthly amortization.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Depreciation expense on operating lease assets increased 43% for the three months ended March 31, 2013, compared to the same period in 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

We incurred a net servicing loss of \$119 million for the three months ended March 31, 2013, compared to net servicing income of \$16 million for the same period in 2012. The decrease was primarily due to the valuation of our MSR portfolio in conjunction with our agreement to sell the portfolio.

Insurance premiums and service revenue earned decreased 4% for the three months ended March 31, 2013, compared to the same period in 2012, primarily due to declining U.S. vehicle service contracts written in prior years when the automotive market was depressed.

Gain on mortgage and automotive loans increased \$18 million for the three months ended March 31, 2013, compared to the same period in 2012. Due to the deconsolidation of ResCap following its bankruptcy filing, we began managing the execution of capital markets transactions, which resulted in us recording gains related to these transactions during the three months ended March 31, 2013.

Other gain on investments, net, was \$51 million for the three months ended March 31, 2013, compared to \$89 million for the same period in 2012. The decrease was primarily due to lower realized investment gains and the recognition of \$8 million of other-than-temporary impairment on certain equity securities.

Other income, net of losses, decreased 25% for the three months ended March 31, 2013, compared to the same period in 2012. The decrease was primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs.

The provision for loan losses was \$131 million for the three months ended March 31, 2013, compared to \$98 million for the same period in 2012. The increase was primarily due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession.

Total noninterest expense increased 12% for the three months ended March 31, 2013, compared to the same period in 2012. The increase was primarily due to higher representation and warranty expense driven by the terms of our MSR portfolio sales agreements and unseasonably high early spring hailstorms losses on our dealer inventory insurance products, partially offset by lower compensation and benefits expense primarily related to a decrease in headcount.

We recognized consolidated income tax benefit from continuing operations of \$123 million for the three months ended March 31, 2013, compared to income tax expense of \$1 million for the same period in 2012. The increase in income tax benefit was driven by the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012, and the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Dealer Financial Services

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

Automotive Finance Operations

Results of Operations

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

(\$ in millions)	Three months ended March 31,		
	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue			
Consumer	\$ 729	\$ 661	10
Commercial	281	285	(1)
Loans held-for-sale	—	5	(100)
Operating leases	734	507	45
Other interest income	7	15	(53)
Total financing revenue and other interest income	1,751	1,473	19
Interest expense	543	538	(1)
Depreciation expense on operating lease assets	435	305	(43)
Net financing revenue	773	630	23
Other revenue			
Servicing fees	19	30	(37)
Other income	63	47	34
Total other revenue	82	77	6
Total net revenue	855	707	21
Provision for loan losses	112	78	(44)
Noninterest expense			
Compensation and benefits expense	113	108	(5)
Other operating expenses	287	280	(3)
Total noninterest expense	400	388	(3)
Income from continuing operations before income tax (benefit) expense	\$ 343	\$ 241	42
Total assets	\$ 118,882	\$ 119,081	—

Our Automotive Finance operations earned income before income tax expense of \$343 million for the three months ended March 31, 2013, compared to \$241 million for the three months ended March 31, 2012. Results for the three months ended March 31, 2013 were favorably impacted by higher consumer and operating lease revenues driven by growth in the retail loan and operating lease portfolios. These items were partially offset by higher provision for loan losses driven by the prudent expansion of our underwriting strategy to originate assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession.

Consumer financing revenue increased 10% for the three months ended March 31, 2013, compared to the same period in 2012, due to an increase in U.S. consumer asset levels driven by growth in the used vehicle portfolio as well as limited use of whole-loan sales as a funding source in recent periods; however, our GM and Chrysler penetration levels for new retail automotive loans were lower than those in 2012. The increase in consumer revenue from volume was partially offset by lower yields as a result of the competitive market environment for automotive financing.

Operating lease revenue increased 45% for the three months ended March 31, 2013, compared to the same period in 2012, primarily due to higher lease asset balances as a result of strong origination volume.

Depreciation expense on operating lease assets increased 43% for the three months ended March 31, 2013, compared to the same period in 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Servicing fee income decreased 37% for the three months ended March 31, 2013, compared to the same period in 2012, due to lower levels of off-balance sheet retail serviced assets.

Other income increased 34% for the three months ended March 31, 2013, compared to the same period in 2012, primarily due to a one-time fee earned from a vendor that did not occur during the three months ended March 31, 2012.

The provision for loan losses was \$112 million for the three months ended March 31, 2013, compared to \$78 million for the same period in 2012. The increase was primarily due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Automotive Financing Volume

Consumer Automotive Financing Volume

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

Three months ended March 31, (units in thousands)	Consumer automotive financing volume		% Share of consumer sales	
	2013	2012	2013	2012
GM new vehicles	151	141	31	31
Chrysler new vehicles	71	77	24	28
Other non-GM / Chrysler new vehicles	19	20		
Used vehicles	126	138		
Total consumer automotive financing volume	367	376		

Consumer automotive financing decreased slightly during the three months ended March 31, 2013, compared to the same period in 2012, primarily due to lower used vehicle origination volume as a result of more competition within the automotive finance market due to the performance of automotive finance assets relative to other asset classes during the 2008 economic downturn. The decrease was partially offset by an increase in GM new vehicle originations resulting from stronger lease volume.

Manufacturer Marketing Incentives

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

Three months ended March 31, (\$ in millions)	Consumer automotive financing originations		% Share of originations	
	2013	2012	2013	2012
GM new vehicles				
New retail standard	\$ 1,496	\$ 1,597	15	16
New retail subvented	1,291	1,746	13	18
Lease	1,883	1,039	19	11
Total GM new vehicle originations	4,670	4,382		
Chrysler new vehicles				
New retail standard	1,046	1,078	11	11
New retail subvented	231	506	3	5
Lease	789	561	8	6
Total Chrysler new vehicle originations	2,066	2,145		
Other new retail vehicles	508	542	5	5
Other lease	38	20	1	1
Used vehicles	2,450	2,638	25	27
Total consumer automotive financing originations	\$ 9,732	\$ 9,727		

During the three months ended March 31, 2013, total new GM vehicle originations increased, compared to the same period in 2012, due to stronger lease volume, partially offset by lower new retail volume. Chrysler new retail contracts decreased primarily as a result of lower retail penetration at Chrysler due to our shift in focus towards non-subvented business. Other lease originations were higher due to the continued strategic focus within the non-GM/non-Chrysler market, and used origination dollars decreased at a lower pace than used vehicle origination volume as a result of strong used vehicle values.

For further discussion of manufacturing marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2012, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Commercial Wholesale Financing Volume

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

Three months ended March 31, (\$ in millions)	Average balance		% Share of dealer inventory	
	2013	2012	2013	2012
GM new vehicles (a)	\$ 16,291	\$ 14,266	69	72
Chrysler new vehicles (a)	7,211	6,589	54	62
Other non-GM / Chrysler new vehicles	2,541	2,153		
Used vehicles	3,052	2,977		
Total commercial wholesale finance receivables	\$ 29,095	\$ 25,985		

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

Commercial wholesale financing average volume increased during the three months ended March 31, 2013, compared to the same period in 2012, primarily due to growing dealer inventories required to support increasing automobile sales. GM and Chrysler wholesale penetration decreased during the three months ended March 31, 2013, compared to the same period in 2012, as a result of increased competition in the wholesale marketplace.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Insurance Operations

Results of Operations

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

(\$ in millions)	Three months ended March 31,		Favorable/ (unfavorable) % change
	2013	2012	
Insurance premiums and other income			
Insurance premiums and service revenue earned	\$ 259	\$ 270	(4)
Investment income	58	73	(21)
Other income	3	7	(57)
Total insurance premiums and other income	320	350	(9)
Expense			
Insurance losses and loss adjustment expenses	115	98	(17)
Acquisition and underwriting expense			
Compensation and benefits expense	15	17	12
Insurance commissions expense	92	99	7
Other expenses	37	36	(3)
Total acquisition and underwriting expense	144	152	5
Total expense	259	250	(4)
Income from continuing operations before income tax (benefit) expense	\$ 61	\$ 100	(39)
Total assets	\$ 8,331	\$ 8,394	(1)
Insurance premiums and service revenue written	\$ 234	\$ 251	(7)
Combined ratio (a)	99.7%	91.4%	

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

Our Insurance operations earned income from continuing operations before income tax expense of \$61 million for the three months ended March 31, 2013, compared to \$100 million for the three months ended March 31, 2012. The decrease was primarily attributable to unseasonably high early spring hailstorms losses, lower investment income, and lower insurance premiums and service revenue earned from our U.S. vehicle service contracts.

Insurance premiums and service revenue earned was \$259 million for the three months ended March 31, 2013, compared to \$270 million for the same period in 2012. The decrease was primarily due to declining U.S. vehicle service contracts written in prior years when the automotive market was depressed.

Investment income totaled \$58 million for the three months ended March 31, 2013, compared to \$73 million for the same period in 2012. The decrease was primarily due to lower realized investment gains and the recognition of other-than-temporary impairment on certain equity securities of \$8 million.

Insurance losses and loss adjustment expenses totaled \$115 million for the three months ended March 31, 2013, compared to \$98 million for the same period in 2012. The increase was driven primarily by unseasonably high early spring hailstorms losses on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 5% for the three months ended March 31, 2013, compared to the same period in 2012. The decrease was primarily a result of lower commission expense for our U.S. dealership-related products matching our decrease in earned premiums.

The combined ratio increased from 91.4% for the three months ended March 31, 2012, to 99.7% for the three months ended March 31, 2013, primarily due to an increase in weather-related losses. Excluding the impact of the unseasonably higher weather-related losses, expenses decreased in line with the decline in earned premium as expected.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Vehicle service contracts		
New retail	\$ 98	\$ 94
Used retail	125	134
Reinsurance	(34)	(31)
Total vehicle service contracts	189	197
Wholesale	27	20
Other finance and insurance (a)	18	34
Total	\$ 234	\$ 251

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products.

Insurance premiums and service revenue written was \$234 million for the three months ended March 31, 2013, compared to \$251 million for the same period in 2012. Insurance premiums and service revenue written decreased due to the sale of the Canadian personal lines business, which stopped writing new business on November 1, 2012, and lower written premiums in our used retail vehicle service contract insurance products driven by lower used vehicle sales volume. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during 2013 will be recognized as income in future periods.

Cash and Investments

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

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

(\$ in millions)	March 31, 2013	December 31, 2012
Cash		
Noninterest-bearing cash	\$ 163	\$ 129
Interest-bearing cash	664	488
Total cash	827	617
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,176	1,090
Foreign government	306	303
Mortgage-backed	886	714
Asset-backed	8	8
Corporate debt	1,326	1,264
Total debt securities	3,702	3,379
Equity securities	981	1,148
Total available-for-sale securities	4,683	4,527
Total cash and securities	\$ 5,510	\$ 5,144

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Mortgage Operations

Results of Operations

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

(\$ in millions)	Three months ended March 31,		
	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue			
Total financing revenue and other interest income	\$ 122	\$ 166	(27)
Interest expense	88	129	32
Net financing revenue	34	37	(8)
Servicing fees	63	92	(32)
Servicing asset valuation and hedge activities, net	(201)	(106)	(90)
Total servicing income, net	(138)	(14)	n/m
Gain on mortgage loans, net	38	25	52
Other income, net of losses	81	126	(36)
Total other revenue	(19)	137	(114)
Total net revenue	15	174	(91)
Provision for loan losses	20	27	26
Noninterest expense			
Compensation and benefits expense	25	19	(32)
Representation and warranty expense	83	—	n/m
Other operating expenses	91	65	(40)
Total noninterest expense	199	84	(137)
(Loss) income from continuing operations before income tax (benefit) expense	\$ (204)	\$ 63	n/m
Total assets	\$ 11,284	\$ 30,079	(62)

n/m = not meaningful

Our Mortgage operations incurred a loss from continuing operations before income tax expense of \$204 million for the three months ended March 31, 2013, compared to income from continuing operations before income tax expense of \$63 million for the three months ended March 31, 2012. The decrease was primarily driven by the valuation of our mortgage servicing rights portfolio, the shutdown of our warehouse lending operations, a decrease in consumer mortgage-lending production associated with government-sponsored refinancing programs, and higher representation and warranty expense driven by the terms of our MSR portfolio sales agreements.

Net financing revenue was \$34 million for the three months ended March 31, 2013, compared to \$37 million for the same period in 2012. The decrease in net financing revenue was primarily due to lower production as a result of the shutdown of our warehouse lending operations and the wind-down of consumer held-for-sale portfolio.

We incurred a net servicing loss of \$138 million for the three months ended March 31, 2013, compared to \$14 million for the same period in 2012, primarily resulting from the valuation of our MSR portfolio in conjunction with our agreement to sell the portfolio.

The net gain on mortgage loans increased 52% for the three months ended March 31, 2013, compared to the same period in 2012. Due to the deconsolidation of ResCap following its bankruptcy filing, we began managing the execution of capital markets transactions, which resulted in us recording gains related to these transactions during the three months ended March 31, 2013.

Other income, net of losses, was \$81 million for the three months ended March 31, 2013, compared to \$126 million for the same period in 2012. The decrease was primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs.

The provision for loan losses was \$20 million for the three months ended March 31, 2013, compared to \$27 million for the same period in 2012. The decrease for the three months ended March 31, 2013, was primarily due to lower net charge-offs in 2013 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense increased \$115 million for the three months ended March 31, 2013, compared to the same period in 2012. The increase was primarily due to higher representation and warranty expense driven by the terms of our MSR portfolio sales agreements, and increased expenses required to establish separate mortgage-related processes as a result of the ResCap separation.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Mortgage Loan Production and Servicing

Mortgage loan production was \$6.1 billion for the three months ended March 31, 2013, compared to \$8.5 billion for the same period in 2012. Loan production decreased \$2.4 billion, or 28%, for the three months ended March 31, 2013, compared to the same period in 2012. The decline in loan production was largely driven by our reduced presence in the correspondent lending and direct lending channels. On April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

The following table summarizes U.S. consumer mortgage loan production.

Three months ended March 31, (\$ in millions)	2013		2012	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	27,872	\$ 5,565	30,750	\$ 6,587
Prime nonconforming	634	508	578	464
Government	220	43	6,795	1,484
Total U.S. production by product type	28,726	\$ 6,116	38,123	\$ 8,535
U.S. production by channel				
Direct lending	13,344	\$ 2,424	17,228	\$ 3,586
Correspondent lender and secondary market purchases	12,780	2,948	17,286	3,996
Mortgage brokers	2,602	744	3,609	953
Total U.S. production by channel	28,726	\$ 6,116	38,123	\$ 8,535

The majority of our serviced mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. During April 2013, we completed the sale of our portfolio of agency mortgage servicing rights to Ocwen Financial Corporation and Quicken Loans Inc. The sale was completed in two stages - loans guaranteed by Fannie Mae were sold on April 1, 2013, and loans guaranteed by Freddie Mac were sold on April 16, 2013. Refer to Note 27 to the Condensed Consolidated Financial Statements for further information.

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

(\$ in millions)	March 31, 2013	December 31, 2012
U.S. primary servicing portfolio		
Prime conforming	\$ 114,751	\$ 117,544
Prime nonconforming	11,042	11,628
Prime second-lien	1,082	1,136
Government	10	16
Total primary servicing portfolio	\$ 126,885	\$ 130,324

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

Loans Outstanding

Consumer mortgage loans held-for-sale and consumer mortgage loans held-for-investment as of March 31, 2013, represent loans held by Ally Bank.

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

(\$ in millions)	March 31, 2013	December 31, 2012
Prime conforming	\$ 730	\$ 2,407
Government	1	8
Total	731	2,415
Net (discounts) premiums	(34)	26
Fair value option election adjustment	4	49
Total, net	\$ 701	\$ 2,490

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Prime conforming	\$ 248	\$ 245
Prime nonconforming	8,225	8,322
Prime second-lien	1,083	1,137
Government	1	—
Total	9,557	9,704
Net premiums	44	43
Allowance for loan losses	(430)	(432)
Other	5	8
Total, net	\$ 9,176	\$ 9,323

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Corporate and Other

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

(\$ in millions)	Three months ended March 31,		
	2013	2012	Favorable/ (unfavorable) % change
Net financing loss			
Total financing revenue and other interest income	\$ 53	\$ 44	20
Interest expense			
Original issue discount amortization	60	111	46
Other interest expense	172	261	34
Total interest expense	232	372	38
Net financing loss (a)	(179)	(328)	45
Other revenue			
Other gain on investments, net	3	24	(88)
Other income, net of losses	12	29	(59)
Total other revenue	15	53	(72)
Total net loss	(164)	(275)	40
Provision for loan losses	(1)	(7)	(86)
Noninterest expense			
Compensation and benefits expense	132	159	17
Other operating expense (b)	(32)	(26)	23
Total noninterest expense	100	133	25
Loss from continuing operations before income tax (benefit) expense	\$ (263)	\$ (401)	34
Total assets	\$ 27,702	\$ 28,796	(4)

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

(b) Includes a reduction of \$193 million for the three months ended March 31, 2013, and \$207 million for the three months ended March 31, 2012, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Original issue discount amortization		
2008 bond exchange amortization	\$ (56)	\$ (103)
Other debt issuance discount amortization	(4)	(8)
Total original issue discount amortization (a)	(60)	(111)
Net impact of the funds transfer pricing methodology		
Unallocated liquidity costs (b)	(84)	(154)
Funds-transfer pricing / cost of funds mismatch (c)	61	5
Unassigned equity costs (d)	(109)	(86)
Total net impact of the funds transfer pricing methodology	(132)	(235)
Other (including Commercial Finance Group net financing revenue)	13	18
Total net financing losses for Corporate and Other	\$ (179)	\$ (328)
Outstanding original issue discount balance	\$ 1,780	\$ 2,093

- (a) Amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.
- (b) Represents the unallocated cost of funding our cash and investment portfolio.
- (c) Represents our methodology to assign funding costs to classes of assets and liabilities based on expected duration and the London interbank offer rate (LIBOR) swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to the reportable segments so the respective reportable segments results are insulated from interest rate risk. The balance above is the resulting benefit (loss) due to holding interest rate risk at Corporate and Other.
- (d) Primarily represents the unassigned cost of maintaining required capital positions for certain of our regulated entities, primarily Ally Bank and Ally Insurance.

The following table presents the scheduled remaining amortization of original issue discount at March 31, 2013.

Year ended December 31, (\$ in millions)	2013 (a)	2014	2015	2016	2017	2018 and thereafter	Total
Original issue discount							
Outstanding balance	\$ 1,579	\$ 1,391	\$ 1,335	\$ 1,272	\$ 1,197	\$—	
Total amortization (b)	201	188	56	63	75	1,197	\$ 1,780
2008 bond exchange amortization (c)	186	166	43	53	66	1,059	1,573

- (a) The maximum annual scheduled amortization for any individual year is \$158 million in 2030 of which \$152 million is related to 2008 bond exchange amortization.
- (b) The amortization is included as interest on long-term debt on the Condensed Consolidated Statement of Comprehensive Income.
- (c) 2008 bond exchange amortization is included in total amortization.

Loss from continuing operations before income tax expense for Corporate and Other was \$263 million for the three months ended March 31, 2013, compared to \$401 million for the three months ended March 31, 2012. Corporate and Other's loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios.

The improvement in the loss from continuing operations before income tax expense for the three months ended March 31, 2013 was primarily due to decreases in OID amortization expense related to bond maturities and normal monthly amortization, and lower funding costs as a result of the early repayment of certain Federal Home Loan Bank debt during the fourth quarter of 2012, and lower compensation and benefits expense primarily related to a decrease in headcount. The improvement was partially offset by a decrease in other income primarily driven by derivative losses and the sale of servicer advance assets during the first quarter of 2013.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$18 million for the three months ended March 31, 2013, compared to \$25 million for the three months ended March 31, 2012. The decrease was primarily related to less favorable provision expense due to higher recoveries on nonperforming exposures in 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Cash and Securities

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

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Cash		
Noninterest-bearing cash	\$ 880	\$ 944
Interest-bearing cash	5,720	5,942
Total cash	6,600	6,886
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	923	1,124
Mortgage-backed	7,930	6,191
Asset-backed	2,212	2,332
Total debt securities	11,065	9,647
Equity securities	4	4
Total available-for-sale securities	11,069	9,651
Total cash and securities	\$ 17,669	\$ 16,537

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses. Our risk management program is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage the risk to be within our risk appetite. Ally's primary risks include credit, lease residual, market, operational, insurance/underwriting, country, and liquidity. For more information on our risk management process, refer to the Risk Management MD&A section of our 2012 Annual Report on Form 10-K.

Loan and Lease Exposure

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

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Finance receivables and loans		
Dealer Financial Services	\$ 86,894	\$ 86,542
Mortgage operations	9,672	9,821
Corporate and Other	2,557	2,692
Total finance receivables and loans	99,123	99,055
Held-for-sale loans		
Dealer Financial Services	—	—
Mortgage operations	701	2,490
Corporate and Other	17	86
Total held-for-sale loans	718	2,576
Total on-balance sheet loans	\$ 99,841	\$ 101,631
Off-balance sheet securitized loans		
Dealer Financial Services	\$ 1,336	\$ 1,495
Mortgage operations	117,342	119,384
Corporate and Other	—	—
Total off-balance sheet securitized loans	\$ 118,678	\$ 120,879
Operating lease assets		
Dealer Financial Services	\$ 14,828	\$ 13,550
Mortgage operations	—	—
Corporate and Other	—	—
Total operating lease assets	\$ 14,828	\$ 13,550
Serviced loans and leases		
Dealer Financial Services	\$ 132,817	\$ 134,122
Mortgage operations	126,885	130,324
Corporate and Other	1,383	1,344
Total serviced loans and leases	\$ 261,085	\$ 265,790

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

Credit Risk Management

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

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

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. To mitigate risk concentrations, we may take part in loan sales and syndications.

Additionally, we utilize numerous strategies in an effort to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we offer several types of assistance to aid our customers. Loss mitigation includes changing the maturity date, extending payments, and rewriting the loan terms. These actions are provided with the intent to provide the borrower with additional options in lieu of repossessing their vehicle. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

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

The U.S. economy accelerated in late 2012, and continued to expand during the three months ended March 31, 2013. The labor market recovered further during the quarter, with nonfarm payrolls increasing by more than 500,000 and the unemployment rate falling to a four year low of 7.6%. Within the U.S. automotive portfolio, encouraging trends include new light vehicle sales that averaged 15.3 million during the quarter, an 8% increase over the same period in 2012. Nonetheless, we continue to be cautious with the economic outlook due to uneven manufacturing activity, slow global economic growth and uncertainty regarding the effects of the sequester mandated cuts to U.S. federal government spending.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At March 31, 2013, this primarily included \$86.9 billion of automobile finance receivables and loans and \$10.4 billion of mortgage finance receivables and loans.

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Consumer						
Finance receivables and loans						
Loans at historical cost	\$ 64,686	\$ 63,536	\$ 668	\$ 642	\$ 1	\$ 1
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	64,686	63,536	668	642	1	1
Loans held-for-sale	701	2,490	26	25	—	—
Total consumer loans	65,387	66,026	694	667	1	1
Commercial						
Finance receivables and loans						
Loans at historical cost	34,437	35,519	270	216	—	—
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	34,437	35,519	270	216	—	—
Loans held-for-sale	17	86	—	—	—	—
Total commercial loans	34,454	35,605	270	216	—	—
Total on-balance sheet loans	\$ 99,841	\$ 101,631	\$ 964	\$ 883	\$ 1	\$ 1

(a) Includes nonaccrual troubled debt restructured loans (TDRs) of \$488 million and \$419 million at March 31, 2013, and December 31, 2012, respectively.

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

Total on-balance sheet loans outstanding at March 31, 2013, decreased \$1.8 billion to \$99.8 billion from December 31, 2012 reflecting a decrease of \$1.2 billion in the commercial portfolio and a decrease of \$639 million in the consumer portfolio. The decrease in commercial on-balance sheet loans outstanding was primarily driven by the seasonality of dealer inventories and increased competition across the automotive lending market. The decrease in consumer on-balance sheet loans was primarily driven by the reduction of mortgage originations, partially offset by automobile originations, which outpaced portfolio runoff.

The total TDRs outstanding at March 31, 2013, increased \$97 million to \$1.3 billion from December 31, 2012, primarily due to our loss mitigation procedures and continued foreclosure prevention along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at March 31, 2013, increased \$81 million to \$964 million from December 31, 2012, reflecting an increase of \$54 million of commercial nonperforming loans and an increase of \$27 million of consumer nonperforming loans. The increase in total nonperforming loans from December 31, 2012, was due in part to the reclassification of a small number of commercial loans to nonperforming status within an overall stable commercial portfolio. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012 for additional information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Three months ended March 31,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2013	2012	2013	2012
Consumer				
Finance receivables and loans at historical cost	\$ 114	\$ 117	0.7%	0.6%
Commercial				
Finance receivables and loans at historical cost	—	(10)	—	(0.1)
Total finance receivables and loans at historical cost	\$ 114	\$ 107	0.5	0.4

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

Net charge-offs were \$114 million for the three months ended March 31, 2013, compared to \$107 million for the three months ended March 31, 2012. The increase was largely due to recoveries in the commercial portfolio in 2012 that did not repeat in 2013. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

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

Consumer Credit Portfolio

During the three months ended March 31, 2013, the credit performance of the consumer portfolio remained strong as our nonperforming and net charge-off rates were relatively stable. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

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

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
	Consumer automobile (c)	\$ 55,014	\$ 53,715	\$ 266	\$ 260	\$ —
Consumer mortgage						
1st Mortgage	7,095	7,173	372	342	1	1
Home equity	2,577	2,648	30	40	—	—
Total consumer finance receivables and loans	\$ 64,686	\$ 63,536	\$ 668	\$ 642	\$ 1	\$ 1

(a) Includes nonaccrual troubled debt restructured loans of \$403 million and \$373 million at March 31, 2013, and December 31, 2012, respectively.

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

(c) Includes \$1 million and \$2 million of foreign consumer automobile loans at March 31, 2013, and December 31, 2012, respectively.

Total consumer outstanding finance receivables and loans increased \$1.2 billion at March 31, 2013 compared with December 31, 2012. This increase was related to growth in our U.S. automobile consumer loan originations largely due to higher industry sales, which outpaced portfolio runoff. Additionally, we continued to prudently expand our nonprime and used originations as a percent of our total originations.

Total consumer nonperforming finance receivables and loans at March 31, 2013 increased \$26 million to \$668 million from December 31, 2012, reflecting an increase of \$20 million of consumer mortgage nonperforming finance receivables and loans and an increase of \$6 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans increased primarily due to increased TDRs as we continue foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans remained flat at 1.0% at March 31, 2013 and December 31, 2012.

Consumer automotive loans accruing and past due 30 days or more decreased \$215 million to \$930 million at March 31, 2013, compared with December 31, 2012. The decrease is primarily related to seasonality.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Three months ended March 31,			
	Net charge-offs		Net charge-off ratios (a)	
	2013	2012	2013	2012
Consumer automobile (b)	\$ 93	\$ 74	0.7%	0.4%
Consumer mortgage				
1st Mortgage	10	23	0.6	1.4
Home equity	11	20	1.6	2.6
Total consumer finance receivables and loans	\$ 114	\$ 117	0.7	0.6

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

(b) Includes no foreign consumer automobile net charge-offs for the three months ended March 31, 2013 and \$20 million for the three months ended March 31, 2012.

Our net charge-offs from total consumer automobile finance receivables and loans were \$93 million for the three months ended March 31, 2013, compared to \$74 million for the three months ended March 31, 2012. The \$19 million increase was driven primarily by higher U.S. outstandings, change in our U.S. portfolio mix as we prudently expand our nonprime and used originations, and seasoning of the U.S. portfolio. This increase was partially offset by the inclusion of foreign net charge-offs in the three months ended March 31, 2012 prior to the reclassification of the foreign automotive business.

Our net charge-offs from total consumer mortgage receivables and loans were \$21 million for the three months ended March 31, 2013, compared to \$43 million for the same period in 2012. The decrease was driven by the improved mix of remaining loans as lower quality legacy loans continued to runoff.

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

(\$ in millions)	Three months ended March 31,	
	2013	2012
Consumer automobile (a)	\$ 7,022	\$ 10,652
Consumer mortgage		
1st Mortgage	6,116	8,596
Home equity	—	—
Total consumer loan originations	\$ 13,138	\$ 19,248

(a) Includes no foreign consumer automobile originations at March 31, 2013 and \$2.5 billion at March 31, 2012.

Total automobile-originated loans decreased \$3.6 billion for the three months ended March 31, 2013, compared to the same period in 2012. The decrease was primarily due to the reclassification of our foreign automotive business to discontinued operations at the end of 2012 as well as lower new vehicle originations primarily as a result of more competition within the automotive finance market. Total mortgage-originated loans decreased \$2.5 billion for the three months ended March 31, 2013. The decline in loan production was largely driven by our reduced presence in the correspondent lending and direct lending channels.

Consumer loan originations retained on-balance sheet as held-for-investment were \$7.5 billion at March 31, 2013, compared to \$11.1 billion at March 31, 2012. The decrease was primarily due to the reclassification of our foreign automotive business to discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were \$55.0 billion and \$53.7 billion at March 31, 2013, and December 31, 2012, respectively. Total mortgage and home equity loans were \$9.7 billion and \$9.8 billion at March 31, 2013, and December 31, 2012, respectively.

	March 31, 2013 (a)		December 31, 2012	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	12.9%	5.8%	12.9%	5.8%
California	5.6	30.0	5.6	29.2
Florida	6.8	3.5	6.7	3.6
Pennsylvania	5.2	1.6	5.2	1.6
Michigan	4.8	3.9	5.0	4.1
Illinois	4.4	4.6	4.3	4.8
New York	4.5	2.0	4.6	2.0
Ohio	4.0	0.8	4.0	0.8
Georgia	3.8	2.0	3.7	1.9
North Carolina	3.3	2.0	3.3	2.0
Other United States	44.7	43.8	44.7	44.2
Total consumer loans (b)	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at March 31, 2013.

(b) Includes \$1 million and \$2 million of foreign consumer finance receivables and loans as of March 31, 2013, and December 31, 2012, respectively. These remaining foreign balances are within Finland and the Czech Republic.

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

Concentrations in our Mortgage operations are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been amongst the most severe.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in Other Assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Repossessed assets in our Automotive Finance operations at March 31, 2013 remained flat at \$62 million from December 31, 2012. Foreclosed mortgage assets at March 31, 2013, increased \$1 million to \$7 million from December 31, 2012.

Higher-Risk Mortgage Loans

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

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Outstanding		Nonperforming		Accruing past due 90 days or more	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Interest-only mortgage loans (a)	\$ 1,853	\$ 2,063	\$ 111	\$ 125	\$ —	\$ —
Below-market rate (teaser) mortgages	185	192	4	3	—	—
Total higher-risk mortgage loans	\$ 2,038	\$ 2,255	\$ 115	\$ 128	\$ —	\$ —

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

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

The allowance for loan losses was \$98 million, or 4.8%, of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at March 31, 2013.

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

(\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
March 31, 2013			
California	\$ 451	\$ 58	\$ 509
Virginia	204	8	212
Maryland	154	5	159
Illinois	94	6	100
Florida	79	9	88
Other United States	871	99	970
Total higher-risk mortgage loans	\$ 1,853	\$ 185	\$ 2,038
December 31, 2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Florida	90	9	99
Other United States	984	103	1,087
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255

Commercial Credit Portfolio

During the three months ended March 31, 2013, the credit performance of the commercial portfolio remained strong as nonperforming finance receivables and loans and net charge-offs remained relatively stable. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Commercial and industrial						
Automobile	\$ 29,255	\$ 30,270	\$ 168	\$ 146	\$ —	\$ —
Mortgage	—	—	—	—	—	—
Other (c)(d)	2,562	2,697	63	33	—	—
Commercial real estate						
Automobile	2,620	2,552	39	37	—	—
Mortgage	—	—	—	—	—	—
Total commercial finance receivables and loans	\$ 34,437	\$ 35,519	\$ 270	\$ 216	\$ —	\$ —

(a) Includes nonaccrual troubled debt restructured loans of \$85 million and \$29 million at March 31, 2013, and December 31, 2012, respectively.

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

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

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

Total commercial finance receivables and loans outstanding decreased \$1.1 billion to \$34.4 billion at March 31, 2013, from December 31, 2012. The commercial and industrial outstandings decreased \$1.1 billion primarily due to seasonality of dealer inventories and increased competition across the automotive lending market.

Total commercial nonperforming finance receivables and loans were \$270 million at March 31, 2013, an increase of \$54 million compared to December 31, 2012. The increase was primarily due to the reclassification of a small number of commercial loans to nonperforming status within the overall stable commercial portfolio. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans increased to 0.8% as of March 31, 2013 from 0.6% as of December 31, 2012.

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

(\$ in millions)	Three months ended March 31,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2013	2012	2013	2012
Commercial and industrial				
Automobile	\$ —	\$ —	—%	—%
Mortgage	—	—	—	—
Other (b)	(1)	(9)	(0.2)	(2.7)
Commercial real estate				
Automobile	1	—	0.1	—
Mortgage (c)	—	(1)	—	(23.4)
Total commercial finance receivables and loans	\$ —	\$ (10)	—	(0.1)

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

(b) Includes no foreign net charge-offs for the three months ended March 31, 2013, and \$4 million of foreign recoveries for the three months ended March 31, 2012.

(c) Includes no foreign net charge-offs for the three months ended March 31, 2013, and \$1 million of foreign recoveries for the three months ended March 31, 2012.

Our net charge-offs from commercial finance receivables and loans resulted in no net charge-offs for the three months ended March 31, 2013, compared to recoveries of \$10 million for the same period in 2012. The change in net charge-offs was largely driven by strong recoveries in certain wind-down portfolios in three months ended March 31, 2012 that did not repeat for the same period in 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans remained flat at \$2.6 billion at March 31, 2013 and December 31, 2012.

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

	March 31, 2013	December 31, 2012
Geographic region		
Florida	13.6%	11.7%
Michigan	12.5	12.6
Texas	12.5	13.0
California	9.2	9.3
New York	4.7	4.9
North Carolina	3.9	3.9
Virginia	3.8	3.9
Pennsylvania	3.4	3.3
Georgia	3.1	3.0
Louisiana	2.2	2.2
Other United States	31.1	32.2
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	100.0%
Total commercial real estate finance receivables and loans	100.0%	100.0%

Commercial Criticized Exposure

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

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

	March 31, 2013	December 31, 2012
Industry		
Automotive	90.2%	85.7%
Electronics	3.7	1.2
Services	3.6	4.9
Other	2.5	8.2
Total commercial criticized finance receivables and loans	100.0%	100.0%

Total criticized exposures increased \$50 million to \$1.7 billion at March 31, 2013 from December 31, 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Allowance for Loan Losses

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

Three months ended March 31, 2013 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2013	\$ 575	\$ 452	\$ 1,027	\$ 143	\$ 1,170
Charge-offs	(142)	(24)	(166)	(1)	(167)
Recoveries	49	3	52	1	53
Net charge-offs	(93)	(21)	(114)	—	(114)
Provision for loan losses	107	20	127	4	131
Other	10	—	10	—	10
Allowance at March 31, 2013	\$ 599	\$ 451	\$ 1,050	\$ 147	\$ 1,197
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2013 (a)	1.1%	4.7%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at March 31, 2013 (a)	0.7%	0.9%	0.7%	—%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2013 (a)	225.1%	112.2%	157.1%	54.5%	127.6%
Ratio of allowance for loan losses to net charge-offs at March 31, 2013	1.6	5.4	2.3	—	2.6

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

The allowance for consumer loan losses at March 31, 2013, declined \$283 million compared to March 31, 2012. The decline was primarily due to the reclassification of our foreign automotive business to discontinued operations at the end of 2012 and run-off of legacy mortgage assets.

The allowance for commercial loan losses declined \$66 million at March 31, 2013, compared to March 31, 2012, primarily related to continued wind-down of non-core commercial assets which were partially offset by higher core commercial assets.

Three months ended March 31, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Charge-offs (a)	(136)	(45)	(181)	(2)	(183)
Recoveries (b)	62	2	64	12	76
Net charge-offs	(74)	(43)	(117)	10	(107)
Provision for loan losses	83	27	110	(12)	98
Other (c)	57	1	58	(6)	52
Allowance at March 31, 2012	\$ 832	\$ 501	\$ 1,333	\$ 213	\$ 1,546
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2012 (d)	1.2%	5.0%	1.7%	0.5 %	1.3%
Net charge-offs to average finance receivables and loans outstanding at March 31, 2012 (d)	0.5%	1.7%	0.6%	(0.1)%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2012 (d)	339.2%	168.2%	245.4%	70.5 %	182.9%
Ratio of allowance for loan losses to net charge-offs at March 31, 2012	2.8	2.9	2.9	(5.4)	3.6

(a) Includes foreign consumer automobile charge-offs of \$36 million.

(b) Includes foreign consumer automobile and foreign commercial recoveries of \$16 million and \$5 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of \$42 million.

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

March 31, (\$ in millions)	2013			2012		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Consumer automobile (a)	\$ 599	1.1%	50.0%	\$ 832	1.2%	53.8%
Consumer mortgage						
1st Mortgage (b)	254	3.6	21.2	265	3.8	17.1
Home equity	197	7.6	16.5	236	7.8	15.3
Total consumer loans	1,050	1.6	87.7	1,333	1.7	86.2
Commercial						
Commercial and industrial						
Automobile (c)	61	0.2	5.1	108	0.3	7.0
Mortgage (d)	—	—	—	12	0.9	0.8
Other (e)	48	1.9	4.0	50	4.0	3.2
Commercial real estate						
Automobile (f)	38	1.5	3.2	38	1.5	2.5
Mortgage (g)	—	—	—	5	34.3	0.3
Total commercial loans	147	0.4	12.3	213	0.5	13.8
Total allowance for loan losses	\$ 1,197	1.2	100.0%	\$ 1,546	1.3	100.0%

(a) Includes no foreign consumer automobile allowance for loan losses and \$204 million at March 31, 2013 and March 31, 2012, respectively.

(b) Includes no foreign consumer mortgage allowance for loan losses and \$3 million at March 31, 2013 and March 31, 2012, respectively.

(c) Includes no foreign commercial and industrial automobile allowance for loan losses and \$46 million at March 31, 2013 and March 31, 2012, respectively.

(d) Includes no foreign commercial and industrial mortgage allowance for loan losses and \$11 million at March 31, 2013 and March 31, 2012, respectively.

(e) Includes no foreign commercial and industrial other allowance for loan losses and \$1 million at March 31, 2013 and March 31, 2012, respectively.

(f) Includes no foreign commercial real estate automobile allowance for loan losses and \$3 million at March 31, 2013 and March 31, 2012, respectively.

(g) Includes no foreign commercial real estate mortgage allowance for loan losses and \$5 million at March 31, 2013 and March 31, 2012, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

(\$ in millions)	Three months ended March 31,	
	2013	2012
Consumer		
Consumer automobile	\$ 107	\$ 83
Consumer mortgage		
1st Mortgage	19	10
Home equity	1	17
Total consumer loans	127	110
Commercial		
Commercial and industrial		
Automobile	5	—
Mortgage	—	—
Other	(1)	(7)
Commercial real estate		
Automobile	—	(5)
Mortgage	—	—
Total commercial loans	4	(12)
Total provision for loan losses	\$ 131	\$ 98

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 20 to the Condensed Consolidated Financial Statements for further information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Refer to our Annual Report on Form 10-K for the year ended December 31, 2012, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for further discussion on value at risk and sensitivity analysis. Since December 31, 2012, there have been no material changes in these market risks.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet uncertain cash flow obligations caused by unanticipated events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to their solvency.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO and the Risk and Compliance Committee of the Ally Financial Board of Directors. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each business segment, along with Ally Bank, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline economic projections as well as more severe economic stressed environments. Corporate Treasury, in turn, plans, and executes our funding strategies.

Ally uses multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established several internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At March 31, 2013, we maintained \$19.5 billion of total available parent company liquidity and \$10.4 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the subsidiaries of Ally Insurance's holding company. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. At March 31, 2013, \$2.2 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on our timely and cost-effective access to retail deposits and funding in different segments of the capital markets. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, unsecured retail term notes, public and private asset-backed securitizations, committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company or nonbank funding.

We diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying our funding sources, in particular at Ally Bank by growing retail deposits, expanding public and private securitization programs, maintaining the maturity profile of our brokered deposit portfolio while not exceeding a \$10.0 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and to utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our Automotive Finance and Mortgage operations with a stable and low-cost funding source. At March 31, 2013, Ally Bank had \$49.5 billion of total external deposits, including \$38.8 billion of retail deposits.

At March 31, 2013, Ally Bank maintained cash liquidity of \$3.1 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$6.2 billion. In addition, at March 31, 2013, Ally Bank had unused capacity in committed secured funding facilities of \$3.3 billion, including an equal allocation of shared unused capacity of \$3.0 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize use of cash and secured facility capacity between entities, Ally Financial lends cash to Ally Bank from time to time under an intercompany agreement. Amounts outstanding on this loan are repayable to Ally Financial at any time. Ally Bank has total available liquidity of \$10.4 billion at March 31, 2013, which excludes the intercompany loan of \$2.2 billion

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first three months of 2013 the deposit base at Ally Bank grew \$2.6 billion, ending the quarter at \$49.5 billion from \$46.9 billion at December 31, 2012. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market checking accounts, and our CDs. Strong retention rates continue to materially contribute to our growth in retail deposits. In the first quarter of 2013 we retained 93% of maturing CD balances up for renewal in the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve's Discount Window. At March 31, 2013, debt outstanding from the FHLB totaled \$4.5 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term. At March 31, 2013, Ally Bank had \$0.5 billion outstanding under repurchase agreements. Refer to Note 12 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2012.

(\$ in millions)	1st Quarter 2013	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012
Number of retail accounts	1,334,483	1,219,791	1,142,837	1,082,753	1,036,468
Deposits					
Retail	\$ 38,770	\$ 35,041	\$ 32,139	\$ 30,403	\$ 29,323
Brokered	9,877	9,914	9,882	9,905	9,884
Other (a)	844	1,977	2,487	2,411	2,314
Total deposits	\$ 49,491	\$ 46,932	\$ 44,508	\$ 42,719	\$ 41,521

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During the first quarter of 2013, Ally Bank completed one term securitization transaction backed by dealer floorplan loans raising \$1.0 billion. Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset creating an effective tool for managing interest rate and liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At March 31, 2013, Ally Bank had exclusive access to \$3.5 billion from committed credit facilities including a \$2.5 billion syndicated facility that can fund automotive retail and dealer floorplan loans, as well as leases. In March 2013, this facility was renewed by a syndicate of nineteen lenders and extended until June 2014. Ally Bank also had access to a \$4.1 billion committed facility that is shared with the parent company.

Nonbank Funding

At March 31, 2013, the parent company maintained liquid cash in the amount of \$3.5 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$0.9 billion. In addition, at March 31, 2013, the parent company had available liquidity from unused capacity in committed credit facilities of \$11.3 billion, including an equal allocation of shared unused capacity of \$3.0 billion from a facility also available to Ally Bank. Parent company funding is defined as our consolidated operations less our Insurance operations and Ally Bank. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the funding also relies on the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

securitizations, and a modest amount of short-term borrowings. To optimize use of cash and secured facility capacity between entities, Ally Financial lends cash to Ally Bank from time to time under an intercompany agreement. Amounts outstanding on this loan are repayable to Ally Financial at any time. The parent company has total available liquidity of \$19.5 billion at March 31, 2013, which includes the intercompany loan of \$2.2 billion. The total available liquidity amount at March 31, 2013 also includes \$1.6 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next nine months.

We will access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a legacy retail term note program known as SmartNotes. This program generally consisted of fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that were issued through a network of participating broker-dealers. During 2012, we launched a new retail term note program known as Ally Term Notes. There were \$7.6 billion and \$7.9 billion of combined retail term notes outstanding at March 31, 2013, and December 31, 2012, respectively.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were \$3.2 billion at March 31, 2013, compared to \$3.1 billion at December 31, 2012. Refer to Note 13 and Note 14 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. In January 2013 Ally Financial completed a non-prime retail public securitization using the Capital Auto Receivables Asset Trust (CARAT) platform, our first since 2008, raising more than \$1.5 billion. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including a \$8.5 billion syndicated facility that can fund automotive retail and dealer floorplan loans, as well as leases. In March 2013, this facility was renewed by a syndicate of nineteen lenders and extended until March 2015. At March 31, 2013, the parent company had \$15.6 billion of exclusive commitments in the U.S. in various facilities secured by automotive and commercial finance assets. The parent company also had access to a \$4.1 billion committed facility that is shared with Ally Bank.

Recent Funding Developments

During the first three months of 2013, we completed U.S. funding transactions totaling almost \$2.6 billion and renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2013 to date were as follows:

- In March 2013, \$11.0 billion in credit facilities were renewed at both the parent company and Ally Bank with a syndicate of nineteen lenders. The \$11.0 billion capacity is secured by retail, lease and dealer floorplan automotive assets and is allocated to two separate facilities, one is a \$8.5 billion facility maturing in March 2015, which is available to the parent company while the other is a \$2.5 billion facility available to Ally Bank maturing in June 2014.
- In January 2013, Ally Financial issued a non-prime retail public securitization, the first since 2008 using its existing CARAT platform. This transaction raised more than \$1.5 billion.
- In February 2013, Ally Bank issued a public dealer floorplan securitization. This transaction raised \$1.0 billion.
- In April 2013, Ally Bank issued a public retail securitization. This transaction raised over \$900 million.
- In April 2013, Ally Bank issued a public dealer floorplan securitization. This transaction raised approximately \$550 million.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2013 from 2012 levels. In addition, deposits represent a larger portion of the overall funding mix.

<i>(\$ in millions)</i>	Bank	Nonbank	Total	%
March 31, 2013				
Secured financings	\$ 25,864	\$ 12,926	\$ 38,790	31
Institutional term debt	—	22,212	22,212	18
Retail debt programs (a)	—	13,274	13,274	11
Bank loans and other	2	5	7	—
Total debt (b)	25,866	48,417	74,283	60
Deposits (c)	49,491	835	50,326	40
Total on-balance sheet funding	\$ 75,357	\$ 49,252	\$ 124,609	100
December 31, 2012				
Secured financings	\$ 29,161	\$ 15,950	\$ 45,111	35
Institutional term debt	—	22,200	22,200	17
Retail debt programs (a)	—	13,451	13,451	10
Bank loans and other	2	164	166	—
Total debt (b)	29,163	51,765	80,928	62
Deposits (c)	46,932	983	47,915	38
Total on-balance sheet funding	\$ 76,095	\$ 52,748	\$ 128,843	100

(a) Primarily includes \$7.6 billion and \$7.9 billion of Retail Term Notes at March 31, 2013 and December 31, 2012, respectively.

(b) Excludes fair value adjustment as described in Note 22 to the Condensed Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Nonbank deposits include dealer deposits. Intercompany deposits are not included.

Refer to Note 14 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at March 31, 2013.

Funding Facilities

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

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 March 31, 2013, \$26.1 billion of our \$33.4 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2013, we had \$16.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Committed Funding Facilities

(\$ in billions)	Outstanding		Unused Capacity (a)		Total Capacity	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Bank funding						
Secured	\$ 1.7	\$ 3.8	\$ 1.8	\$ 4.7	\$ 3.5	\$ 8.5
Nonbank funding						
Unsecured (b)	0.1	0.1	—	—	0.1	0.1
Secured (c) (d) (e)	13.9	22.5	11.8	7.8	25.7	30.3
Total nonbank funding	14.0	22.6	11.8	7.8	25.8	30.4
Shared capacity (f) (g)	1.1	1.1	3.0	3.0	4.1	4.1
Total committed facilities	\$ 16.8	\$ 27.5	\$ 16.6	\$ 15.5	\$ 33.4	\$ 43.0

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Total unsecured nonbank funding capacity represents committed funding for our discontinued international automobile financing business.
- (c) Total secured nonbank funding capacity includes committed funding for our discontinued international automobile financing business of \$6.9 billion and \$12.0 billion as of March 31, 2013 and December 31, 2012, respectively, with outstanding debt of \$5.1 billion and \$9.6 billion, respectively.
- (d) Total unused capacity includes \$2.1 billion and \$2.2 billion as of March 31, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.
- (e) Includes the secured facilities of our Commercial Finance Group.
- (f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.
- (g) Total shared bank facilities includes committed funding for our discontinued international automobile financing business of \$0.1 billion and \$0.1 billion as of March 31, 2013 and December 31, 2012, respectively with outstanding debt of \$0.1 billion and \$0.1 billion, respectively.

Uncommitted Funding Facilities

(\$ in billions)	Outstanding		Unused Capacity (a)		Total Capacity	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Bank funding						
Secured						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8
FHLB advances	4.5	4.8	0.8	0.4	5.3	5.2
Repurchase agreements	0.5	—	—	—	0.5	—
Total bank funding	5.0	4.8	2.6	2.2	7.6	7.0
Nonbank funding						
Unsecured	2.2	2.1	0.4	0.4	2.6	2.5
Secured	—	0.1	0.1	0.1	0.1	0.2
Total nonbank funding (a)	2.2	2.2	0.5	0.5	2.7	2.7
Total uncommitted facilities	\$ 7.2	\$ 7.0	\$ 3.1	\$ 2.7	\$ 10.3	\$ 9.7

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

Ally Bank Funding Facilities

Facilities for Automotive Finance Operations — Secured

At March 31, 2013, Ally Bank had exclusive access to \$3.5 billion from committed credit facilities. Ally Bank's largest facility is a \$2.5 billion revolving syndicated credit facility secured by automotive receivables. In March 2013, we reduced and renewed this facility until June 2014. At March 31, 2013, the amount outstanding under this facility was \$1.7 billion. Ally Bank also had access to a \$4.1 billion committed facility that is shared with the parent company. In the event these facilities are not renewed in the future, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Nonbank Funding Facilities

Facilities for Automotive Finance Operations — Secured

The parent company's largest facility is a \$8.5 billion revolving syndicated credit facility secured by automotive receivables. In March 2013, we increased and renewed this facility until March 2015. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At March 31, 2013, there was \$3.8 billion outstanding under this facility.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At March 31, 2013, the parent company maintained exclusive access to \$18.8 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a \$4.1 billion committed facility that is shared with Ally Bank.

Cash Flows

Net cash provided by operating activities was \$2.3 billion for the three months ended March 31, 2013, compared to \$2.1 billion for the same period in 2012. During the three months ended March 31, 2013, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by \$1.7 billion. During the three months ended March 31, 2012, this activity resulted in a net cash inflow of \$1.5 billion.

Net cash provided by investing activities was \$0.7 billion for the three months ended March 31, 2013, compared to a net cash outflow from investing activities of \$4.1 billion for the same period in 2012. The increase in net cash provided from investing activities was primarily attributable to \$2.8 billion of net cash proceeds resulting from the sale of international businesses in the first quarter of 2013 and a \$4.4 billion decrease in net cash outflow from finance receivables and loans for the three months ended March 31, 2013, compared to 2012. Cash used to purchase available-for-sale securities, net of proceeds from sales, maturities, and repayments, increased \$2.5 billion during the three months ended March 31, 2013, compared to 2012. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by \$1.7 billion for the three months ended March 31, 2013, compared to a net cash outflow of \$1.0 billion for the three months ended March 31, 2012. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to an increase in cash used to acquire leased assets.

Net cash used in financing activities for the three months ended March 31, 2013, totaled \$4.5 billion, compared to net cash provided by financing of \$2.1 billion in the same period in 2012. Cash used to repay long-term debt exceeded cash generated from long-term debt issuances by \$7.2 billion for the three months ended March 31, 2013. In three months ended March 31, 2012, cash from issuances of long-term debt exceed repayments by \$0.7 billion. Cash provided by short-term debt increased \$1.1 billion in the three months ended March 31, 2013, compared to 2012, while cash provided by deposits increased by \$0.2 billion.

Capital Planning and Stress Tests

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital action plan before Ally may take any proposed capital action covered by the new regime.

Ally submitted the required 2013 capital plan in January 2013. In March 2013, the FRB objected to our capital plan both on quantitative and qualitative grounds. In their published results, the FRB estimated our stressed tier 1 common ratio with adjusted planned capital actions to be 1.52 for the nine-quarter planning period. Also, the FRB estimated our stressed tier 1 capital ratio to be 11.02 and our tier 1 leverage ratio to be 9.42. The FRB noted that the post-stress capital ratios assumed that Ally remains subject to contingent liabilities associated with ResCap. In connection with its reviews, the FRB continues to provide their approval for dividend and interest payments on preferred equity and debt instruments included in regulatory capital, including preferred stock, trust preferred securities, and subordinated debt that were outstanding as of December 31, 2012. We continue to have active, frequent and constructive dialogue with the FRB related to our capital plan.

Regulatory Capital

Refer to Note 19 to the Condensed Consolidated Financial Statements.

Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Rating Watch Negative	April 18, 2012 (a)
Moody's	Not-Prime	B1	Positive	February 25, 2013 (b)
S&P	C	B+	Positive	May 17, 2012 (c)
DBRS	R-4	BB-Low	Review - Developing	May 15, 2012 (d)

- (a) Fitch placed our senior debt on Rating Watch Negative and affirmed the short-term rating of B on April 18, 2012.
 (b) Moody's confirmed our senior debt rating of B1 and changed the outlook to Positive on February 25, 2013.
 (c) Standard & Poor's affirmed our senior debt rating of B+ and the short-term rating of C, and changed the outlook to Positive on May 17, 2012.
 (d) DBRS placed our ratings Under Review - Developing on May 15, 2012.

Off-balance Sheet Arrangements

Refer to Note 9 to the Condensed Consolidated Financial Statements.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

ResCap Bankruptcy Filing

As described in Note 1 and Note 26 to the Condensed Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC and certain of its wholly owned direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the deconsolidation of ResCap, a significant portion of our representation and warranty reserve was eliminated. Our representation and warranty reserve was \$170 million at March 31, 2013 with respect to Ally Bank's sold and serviced loans. Further, on April 16, 2013, we completed the sale of a portfolio of agency MSR's to Ocwen Financial Corporation and the sale included the transfer of the representation and warranty liabilities associated with the majority of the loans sold. Refer to Note 27 to the Condensed Consolidated Financial Statements for further information related to the MSR's sale.

Overview

Ally Bank, within our Mortgage operations, sells loans that take the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, is provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Ally Bank at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Ally Bank to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. See *Repurchase Process* below.

Originations

Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

The following table summarizes domestic mortgage loans sold by ResCap where Ally Bank maintained the mortgage servicing rights; and following the deconsolidation of ResCap, the loans that were sold by Ally Bank. The following table presents domestic mortgage loans sold categorized by GSE (original unpaid principal balance).

(\$ in billions)	Three months ended March 31,		Year ended December 31,				
	2013	2012	2011	2010	2009	2008	2007
Fannie Mae	\$ 5.4	\$ 21.5	\$ 33.8	\$ 35.2	\$ 21.1	\$ 17.7	\$ 6.7
Freddie Mac	1.8	6.9	15.8	15.7	8.5	8.6	2.3
Total sales (a)	\$ 7.2	\$ 28.4	\$ 49.6	\$ 50.9	\$ 29.6	\$ 26.3	\$ 9.0

- (a) Representation and warranty obligations vary by loan and may not apply to all loans sold by Ally Bank.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Representation and Warranty Obligation Reserve Methodology

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

On April 16, 2013, we completed the sales of agency MSR's to Ocwen Financial Corporation and Quicken Loans, Inc. The sale to Ocwen Financial Corporation included the transfer of the representation and warranty liabilities associated with the majority of the MSR's sold at a specified price. The repurchase reserve at March 31, 2013 also reflects losses associated with this contractual obligation. Pursuant to that obligation, we recognized additional provision expense in the period to reflect the terms of the sale of the MSR's asset. Refer to Note 27 to the Condensed Consolidated Financial Statements for further information related to the MSR's sale. Ally Bank experienced a decrease in new claims for the three months ended March 31, 2013 compared to the same period in 2012. The decrease in repurchase claims was driven by significantly fewer new claims during the first quarter of 2013. The following table presents Ally Bank's new claims by GSEs (original unpaid principal balance).

Three months ended March 31, (\$ in millions)	2013	2012
Fannie Mae	\$ 54	\$ 45
Freddie Mac	16	42
Total claims	\$ 70	\$ 87

The following table presents the total number and original unpaid principal balance (UPB) of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but have not been agreed to by the investor. Total unresolved representation and warranty demands where Ally Bank has requested the investor to rescind decreased to \$4 million or 9% of outstanding claims at March 31, 2013, compared to \$23 million or 40% of outstanding claims at December 31, 2012.

(\$ in millions)	March 31, 2013		December 31, 2012	
	Number of Loans	Original UPB of Loans	Number of Loans	Original UPB of Loans
Fannie Mae	148	\$ 37	187	\$ 41
Freddie Mac	47	10	72	17
Total number of loans and unpaid principal balance	195	\$ 47	259	\$ 58

Repurchase Process

After receiving a claim under representation and warranty obligations, Ally Bank will review the claim to determine the appropriate response (e.g., appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. Ally Bank actively contests claims to the extent they are not considered valid. Ally Bank is not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. Ally Bank believes that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, Ally Bank bears the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table presents Ally Bank's new claims by vintage (original unpaid principal balance).

(\$ in millions)	Three months ended March 31,	
	2013	2012
Pre 2008	\$ 12	\$ 15
2008	38	38
Post 2008	20	34
Total claims	\$ 70	\$ 87

Critical Accounting Estimates

We identified critical accounting estimates that, as a result of judgments, uncertainties, uniqueness, and complexities of the underlying accounting standards and operations involved could result in material changes to our financial condition, results of operations, or cash flows under different conditions or using different assumptions.

Our most critical accounting estimates are as follows.

- Fair value measurements
- Allowance for loan losses
- Valuation of automobile lease assets and residuals
- Valuation of mortgage servicing rights
- Goodwill
- Legal and regulatory reserves
- Loan repurchase and obligations related to loan sales
- Determination of provision for income taxes

As part of our quarterly assessment of critical accounting estimates, we concluded that in accordance with Accounting Standards Codification 740, *Income Taxes*, there was a change in the methodologies and processes used in developing the provision for income taxes from what was described in our 2012 Annual Report on Form 10-K. Refer to Note 1 to the Condensed Consolidated Financial Statements for further discussion regarding the methodology and process used in the determination of provision for income taxes. There have been no other significant changes in the methodologies and processes used in developing these estimates from what was described in our 2012 Annual Report on Form 10-K.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 22 to the Condensed Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 22 to the Condensed Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

<i>(\$ in millions)</i>	March 31, 2013	December 31, 2012
Assets at fair value	\$ 18,676	\$ 20,408
As a percentage of total assets	11%	11%
Liabilities at fair value	\$ 406	\$ 2,468
As a percentage of total liabilities	n/m	2%
Assets at fair value using Level 3 inputs	\$ 1,252	\$ 1,288
As a percentage of assets at fair value	7%	6%
Liabilities at fair value using Level 3 inputs	\$ —	\$ 3
As a percentage of liabilities at fair value	n/m	n/m

n/m = not meaningful

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Statistical Table

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Condensed Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Net Interest Margin Table

The following table presents an analysis of net interest margin excluding discontinued operations for the periods shown.

Three months ended March 31, (\$ in millions)	2013			2012			Increase (decrease) due to (a)		
	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/ rate	Total
Assets									
Interest-bearing cash and cash equivalents	\$ 6,565	\$ 3	0.19%	\$ 8,724	\$ 2	0.09%	\$ (1)	\$ 2	\$ 1
Trading assets	—	—	—	958	9	3.78	(9)	—	(9)
Investment securities (c)	13,921	63	1.84	12,633	69	2.20	8	(14)	(6)
Loans held-for-sale, net	2,027	16	3.20	3,463	31	3.60	(12)	(3)	(15)
Finance receivables and loans, net (d) (e)	98,595	1,135	4.67	90,445	1,093	4.86	95	(53)	42
Investment in operating leases, net (f)	14,205	299	8.54	9,345	202	8.69	102	(5)	97
Total interest-earning assets	135,313	1,516	4.54	125,568	1,406	4.50	183	(73)	110
Noninterest-bearing cash and cash equivalents	1,967			1,682					
Other assets (g)	38,257			58,516					
Allowance for loan losses	(1,172)			(1,274)					
Total assets	\$ 174,365			\$ 184,492					
Liabilities									
Interest-bearing deposit liabilities	\$ 47,985	\$ 164	1.39%	\$ 41,128	\$ 163	1.59%	\$ 25	\$ (24)	\$ 1
Short-term borrowings	4,585	16	1.42	3,436	17	1.99	5	(6)	(1)
Long-term debt (h) (i) (j)	71,957	701	3.95	72,719	880	4.87	(9)	(170)	(179)
Total interest-bearing liabilities (h) (i) (k)	124,527	881	2.87	117,283	1,060	3.64	21	(200)	(179)
Noninterest-bearing deposit liabilities	1,579			2,141					
Total funding sources (i) (l)	126,106	881	2.83	119,424	1,060	3.57			
Other liabilities (m)	28,087			45,588					
Total liabilities	154,193			165,012					
Total equity	20,172			19,480					
Total liabilities and equity	\$ 174,365			\$ 184,492					
Net financing revenue		\$ 635			\$ 346		\$ 162	\$ 127	\$ 289
Net interest spread (n)			1.67%			0.86%			
Net interest spread excluding original issue discount (n)			1.89%			1.29%			
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (n)			1.93%			1.35%			
Net yield on interest-earning assets (o)			1.90%			1.11%			
Net yield on interest-earning assets excluding original issue discount (o)			2.07%			1.45%			

- (a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
- (b) Average balances are calculated using a combination of monthly and daily average methodologies.
- (c) Excludes income on equity investments of \$5 million during the three months ended March 31, 2013 and 2012, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.
- (d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K.
- (e) Includes other interest income of \$2 million during the three months ended March 31, 2012.
- (f) Includes gains on sale of \$64 million and \$23 million during the three months ended March 31, 2013 and 2012, respectively. Excluding these gains on sale, the annualized yield would be 6.72% and 7.70% at March 31, 2013 and 2012, respectively.
- (g) Includes average balances of assets of discontinued operations.
- (h) Includes the effects of derivative financial instruments designated as hedges.
- (i) Average balance includes \$1,753 million and \$2,062 million related to original issue discount at March 31, 2013 and 2012, respectively. Interest expense includes original issue discount amortization of \$57 million and \$108 million during the three months ended March 31, 2013 and 2012, respectively.
- (j) Excluding original issue discount the rate on long-term debt was 3.54% and 4.15% at March 31, 2013 and 2012, respectively.
- (k) Excluding original issue discount the rate on total interest-bearing liabilities was 2.65% and 3.21% at March 31, 2013 and 2012, respectively.
- (l) Excluding original issue discount the rate on total funding sources was 2.61% and 3.15% at March 31, 2013 and 2012, respectively.
- (m) Includes average balances of liabilities of discontinued operations.
- (n) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
- (o) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward-looking Statements

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 10-Q contain various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of these words or similar expressions is intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports on Forms 10-Q and 8-K. Such factors include, among others, the following: maintaining the mutually beneficial relationship between Ally and General Motors ("GM"), and Ally and Chrysler Group LLC ("Chrysler"); the profitability and financial condition of GM and Chrysler; resolution of the bankruptcy filings by Residential Capital, LLC and certain of its subsidiaries; our ability to realize the anticipated benefits associated with being a bank holding company, and the increased regulation and restrictions that we are now subject to; the potential for deterioration in the residual value of off-lease vehicles; disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity; changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; changes in the credit ratings of Ally, Chrysler, or GM; changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations (including as a result of the Dodd-Frank Act and Basel III).

Use of the term "loans" describes products associated with direct and indirect lending activities of Ally's global operations. The specific products include retail installment sales contracts, loans, lines of credit, leases or other financing products. The term "originate" refers to Ally's purchase, acquisition, or direct origination of various "loan" products.

Quantitative and Qualitative Disclosures about Market Risk

Ally Financial Inc. • Form 10-Q

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk sections of Item 2, Management's Discussion and Analysis.

Controls and Procedures

Ally Financial Inc. • Form 10-Q

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Senior Executive Vice President of Finance and Corporate Planning (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

Ally Financial Inc. • Form 10-Q

Item 1. Legal Proceedings

Refer to Note 26 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 29 to our 2012 Annual Report on Form 10-K.

Item 1A. Risk Factors

Other than with respect to the risk factor provided below, there have been no material changes to the Risk Factors described in our 2012 Annual Report on Form 10-K.

Risks Related to Our Business

The previously contemplated settlement related to the ResCap bankruptcy has been allowed to lapse by ResCap and, as a result, there is substantial uncertainty related to resolution of the bankruptcy and substantial claims could be brought against us.

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtor's estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

As of the Petition Date, two separate groups of institutional investors in residential mortgage-backed securities (RMBS Investors) issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to settle alleged representation and warranty claims against the Debtors' estates in exchange for a total \$8.7 billion allowed claim in the Debtors' bankruptcy cases, subject to the applicable securitization trustees' acceptance of the terms of the settlements (the RMBS Settlements). The RMBS Investors also signed separate plan support agreements (PSAs) with the Debtors and AFI in support of the Plan at the time of entering into the RMBS Settlements. To date, RMBS Investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to the RMBS Settlements. These 336 securitizations have an aggregate original principal balance of approximately \$189 billion (out of a total of 392 outstanding securitizations with an original principal balance of \$221 billion). The RMBS Settlements are subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing to consider such approval beginning on May 28, 2013. The PSAs are not part of this scheduled Bankruptcy Court hearing. A number of creditors have raised objections to the RMBS Settlements, but the trustees representing the 336 securitization trusts and AFI have filed statements in support of the Debtors' motion to approve the RMBS Settlements. Separately, the Debtors have failed to meet several Plan milestones in their bankruptcy cases, each of which has given the RMBS Investors the right to terminate the PSAs upon three business days advance written notice to the Debtors and AFI. On April 18, 2013, one of the two groups of RMBS Investors represented by Talcott Franklin P.C. sent the Debtors and AFI a notice of termination of its PSA. The other group of RMBS Investors represented by Gibbs and Bruns LLP has not given the Debtors and AFI such a notice to date, but have the right to do so at any time. If the RMBS Settlements were not approved or the RMBS Investors were to decide not to support any proposed plan, it could adversely impact the likelihood that any plan is approved by the Bankruptcy Court. AFI continues to support the RMBS Settlements at this time.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the Examiner's investigation. The investigation includes, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors proposed to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. In the Examiner's original work plan, the Examiner estimated that his investigation and related report would be completed six months from approximately August 6, 2012. However, on February 7, 2013 the Examiner informed the Bankruptcy Court in the third supplement to the work plan that the investigation and related report will not be completed until early May 2013.

On December 26, 2012, the Bankruptcy Court, in an effort to facilitate plan negotiations, entered an order appointing bankruptcy judge James M. Peck, Esq. as mediator (the Mediator) through and until February 28, 2013, to assist the parties in resolving certain issues relating to

the formulation and confirmation of the Plan. On March 5, 2013, the Bankruptcy Court entered an order extending the Mediator's term to and including May 31, 2013, unless the Mediator declares in a written order on an earlier date that the mediation is at an impasse and should be terminated. AFI, the Debtors, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) and certain other creditor constituencies are engaging in ongoing mediation sessions under a Bankruptcy Court order of confidentiality. Given the inherent uncertainty of the bankruptcy process, it is reasonably possible that a settlement could be reached that results in a payment substantially higher than the current \$750 million estimate, or that no settlement is reached at all. The ultimate outcome of these settlement discussions will be affected by various factors, including, among others, the highly complex nature of the bankruptcy process, competing interests of various parties, disparate creditor priorities, the uncertainty of obtaining certain non-financial terms being sought, competing jurisdictional claims, uncertain residual estate property value, and the timing and unknown conclusions of the independent examiner's investigation.

On February 26, 2013, the Debtors and the Creditors' Committee entered into an agreement, the terms of which provided that, among other things, the Creditors' Committee would support extending the Debtors' exclusive period to file a Chapter 11 plan through and until April 30, 2013, the Debtors would consent to any motion filed by the Creditors' Committee after April 30, 2013 seeking standing to bring estate causes of action against AFI and the Debtors would allow the Settlement to automatically expire on February 28, 2013.

Thereafter, on March 5, 2013, the Bankruptcy Court entered an order extending the Debtors' exclusive period to file a Chapter 11 plan through and until April 30, 2013. On April 15, 2013, the Bankruptcy court entered an order further extending the Debtors' exclusive period to file a Chapter 11 plan through and until May 7, 2013.

On April 11, 2013, the Creditors' Committee filed a motion seeking standing to assert claims against AFI on behalf of the Debtors' estates. In its motion, the Creditors' Committee alleged, among other things, that AFI stripped the Debtors of valuable assets and exercised domination, control and abuse of the Debtors. The Creditors' Committee's claims against AFI include veil-piercing, fraudulent conveyance, indemnification, preferential transfer, and equitable subordination. The Creditors' Committee asserted that AFI may be liable for billions of dollars on account of these claims. AFI believes that these claims have no merit and is fully prepared to litigate these claims to final resolution. The Bankruptcy Court has scheduled a hearing for May 7, 2013 to consider the Creditors' Committee's motion for standing.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed Chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors (the Foreclosure Review Motion). The Bankruptcy Court is expected to issue a written opinion on relief sought in the Foreclosure Review Motion in the near future. If the Bankruptcy Court approves the Foreclosure Review Motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material.

We are currently named as defendants in various lawsuits relating to ResCap mortgage-backed securities and certain other mortgage-related matters (the Mortgage Cases), which are described in more detail in Note 26 to the Condensed Consolidated Financial Statements. We had previously disclosed that several of the Mortgage Cases were subject to orders entered by the Bankruptcy Court staying the matters through April 30, 2013 in connection with the Debtors' bankruptcy. On May 1, 2013, all stay orders applicable to the Ally non-Debtor defendants with respect to the Mortgage Cases expired. As a result, all of the Mortgage Cases are proceeding against us.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

Signatures

Ally Financial Inc. • Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 1st day of May, 2013.

Ally Financial Inc.
(Registrant)

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
*Senior Executive Vice President of
Finance and Corporate Planning*

/s/ DAVID J. DEBRUNNER

David J. DeBrunner
*Vice President, Chief Accounting Officer, and
Corporate Controller*

INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	Interactive Data File	Filed herewith.

Exhibit 12

Ally Financial Inc.

Ratio of Earnings to Fixed Charges

(\$ in millions)	Three months	Year ended December (in millions),				
	ended March 31,	2012 (a)	2011 (a)	2010 (a)	2009 (a)	2008 (a)
	2013 (a)					
Earnings						
Consolidated net income (loss) from continuing operations	\$ 60	\$ 1,370	\$ (219)	\$ (334)	\$ (3,370)	\$ 5,535
Income tax (benefit) expense from continuing operations	(123)	(856)	42	97	12	(87)
Equity-method investee (earnings) losses	(3)	(6)	(7)	(8)	6	515
Minority interest expense	—	1	1	1	1	1
Consolidated (loss) income from continuing operations before income taxes, minority interest, and income or loss from equity investees	(66)	509	(183)	(244)	(3,351)	5,964
Fixed charges	889	4,031	4,668	4,880	4,786	5,724
Earnings available for fixed charges	\$ 823	\$ 4,540	\$ 4,485	\$ 4,636	\$ 1,435	\$ 11,688
Fixed charges						
Interest, discount, and issuance expense on debt	\$ 885	\$ 4,014	\$ 4,652	\$ 4,862	\$ 4,768	\$ 5,704
Portion of rentals representative of the interest factor	4	17	16	18	18	20
Total fixed charges	889	4,031	4,668	4,880	4,786	5,724
Preferred dividend requirements (b)	200	801	763	1,860	1,224	—
Total fixed charges and preferred dividend requirements	\$ 1,089	\$ 4,832	\$ 5,431	\$ 6,740	\$ 6,010	\$ 5,724
Ratio of earnings to fixed charges (c)	0.93	1.13	0.96	0.95	0.30	2.04
Ratio of earnings to fixed charges and preferred dividend requirements (d)	0.76	0.94	0.83	0.69	0.24	2.04

- (a) During 2013, 2012, 2011, 2010, and 2009, we committed to dispose certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group. We report these businesses separately as discontinued operations in the Condensed Consolidated Financial Statements. Refer to Note 2 to the Condensed Consolidated Financial Statements for further discussion of our discontinued operations. All reported periods of the calculation of the ratio of earnings to fixed charges exclude discontinued operations.
- (b) Amount for 2010 includes a \$616 million reduction to retained earnings (accumulated deficit) related to a conversion of preferred stock and related amendment that occurred on December 30, 2010.
- (c) The ratio indicates a less than one-to-one coverage for the three months ended March 31, 2013, and the years ended December 31, 2011, 2010 and 2009. Earnings for the three months ended March 31, 2013, and the years ended December 31, 2011, 2010, and 2009 were inadequate to cover fixed charges. The deficient amounts for the ratio were \$66 million for the three months ended March 31, 2013, and \$183 million, \$244 million and \$3,351 million for the years ended December 31, 2011, 2010, and 2009, respectively.
- (d) The ratio indicates a less than one-to-one coverage for the three months ended March 31, 2013, and the years ended December 31, 2012, 2011, 2010, and 2009. Earnings for the three months ended March 31, 2013, and the years ended December 31, 2012, 2011, 2010, and 2009 were inadequate to cover total fixed charges and preferred dividend requirements. The deficient amounts for the ratio were \$266 million, for the three months ended March 31, 2013, and \$292 million, \$946 million, \$2,104 million, and \$4,575 million for the years ended December 31, 2012, 2011, 2010, and 2009, respectively.

Exhibit 31.1

Ally Financial Inc.

I, Michael A. Carpenter, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2013

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer

Exhibit 31.2

Ally Financial Inc.

I, Jeffrey J. Brown, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 1, 2013

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
*Senior Executive Vice President of
Finance and Corporate Planning*

Exhibit 32

Ally Financial Inc.

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

In connection with the Annual Report of Ally Financial Inc. (the Company) on Form 10-Q for the period ending March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter

Chief Executive Officer

May 1, 2013

/s/ JEFFREY J. BROWN

Jeffrey J. Brown

*Senior Executive Vice President of
Finance and Corporate Planning*

May 1, 2013

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ally Financial Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.

Public
Exhibit
No. 5

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013, or

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

For the transition period from _____ to _____

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

38-0572512

*(I.R.S. Employer
Identification No.)*

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000

*(Address of principal executive offices)
(Zip Code)*

(866) 710-4623

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing for the past 90 days.

Yes No

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).

Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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

INDEX

Ally Financial Inc. □ Form 10-Q

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

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

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

Statement continues on the next page.

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

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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.

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

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

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

Statement continues on the next page.

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

Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

Residential Capital, LLC

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). Upon approving the PSA on June 26, 2013, the Bankruptcy Court unsealed the Examiner's investigative report. Under the terms of the PSA, the contents of the report may not be used by any party as a basis for terminating or modifying the PSA.

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

Significant Accounting Policies

Income Taxes

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Recently Adopted Accounting Standards

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

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

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

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

Recently Issued Accounting Standards

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

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

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

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

2. Discontinued and Held-for-sale Operations

Discontinued Operations

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

Select Mortgage Operations

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

Select Insurance Operations

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

Select Automotive Finance Operations

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

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

Select Corporate and Other Operations

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Select Financial Information

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

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

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

(b) Includes the results of ResCap. Refer to Note 1 for more information regarding the Debtors' bankruptcy.

(c) Includes certain income tax activity recognized by Corporate and Other.

(d) Includes recognized pretax gain of \$274 million in connection with the sale of our Mexican insurance business, ABA Seguros.

(e) Includes recognized pretax loss of \$371 million in connection with the sale of our European and the majority of our Latin American automotive finance operations.

(f) Includes recognized pretax gain of \$888 million in connection with the sale of our Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Held-for-sale Operations

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

Recurring Fair Value

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

3. Other Income, Net of Losses

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

4. Other Operating Expenses

Details of other operating expenses were as follows.

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

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

5. Investment Securities

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Gross realized gains	\$ 67	\$ 68	\$ 137	\$ 165
Gross realized losses	(3)	(4)	(14)	(12)
Other-than-temporary impairment	—	—	(8)	—
Net realized gains	\$ 64	\$ 64	\$ 115	\$ 153

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

6. Loans Held-for-Sale, Net

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

(\$ in millions)	June 30, 2013	December 31, 2012
Consumer mortgage		
1st Mortgage	\$ 56	\$ 2,490
Total consumer mortgage (a)	56	2,490
Commercial and industrial		
Other	46	86
Total loans held-for-sale (b)	\$ 102	\$ 2,576

- (a) Fair value option-elected domestic consumer mortgages were \$56 million and \$2.5 billion at June 30, 2013, and December 31, 2012, respectively. Refer to Note 22 for additional information.
- (b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized discounts of \$58 million at June 30, 2013, and net unamortized premiums of \$26 million at December 31, 2012.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

7. Finance Receivables and Loans, Net

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

Troubled Debt Restructurings

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Higher-Risk Mortgage Concentration Risk

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

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

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

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

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

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

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

9. Securitizations and Variable Interest Entities

Overview

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

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

Securitizations

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

Other Variable Interest Entities

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

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

Involvement with Variable Interest Entities

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

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

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

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Off-balance Sheet Variable Interest Entities

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

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

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

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

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

Six months ended June 30, (\$ in millions)	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
2013			
Cash proceeds from transfers completed during the period	\$ —	\$ 8,674	\$ —
Servicing fees	7	66	—
Representations and warranties obligations	—	(62)	—
Other cash flows	—	71	—
2012			
Cash proceeds from transfers completed during the period	\$ 1,978	\$ 16,645	\$ —
Cash flows received on retained interests in securitization entities	—	—	71
Servicing fees	—	434	63
Purchases of previously transferred financial assets	—	(876)	(12)
Representations and warranties obligations	—	(30)	(7)
Other cash flows	—	(84)	255

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

n/m = not meaningful

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

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

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

n/m = not meaningful

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

10. Servicing Activities

Mortgage Servicing Rights

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

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

(a) Includes activities of our discontinued operations.

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

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

(a) Includes activities of our discontinued operations.

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

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

Risk Mitigation Activities

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

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

Mortgage Servicing Advances

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

Mortgage Serviced Assets

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

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

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

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

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of \$ 16 million and \$35 million during the three months and six months ended June 30, 2013, respectively, compared to \$30 million and \$60 million for the three months and six months ended June 30, 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

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

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

11. Other Assets

The components of other assets were as follows.

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

12. Deposit Liabilities

Deposit liabilities consisted of the following.

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

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

13. Short-term Borrowings

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

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

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

(b) Other relates to secured borrowings at our Commercial Finance Group at June 30, 2013 and December 31, 2012.

14. Long-term Debt

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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

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

Trust Preferred Securities

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

On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series (Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Covenants and Other Requirements

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

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

Funding Facilities

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

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

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

Committed Funding Facilities

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

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Total unsecured parent funding capacity represents committed funding for our discontinued international automobile financing business.
- (c) Total secured parent funding capacity includes committed funding for our discontinued international automobile financing business of \$2.5 billion and \$12.0 billion as of June 30, 2013 and December 31, 2012, respectively, with outstanding debt of \$2.0 billion and \$9.6 billion, respectively.
- (d) Total unused capacity includes \$1.5 billion and \$2.2 billion as of June 30, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.
- (e) Includes the secured facilities of our Commercial Finance Group.
- (f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.
- (g) Total shared facilities includes committed funding for our discontinued international automobile financing business of \$0.1 billion as of December 31, 2012, with outstanding debt of \$0.1 billion.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Uncommitted Funding Facilities

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

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

15. Accrued Expenses and Other Liabilities

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

16. Equity

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

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

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

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

(c) Nonredeemable prior to May 15, 2016.

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

(e) Redeemable beginning at December 31, 2011.

17. Accumulated Other Comprehensive Income (Loss)

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

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.

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

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

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

19. Regulatory Capital and Other Regulatory Matters

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

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

The banking regulators have also developed a measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally’s capital with the capital of other financial services companies. Also, bank holding companies with assets of \$50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

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

The following table summarizes our capital ratios.

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

n/a = not applicable

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

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

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

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

Basel Capital Accord

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

Highlights of the final rules include a revised definition of capital in order to implement the Basel III reforms as well as higher minimum capital ratios that will apply to most banking organizations. The final rules remove the use of credit ratings from both the standardized and advanced approaches, as required by the Dodd-Frank Act. In addition, the standards in the existing Basel I risk-based capital rules, which are referred to as the “general risk-based capital requirements,” have been revised to include a more risk sensitive risk-weighting approach. The phase-in period applicable to Ally as an advanced approaches banking organization begins in January 2014, while the phase-in period for other banking organizations begins in January 2015.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

20. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

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

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

- **MSRs** — We completed the sale of our agency MSRs during the second quarter of 2013 and no longer hedge this activity. In the past, our MSRs were generally subject to loss in value when mortgage rates declined. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs. To mitigate the impact of this risk, we maintained a portfolio of financial instruments, primarily derivative instruments that increased in value when interest rates declined. The primary objective was to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes.

A multitude of derivative instruments were used to manage the interest rate risk related to MSRs. They included, but were not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of mortgage-backed securities (MBS), futures, interest rate swaps, interest rate floors, and interest rate caps.

- **Mortgage loan commitments and mortgage loans held-for-sale** — We have no mortgage loan commitments as of June 30, 2013 and, therefore, no longer hedge interest rate lock commitments (IRLC). In the past, we were exposed to interest rate risk from the time an IRLC was made until the time the mortgage loan was sold. We have an immaterial amount of mortgage loans held-for-sale that are exposed to interest rate risk. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to these items is to eliminate or greatly reduce any interest rate risk.

Forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities, have been the primary derivative instruments used to accomplish the risk management objective for mortgage loans and IRLCs. The value of the forward sales contracts moves in the opposite direction of the value of the IRLCs and mortgage loans held-for-sale.

- **Debt** — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowings associated with Ally Bank's secured credit facilities, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.
- **Net fixed versus variable interest rate exposure and equity investments** — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. The primary derivative instruments used to hedge the interest rate exposure of our fixed-rate automotive loans are short-dated, exchange-traded Eurodollar futures. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Exchange Risk

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

Counterparty Credit Risk

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Balance Sheet Presentation

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

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

(a) Includes accrued interest of \$65 million and \$175 million at June 30, 2013 and December 31, 2012, respectively.

(b) Includes accrued interest of \$8 million and \$144 million at June 30, 2013 and December 31, 2012, respectively.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Statement of Comprehensive Income Presentation

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

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

- (a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$28 million and \$29 million for the three months ended June 30, 2013 and 2012, respectively, and \$61 million and \$55 million for the six months ended June 30, 2013 and 2012, respectively.
- (b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were \$38 million and \$59 million for the three months ended June 30, 2013 and 2012, respectively, and \$76 million and \$119 million for the six months ended June 30, 2013 and 2012, respectively.
- (c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of \$18 million and losses of \$56 million were recognized for the three months ended June 30, 2013 and 2012, respectively. Losses of \$47 million and \$25 million were recognized for the six months ended June 30, 2013 and 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

21. Income Taxes

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

As of each reporting date, we consider both positive and negative evidence that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for certain state net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we continue to provide a partial valuation allowance on the deferred tax assets relating to these carryforwards.

During the three months and six months ended June 30, 2013, net capital gains generated from the completed sales of our international discontinued operations served to reduce the deferred tax asset related to our capital loss carryforwards by approximately \$87 million and \$298 million for the respective periods. This capital loss carryforward utilization resulted in a reversal of related valuation allowance. Furthermore, successful completion during 2013 of additional sales of entities currently held-for-sale may result in additional capital gains that would allow us to realize additional capital loss carryforwards. Any related reduction in valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization. Refer to Note 2 for further details on sales of our international discontinued operations.

22. Fair Value

Fair Value Measurements

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

- **MSRs** — MSRs are classified as Level 3, management estimates fair value using our transaction data and other market data or, in periods when there are limited MSRs market transactions that are directly observable, internally developed discounted cash flow models (an income approach) are used to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.
- **Interests retained in financial asset sales** — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
- **Derivative instruments** — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

Recurring Fair Value

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

June 30, 2013 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	\$ 658	\$ 1,132	\$ —	\$ 1,790
Foreign government	4	288	—	292
Mortgage-backed residential	—	10,328	—	10,328
Asset-backed	—	2,276	—	2,276
Corporate debt securities	—	1,309	—	1,309
Total debt securities	662	15,333	—	15,995
Equity securities (a)	1,020	—	—	1,020
Total available-for-sale securities	1,682	15,333	—	17,015
Mortgage loans held-for-sale, net (b)	—	56	—	56
Mortgage servicing rights	—	—	—	—
Other assets				
Interests retained in financial asset sales	—	—	124	124
Derivative contracts in a receivable position				
Interest rate	15	246	—	261
Foreign currency	—	49	—	49
Total derivative contracts in a receivable position	15	295	—	310
Total assets	\$ 1,697	\$ 15,684	\$ 124	\$ 17,505
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	\$ (24)	\$ (175)	\$ —	\$ (199)
Foreign currency	—	(12)	(9)	(21)
Total derivative contracts in a payable position	(24)	(187)	(9)	(220)
Total liabilities	\$ (24)	\$ (187)	\$ (9)	\$ (220)

(a) Our investment in any one industry did not exceed 17%.

(b) Carried at fair value due to fair value option elections.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

(a) Our investment in any one industry did not exceed 21%.

(b) Carried at fair value due to fair value option elections.

(c) Includes derivatives classified as trading.

(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	Level 3 recurring fair value measurements										Fair value at June 30, 2012	Net unrealized gains (losses) included in earnings still held at June 30, 2012		
	Fair value at April 1, 2012	Net realized/unrealized gains (losses)		included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation (a)					
Assets														
Trading assets (excluding derivatives)														
Mortgage-backed residential securities	\$ 32	\$ —	(b)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1)	\$ (31)	\$ —	\$ —	(b)	
Investment securities														
Available-for-sale debt securities														
Asset-backed	63	—	—	—	—	—	—	—	—	—	63	—	—	
Mortgage loans held-for-sale, net (c)	30	—	—	—	3	—	—	—	(2)	(31)	—	—	—	
Consumer mortgage finance receivables and loans, net (c)	832	34	(c)	—	—	(245)	(d)	—	(34)	(587)	—	—	16	(c)
Mortgage servicing rights	2,595	(402)	(e)	—	—	—	—	42	—	(1,130)	1,105	—	(402)	(e)
Other assets														
Interests retained in financial asset sales	194	22	(f)	—	—	—	—	—	(23)	—	193	—	—	—
Derivative contracts, net (g)														
Interest rate	44	297	(h)	—	—	—	—	—	(247)	(1)	93	—	22	(h)
Foreign currency	5	2	(h)	—	—	—	—	—	—	—	7	—	(11)	(h)
Total derivative contracts in a receivable position, net	49	299	—	—	—	—	—	—	(247)	(1)	100	—	11	—
Total assets	\$ 3,795	\$ (47)		\$ —	\$ 3	\$ (245)		\$ 42	\$ (307)	\$ (1,780)	\$ 1,461		\$ (375)	
Liabilities														
Long-term debt														
On-balance sheet securitization debt (c)	\$ (828)	\$ (32)	(c)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 304	\$ 556	\$ —	\$ —	\$ (23)	(c)
Accrued expenses and other liabilities														
Loan repurchase liabilities (c)	(30)	—	—	—	(2)	—	—	—	2	30	—	—	—	—
Total liabilities	\$ (858)	\$ (32)		\$ —	\$ (2)	\$ —		\$ —	\$ 306	\$ 586	\$ —		\$ (23)	

- (a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap during the three months ended June 30, 2012. Refer to Note 1 for additional information related to ResCap.
- (b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.
- (d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.
- (e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	Level 3 recurring fair value measurements										Fair value at June 30, 2012	Net unrealized gains (losses) included in earnings still held at June 30, 2012
	Fair value at Jan. 1, 2012	Net realized/unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation (a)				
		included in earnings	included in OCI									
Assets												
Trading assets (excluding derivatives)												
Mortgage-backed residential securities	\$ 33	\$ 2 (b)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ (31)	\$ —	\$ 4 (b)	
Investment securities												
Available-for-sale debt securities												
Asset-backed	62	—	1	—	—	—	—	—	—	63	—	
Mortgage loans held-for-sale, net (c)	30	—	—	12	—	—	(11)	(31)	—	—	—	
Consumer mortgage finance receivables and loans, net (c)	835	121 (c)	—	—	(245) (d)	—	(124)	(587)	—	—	51 (c)	
Mortgage servicing rights	2,519	(401) (e)	—	—	—	53	64	(1,130)	1,105	(401) (e)		
Other assets												
Interests retained in financial asset sales	231	27 (f)	—	—	—	—	(65)	—	193	—		
Derivative contracts, net (g)												
Interest rate	71	273 (h)	—	—	—	—	(250)	(1)	93	(6) (h)		
Foreign currency	16	(9) (h)	—	—	—	—	—	—	7	(22) (h)		
Total derivative contracts in a receivable position, net	87	264	—	—	—	—	(250)	(1)	100	(28)		
Total assets	\$ 3,797	\$ 13	\$ 1	\$ 12	\$ (245)	\$ 53	\$ (390)	\$ (1,780)	\$ 1,461	\$ (374)		
Liabilities												
Long-term debt												
On-balance sheet securitization debt (c)	\$ (830)	\$ (115) (c)	\$ —	\$ —	\$ —	\$ —	\$ 389	\$ 556	\$ —	\$ (62) (c)		
Accrued expenses and other liabilities												
Loan repurchase liabilities (c)	(29)	—	—	(11)	—	—	10	30	—	—		
Total liabilities	\$ (859)	\$ (115)	\$ —	\$ (11)	\$ —	\$ —	\$ 399	\$ 586	\$ —	\$ (62)		

- (a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap during the three months ended June 30, 2012. Refer to Note 1 for additional information related to ResCap.
- (b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.
- (d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.
- (e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Nonrecurring Fair Value

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

n/m = not meaningful

- (a) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (b) Represents the portion of the portfolio specifically impaired during 2013. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

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

n/m = not meaningful

- (a) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

Fair Value Option for Financial Assets

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

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

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

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

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

(a) Excludes accrued interest receivable.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Fair Value of Financial Instruments

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

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

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

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

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

- **Loans held-for-sale, net** — Loans held-for-sale classified as Level 2 included all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.
- **Finance receivables and loans, net** — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain automotive and other receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of commercial receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

23. Offsetting Assets and Liabilities

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

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

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

June 30, 2013 (\$ in millions)	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/(Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet			Net Amount
				Financial Instruments	Collateral (a)		
Assets							
Derivative assets in net asset positions	\$ 233	\$ —	\$ 233	\$ (56)	\$ (158)		\$ 19
Derivative assets in net liability positions	46	—	46	(46)	—		—
Derivative assets with no offsetting arrangements	31	—	31	—	—		31
Total assets	\$ 310	\$ —	\$ 310	\$ (102)	\$ (158)		\$ 50
Liabilities							
Derivative liabilities in net liability positions	\$ (142)	\$ —	\$ (142)	\$ 46	\$ 80		\$ (16)
Derivative liabilities in net asset positions	(56)	—	(56)	56	—		—
Derivative liabilities with no offsetting arrangements	(22)	—	(22)	—	—		(22)
Total liabilities	\$ (220)	\$ —	\$ (220)	\$ 102	\$ 80		\$ (38)

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

24. Segment and Geographic Information

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

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

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

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

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

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

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

Six months ended June 30, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2013					
Net financing revenue (loss)	\$ 1,550	\$ 27	\$ 49	\$ (358)	\$ 1,268
Other revenue (loss)	142	633	(25)	38	788
Total net revenue (loss)	1,692	660	24	(320)	2,056
Provision for loan losses	200	—	26	(6)	220
Total noninterest expense	767	554	245	193	1,759
Income (loss) from continuing operations before income tax expense (benefit)	\$ 725	\$ 106	\$ (247)	\$ (507)	\$ 77
Total assets	\$ 107,485	\$ 7,336	\$ 9,061	\$ 26,745	\$ 150,627
2012					
Net financing revenue (loss)	\$ 1,323	\$ 28	\$ 66	\$ (609)	\$ 808
Other revenue	189	638	457	35	1,319
Total net revenue (loss)	1,512	666	523	(574)	2,127
Provision for loan losses	93	—	48	(10)	131
Total noninterest expense	738	546	310	232	1,826
Income (loss) from continuing operations before income tax expense (benefit)	\$ 681	\$ 120	\$ 165	\$ (796)	\$ 170
Total assets	\$ 120,523	\$ 8,237	\$ 17,146	\$ 32,654	\$ 178,560

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

(b) Net financing revenue after the provision for loan losses totaled \$1.0 billion and \$0.7 billion for the six months ended June 30, 2013 and 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Information concerning principal geographic areas were as follows.

Three months ended June 30, (<i>\$ in millions</i>)	Revenue (a)		Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013				
Canada	\$	47	\$ 14	\$ 13
Europe (d)		—	(1)	(146)
Latin America		—	(1)	194
Asia-Pacific		—	—	29
Total foreign		47	12	90
Total domestic (e)		983	128	(1,017)
Total	\$	1,030	\$ 140	\$ (927)
2012				
Canada	\$	61	\$ 17	\$ 79
Europe (d)		(4)	10	41
Latin America		1	(4)	62
Asia-Pacific		1	1	23
Total foreign		59	24	205
Total domestic (e)		1,112	143	(1,103)
Total	\$	1,171	\$ 167	\$ (898)

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.

(b) The domestic amounts include original discount amortization of \$64 million and \$100 million for the three months ended June 30, 2013 and 2012, respectively.

(c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.

(d) Amounts include eliminations between our foreign operations.

(e) Amounts include eliminations between our domestic and foreign operations.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Six months ended June 30, (<i>\$ in millions</i>)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013			
Canada	\$ 96	\$ 28	\$ 1,243
Europe (d)	(10)	(19)	(86)
Latin America	—	(5)	274
Asia-Pacific	1	(2)	54
Total foreign	87	2	1,485
Total domestic (e)	1,969	75	(1,319)
Total	\$ 2,056	\$ 77	\$ 166
2012			
Canada	\$ 120	\$ 31	\$ 162
Europe (d)	(14)	—	67
Latin America	2	(7)	108
Asia-Pacific	2	1	50
Total foreign	110	25	387
Total domestic (e)	2,017	145	(975)
Total	\$ 2,127	\$ 170	\$ (588)

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.

(b) The domestic amounts include original discount amortization of \$124 million and \$211 million for the six months ended June 30, 2013 and 2012, respectively.

(c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.

(d) Amounts include eliminations between our foreign operations.

(e) Amounts include eliminations between our domestic and foreign operations.

25. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of June 30, 2013, the Guarantors were, Ally US LLC and IB Finance Holding Company, LLC (IB Finance), each of which fully and unconditionally guarantee the senior notes on a joint and several basis.

The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company-only basis), (ii) the Guarantors, (iii) the nonguarantor subsidiaries (all other subsidiaries), and (iv) an elimination column for adjustments to arrive at (v) the information for the parent company, the Guarantors, and nonguarantors on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's and the Guarantors' investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, the Guarantors, and nonguarantors.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statements of Comprehensive Income

Three months ended June 30, 2013 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 272	\$ —	\$ 867	\$ —	\$ 1,139
Interest and fees on finance receivables and loans — intercompany	13	—	20	(33)	—
Interest on loans held-for-sale	—	—	3	—	3
Interest and dividends on available-for-sale investment securities	—	—	76	—	76
Interest-bearing cash	1	—	1	—	2
Interest-bearing cash — intercompany	—	—	2	(2)	—
Operating leases	118	—	670	—	788
Total financing revenue and other interest income	404	—	1,639	(35)	2,008
Interest expense					
Interest on deposits	6	—	156	—	162
Interest on short-term borrowings	12	—	4	—	16
Interest on long-term debt	564	—	139	—	703
Interest on intercompany debt	21	—	14	(35)	—
Total interest expense	603	—	313	(35)	881
Depreciation expense on operating lease assets	102	—	397	—	499
Net financing (loss) revenue	(301)	—	929	—	628
Dividends from subsidiaries					
Nonbank subsidiaries	1,864	405	—	(2,269)	—
Other revenue					
Servicing fees	38	—	(19)	—	19
Servicing asset valuation and hedge activities, net	—	—	(12)	—	(12)
Total servicing income, net	38	—	(31)	—	7
Insurance premiums and service revenue earned	—	—	258	—	258
Loss on mortgage and automotive loans, net	—	—	(1)	—	(1)
Other gain on investments, net	—	—	64	—	64
Other income, net of losses	26	—	341	(293)	74
Total other revenue	64	—	631	(293)	402
Total net revenue	1,627	405	1,560	(2,562)	1,030
Provision for loan losses	105	—	(16)	—	89
Noninterest expense					
Compensation and benefits expense	160	—	194	(102)	252
Insurance losses and loss adjustment expenses	—	—	146	—	146
Other operating expenses	99	—	496	(192)	403
Total noninterest expense	259	—	836	(294)	801
Income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries					
	1,263	405	740	(2,268)	140
Income tax (benefit) expense from continuing operations	(231)	—	271	—	40
Net income from continuing operations	1,494	405	469	(2,268)	100
(Loss) income from discontinued operations, net of tax	(1,242)	(47)	262	—	(1,027)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	207	207	—	(414)	—
Nonbank subsidiaries	(1,386)	(348)	—	1,734	—
Net (loss) income	(927)	217	731	(948)	(927)
Other comprehensive loss, net of tax	(181)	(141)	(253)	394	(181)
Comprehensive (loss) income	\$ (1,108)	\$ 76	\$ 478	\$ (554)	\$ (1,108)

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended June 30, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 198	\$ —	\$ 938	\$ 4	\$ 1,140
Interest and fees on finance receivables and loans — intercompany	19	(1)	5	(23)	—
Interest on loans held-for-sale	6	—	14	—	20
Interest on trading assets	—	—	1	—	1
Interest and dividends on available-for-sale investment securities	—	—	77	—	77
Interest-bearing cash	6	—	3	—	9
Interest-bearing cash - intercompany	—	—	9	(9)	—
Operating leases	35	—	526	—	561
Total financing revenue and other interest income	264	(1)	1,573	(28)	1,808
Interest expense					
Interest on deposits	16	—	144	—	160
Interest on short-term borrowings	13	—	2	4	19
Interest on long-term debt	664	—	177	(4)	837
Interest on intercompany debt	4	—	22	(26)	—
Total interest expense	697	—	345	(26)	1,016
Depreciation expense on operating lease assets	18	—	317	—	335
Net financing (loss) revenue	(451)	(1)	911	(2)	457
Dividends from subsidiaries					
Nonbank subsidiaries	179	—	—	(179)	—
Other revenue					
Servicing fees	50	—	63	—	113
Servicing asset valuation and hedge activities, net	—	—	46	—	46
Total servicing income, net	50	—	109	—	159
Insurance premiums and service revenue earned	—	—	261	—	261
(Loss) gain on mortgage and automotive loans, net	(3)	—	89	—	86
Other gain on investments, net	—	—	64	—	64
Other income, net of losses	61	110	259	(286)	144
Total other revenue	108	110	782	(286)	714
Total net (loss) revenue	(164)	109	1,693	(467)	1,171
Provision for loan losses	(20)	—	53	—	33
Noninterest expense					
Compensation and benefits expense	182	109	89	(110)	270
Insurance losses and loss adjustment expenses	—	—	149	—	149
Other operating expenses	805	—	(77)	(176)	552
Total noninterest expense	987	109	161	(286)	971
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries	(1,131)	—	1,479	(181)	167
Income tax (benefit) expense from continuing operations	(280)	—	264	—	(16)
Net (loss) income from continuing operations	(851)	—	1,215	(181)	183
Income (loss) from discontinued operations, net of tax	9	3	(1,094)	1	(1,081)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	275	275	—	(550)	—
Nonbank subsidiaries	(331)	114	—	217	—
Net (loss) income	(898)	392	121	(513)	(898)
Other comprehensive loss, net of tax	(206)	(155)	(425)	580	(206)
Comprehensive (loss) income	\$ (1,104)	\$ 237	\$ (304)	\$ 67	\$ (1,104)

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2013 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 431	\$ —	\$ 1,843	\$ —	\$ 2,274
Interest and fees on finance receivables and loans — intercompany	37	—	25	(62)	—
Interest on loans held-for-sale	—	—	19	—	19
Interest and dividends on available-for-sale investment securities	—	—	144	—	144
Interest-bearing cash	2	—	3	—	5
Interest-bearing cash — intercompany	—	—	4	(4)	—
Operating leases	214	—	1,308	—	1,522
Total financing revenue and other interest income	684	—	3,346	(66)	3,964
Interest expense					
Interest on deposits	15	—	311	—	326
Interest on short-term borrowings	24	—	8	—	32
Interest on long-term debt	1,124	—	285	(5)	1,404
Interest on intercompany debt	20	—	40	(60)	—
Total interest expense	1,183	—	644	(65)	1,762
Depreciation expense on operating lease assets	164	—	770	—	934
Net financing (loss) revenue	(663)	—	1,932	(1)	1,268
Dividends from subsidiaries					
Nonbank subsidiaries	5,163	3,659	—	(8,822)	—
Other revenue					
Servicing fees	82	—	19	—	101
Servicing asset valuation and hedge activities, net	—	—	(213)	—	(213)
Total servicing income, net	82	—	(194)	—	(112)
Insurance premiums and service revenue earned	—	—	517	—	517
Gain on mortgage and automotive loans, net	—	—	37	—	37
Other gain on investments, net	—	—	115	—	115
Other income, net of losses	77	—	766	(612)	231
Total other revenue	159	—	1,241	(612)	788
Total net revenue	4,659	3,659	3,173	(9,435)	2,056
Provision for loan losses	229	—	(9)	—	220
Noninterest expense					
Compensation and benefits expense	352	—	417	(232)	537
Insurance losses and loss adjustment expenses	—	—	261	—	261
Other operating expenses	157	—	1,184	(380)	961
Total noninterest expense	509	—	1,862	(612)	1,759
Income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries					
	3,921	3,659	1,320	(8,823)	77
Income tax (benefit) expense from continuing operations	(560)	—	477	—	(83)
Net income from continuing operations	4,481	3,659	843	(8,823)	160
(Loss) income from discontinued operations, net of tax	(1,507)	(34)	1,546	1	6
Undistributed income (loss) of subsidiaries					
Bank subsidiary	433	433	—	(866)	—
Nonbank subsidiaries	(3,241)	(2,400)	—	5,641	—
Net income	166	1,658	2,389	(4,047)	166
Other comprehensive loss, net of tax	(498)	(719)	(854)	1,573	(498)
Comprehensive (loss) income	\$ (332)	\$ 939	\$ 1,535	\$ (2,474)	\$ (332)

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 451	\$ —	\$ 1,782	\$ —	\$ 2,233
Interest and fees on finance receivables and loans — intercompany	57	—	13	(70)	—
Interest on loans held-for-sale	11	—	40	—	51
Interest on trading assets	—	—	10	—	10
Interest and dividends on available-for-sale investment securities	—	—	151	—	151
Interest-bearing cash	7	—	4	—	11
Interest-bearing cash - intercompany	—	—	9	(9)	—
Operating leases	87	—	981	—	1,068
Total financing revenue and other interest income	613	—	2,990	(79)	3,524
Interest expense					
Interest on deposits	33	—	290	—	323
Interest on short-term borrowings	33	—	3	—	36
Interest on long-term debt	1,387	—	338	(8)	1,717
Interest on intercompany debt	(1)	1	67	(67)	—
Total interest expense	1,452	1	698	(75)	2,076
Depreciation expense on operating lease assets	31	—	609	—	640
Net financing (loss) revenue	(870)	(1)	1,683	(4)	808
Dividends from subsidiaries					
Nonbank subsidiaries	320	—	—	(320)	—
Other revenue					
Servicing fees	102	—	133	—	235
Servicing asset valuation and hedge activities, net	—	—	(60)	—	(60)
Total servicing income, net	102	—	73	—	175
Insurance premiums and service revenue earned	—	—	531	—	531
(Loss) gain on mortgage and automotive loans, net	(4)	—	110	—	106
Other gain on investments, net	—	—	153	—	153
Other income, net of losses	96	254	604	(600)	354
Total other revenue	194	254	1,471	(600)	1,319
Total net (loss) revenue	(356)	253	3,154	(924)	2,127
Provision for loan losses	58	—	73	—	131
Noninterest expense					
Compensation and benefits expense	395	253	179	(254)	573
Insurance losses and loss adjustment expenses	—	—	247	—	247
Other operating expenses	891	—	461	(346)	1,006
Total noninterest expense	1,286	253	887	(600)	1,826
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(1,700)	—	2,194	(324)	170
Income tax (benefit) expense from continuing operations	(548)	—	533	—	(15)
Net (loss) income from continuing operations	(1,152)	—	1,661	(324)	185
Income (loss) from discontinued operations, net of tax	19	6	(796)	(2)	(773)
Undistributed income of subsidiaries					
Bank subsidiary	498	498	—	(996)	—
Nonbank subsidiaries	47	199	—	(246)	—
Net (loss) income	(588)	703	865	(1,568)	(588)
Other comprehensive loss, net of tax	(19)	(29)	(37)	66	(19)
Comprehensive (loss) income	\$ (607)	\$ 674	\$ 828	\$ (1,502)	\$ (607)

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Balance Sheet

June 30, 2013 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 726	\$ 29	\$ 537	\$ —	\$ 1,292
Noninterest-bearing — intercompany	84	—	—	(84)	—
Interest-bearing	3,151	—	3,331	—	6,482
Interest-bearing — intercompany	—	—	422	(422)	—
Total cash and cash equivalents	3,961	29	4,290	(506)	7,774
Investment securities	—	—	17,015	—	17,015
Loans held-for-sale, net	—	—	102	—	102
Finance receivables and loans, net					
Finance receivables and loans, net	19,123	—	77,870	—	96,993
Intercompany loans to					
Bank subsidiary	3,400	—	—	(3,400)	—
Nonbank subsidiaries	3,176	—	1,789	(4,965)	—
Allowance for loan losses	(314)	—	(869)	—	(1,183)
Total finance receivables and loans, net	25,385	—	78,790	(8,365)	95,810
Investment in operating leases, net	2,910	—	13,175	—	16,085
Intercompany receivables from					
Bank subsidiary	82	—	—	(82)	—
Nonbank subsidiaries	231	—	470	(701)	—
Investment in subsidiaries					
Bank subsidiary	14,530	14,530	—	(29,060)	—
Nonbank subsidiaries	10,869	111	—	(10,980)	—
Premiums receivable and other insurance assets	—	—	1,628	(17)	1,611
Other assets	3,181	—	3,807	(287)	6,701
Assets of operations held-for-sale	620	—	4,909	—	5,529
Total assets	\$ 61,769	\$ 14,670	\$ 124,186	\$ (49,998)	\$ 150,627
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 72	\$ —	\$ 72
Noninterest-bearing — intercompany	—	—	84	(84)	—
Interest-bearing	642	—	49,411	—	50,053
Total deposit liabilities	642	—	49,567	(84)	50,125
Short-term borrowings	3,197	—	1,000	—	4,197
Long-term debt	31,640	—	32,894	—	64,534
Intercompany debt to					
Nonbank subsidiaries	2,211	—	6,576	(8,787)	—
Intercompany payables to					
Bank subsidiary	100	—	—	(100)	—
Nonbank subsidiaries	462	—	239	(701)	—
Interest payable	806	—	193	—	999
Unearned insurance premiums and service revenue	—	—	2,301	—	2,301
Accrued expenses and other liabilities	3,546	100	1,684	(287)	5,043
Liabilities of operations held-for-sale	—	—	4,263	—	4,263
Total liabilities	42,604	100	98,717	(9,959)	131,462
Total equity	19,165	14,570	25,469	(40,039)	19,165
Total liabilities and equity	\$ 61,769	\$ 14,670	\$ 124,186	\$ (49,998)	\$ 150,627

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

December 31, 2012 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 729	\$ —	\$ 344	\$ —	\$ 1,073
Noninterest-bearing — intercompany	39	—	—	(39)	—
Interest-bearing	3,204	—	3,236	—	6,440
Interest-bearing — intercompany	—	—	452	(452)	—
Total cash and cash equivalents	3,972	—	4,032	(491)	7,513
Investment securities	—	—	14,178	—	14,178
Loans held-for-sale, net	—	—	2,576	—	2,576
Finance receivables and loans, net					
Finance receivables and loans, net	12,486	—	86,569	—	99,055
Intercompany loans to					
Bank subsidiary	1,600	—	—	(1,600)	—
Nonbank subsidiaries	3,514	—	672	(4,186)	—
Allowance for loan losses	(170)	—	(1,000)	—	(1,170)
Total finance receivables and loans, net	17,430	—	86,241	(5,786)	97,885
Investment in operating leases, net	2,003	—	11,547	—	13,550
Intercompany receivables from					
Bank subsidiary	677	—	—	(677)	—
Nonbank subsidiaries	315	334	378	(1,027)	—
Investment in subsidiaries					
Bank subsidiary	14,288	14,288	—	(28,576)	—
Nonbank subsidiaries	19,180	3,723	—	(22,903)	—
Mortgage servicing rights	—	—	952	—	952
Premiums receivable and other insurance assets	—	—	1,609	—	1,609
Other assets	2,514	—	9,968	(574)	11,908
Assets of operations held-for-sale	855	762	30,582	(23)	32,176
Total assets	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 1,977	\$ —	\$ 1,977
Noninterest-bearing — intercompany	—	—	39	(39)	—
Interest-bearing	983	—	44,955	—	45,938
Total deposit liabilities	983	—	46,971	(39)	47,915
Short-term borrowings	3,094	—	4,367	—	7,461
Long-term debt	32,342	—	42,219	—	74,561
Intercompany debt to					
Nonbank subsidiaries	530	—	5,708	(6,238)	—
Intercompany payables to					
Bank subsidiary	752	—	—	(752)	—
Nonbank subsidiaries	674	—	278	(952)	—
Interest payable	748	—	184	—	932
Unearned insurance premiums and service revenue	—	—	2,296	—	2,296
Accrued expenses and other liabilities	2,187	451	4,517	(570)	6,585
Liabilities of operations held-for-sale	26	725	21,948	—	22,699
Total liabilities	41,336	1,176	128,488	(8,551)	162,449
Total equity	19,898	17,931	33,575	(51,506)	19,898
Total liabilities and equity	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statement of Cash Flows

Six months ended June 30, 2013 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 5,085	\$ 3,514	\$ 3,636	\$ (8,822)	\$ 3,413
Investing activities					
Purchases of available-for-sale securities	—	—	(9,305)	—	(9,305)
Proceeds from sales of available-for-sale securities	—	—	3,700	—	3,700
Proceeds from maturities and repayments of available-for-sale securities	—	—	3,125	—	3,125
Net (increase) decrease in finance receivables and loans	(4,708)	79	6,220	—	1,591
Net (increase) decrease in loans — intercompany	(1,463)	251	(1,368)	2,580	—
Net increase in operating lease assets	(798)	—	(2,670)	—	(3,468)
Capital contributions to subsidiaries	(158)	—	—	158	—
Returns of contributed capital	558	150	—	(708)	—
Sales of mortgage servicing rights	—	—	911	—	911
Proceeds from sale of business units, net	1,120	554	5,259	—	6,933
Net change in restricted cash	—	(26)	2,345	—	2,319
Other, net	(265)	—	125	—	(140)
Net cash (used in) provided by investing activities	(5,714)	1,008	8,342	2,030	5,666
Financing activities					
Net change in short-term borrowings — third party	103	36	(2,971)	—	(2,832)
Net (decrease) increase in deposits	(342)	—	2,538	(45)	2,151
Proceeds from issuance of long-term debt — third party	39	—	7,998	—	8,037
Repayments of long-term debt — third party	(461)	(70)	(17,234)	—	(17,765)
Net change in debt — intercompany	1,680	(271)	1,140	(2,549)	—
Dividends paid — third party	(401)	—	—	—	(401)
Dividends paid and returns of contributed capital — intercompany	—	(4,217)	(5,312)	9,529	—
Capital contributions from parent	—	29	129	(158)	—
Net cash provided by (used in) financing activities	618	(4,493)	(13,712)	6,777	(10,810)
Effect of exchange-rate changes on cash and cash equivalents	—	—	50	—	50
Net (decrease) increase in cash and cash equivalents	(11)	29	(1,684)	(15)	(1,681)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	1,942	—	1,942
Cash and cash equivalents at beginning of year	3,972	—	4,032	(491)	7,513
Cash and cash equivalents at June 30	\$ 3,961	\$ 29	\$ 4,290	\$ (506)	\$ 7,774

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash (used in) provided by operating activities	\$ (453)	\$ 19	\$ 5,699	\$ (325)	\$ 4,940
Investing activities					
Purchases of available-for-sale securities	—	—	(6,758)	—	(6,758)
Proceeds from sales of available-for-sale securities	—	—	5,636	—	5,636
Proceeds from maturities and repayments of available-for-sale securities	—	—	2,792	—	2,792
Net (increase) decrease in finance receivables and loans	(1,986)	86	(5,575)	—	(7,475)
Proceeds from sales of finance receivables and loans	—	—	1,978	—	1,978
Net decrease in loans — intercompany	2,741	232	323	(3,296)	—
Net decrease (increase) in operating lease assets	417	—	(2,875)	—	(2,458)
Capital contributions to subsidiaries	(51)	—	—	51	—
Returns of contributed capital	1,666	—	—	(1,666)	—
Net cash effect from deconsolidation of ResCap	—	—	(539)	—	(539)
Proceeds from sale of business units, net	29	—	487	—	516
Net change in restricted cash	—	—	69	—	69
Other, net	(43)	—	139	—	96
Net cash provided by (used in) investing activities	2,773	318	(4,323)	(4,911)	(6,143)
Financing activities					
Net change in short-term borrowings — third party	202	8	(1,695)	—	(1,485)
Net (decrease) increase in deposits	(245)	—	3,218	—	2,973
Proceeds from issuance of long-term debt — third party	2,542	—	16,581	—	19,123
Repayments of long-term debt — third party	(1,491)	(27)	(14,398)	—	(15,916)
Net change in debt — intercompany	466	(311)	(2,972)	2,817	—
Dividends paid — third party	(401)	—	—	—	(401)
Dividends paid and returns of contributed capital — intercompany	—	(11)	(1,980)	1,991	—
Capital contributions from parent	—	—	51	(51)	—
Net cash provided by (used in) financing activities	1,073	(341)	(1,195)	4,757	4,294
Effect of exchange-rate changes on cash and cash equivalents	(117)	—	78	—	(39)
Net increase (decrease) in cash and cash equivalents	3,276	(4)	259	(479)	3,052
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	39	—	39
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035
Cash and cash equivalents at June 30	\$ 9,537	\$ 10	\$ 7,574	\$ (995)	\$ 16,126

26. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk. For additional information on contingencies and other risks arising from such transactions, refer to Note 29 to the Consolidated Financial Statements in our 2012 Annual Report.

Mortgage-Related Matters

ResCap Bankruptcy Filing

Our mortgage operations were historically a significant portion of our operations and were conducted primarily through our Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly-owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases, and certain other creditors. On June 26, 2013, the Bankruptcy Court entered an order approving the PSA. For further information with respect to the bankruptcy, refer to Note 1.

Mortgage Settlements and Consent Order

On February 9, 2012, we announced that we had reached an agreement with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

evictions (the Mortgage Settlement). Further, as a result of an examination conducted by the FRB and FDIC, on April 13, 2011, we entered into a consent order (the Consent Order) with the FRB and the FDIC, that required, among other things, GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (the FRB Foreclosure Review).

As described in Note 1, on June 26, 2013, the Bankruptcy Court approved a term sheet (the FRB Term Sheet) encompassing the terms of an amendment to the Consent Order (the Consent Order Amendment). The FRB Term Sheet, among other things, required the Debtors to escrow approximately \$230 million (the FRB Settlement Amount) in exchange for the FRB suspending the FRB Foreclosure Review for 30 days. The FRB Term Sheet was fully executed on June 27, 2013 and the FRB Foreclosure Review was suspended on June 28, 2013. On July 26, 2013, the Bankruptcy Court approved the Consent Order Amendment and, as a result, the Debtors are no longer responsible for the FRB Foreclosure Review, and the FRB Settlement Amount will be distributed to individual borrowers in full satisfaction of the Debtors' foreclosure review obligations.

In addition, the PSA described above provides that the Debtors will remain responsible for all costs and obligations imposed on the Debtors under the Mortgage Settlement and Consent Order. For further information, refer to Note 1. If the Bankruptcy Court does not confirm the Plan, it is possible that Ally could become liable for certain financial and performance obligations under the Mortgage Settlement and Consent Order.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims.

Mortgage-backed Securities Litigation

Ally Financial Inc. and certain of its subsidiaries are named as defendants in various cases relating to ResCap mortgage-backed securities and certain other mortgage-related matters, which are described in Note 29 to the Consolidated Financial Statements in our 2012 Annual Report, as updated in Note 26 to the Condensed Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the three months ended March 31, 2013 (collectively, the Mortgage Cases). The PSA requires the parties to support a Chapter 11 plan in the Debtors' Chapter 11 cases that will, among other things, settle and provide AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that reside with the Debtors, and all pending and potential claims held by third parties related to the Debtors that could be brought against AFI. These releases cover all of the Mortgage Cases, except for securities claims by the Federal Housing Finance Agency and the Federal Deposit Insurance Corporation, as receiver for certain failed banks. AFI believes it has strong defenses against these claims and will vigorously defend its position, as necessary.

Regulatory Matters

We have responded to subpoenas and document requests from the SEC, seeking information covering a wide range of mortgage-related matters, including, among other things, various aspects surrounding securitizations of residential mortgages. We also have responded to subpoenas received from the U.S. Department of Justice, which include broad requests for documentation and other information in connection with its investigation of potential fraud and other potential legal violations related to mortgage backed securities, as well as the origination and/or underwriting of mortgage loans. In addition, the CFPB has advised us that they are investigating certain of our retail financing practices. It is possible that this could result in actions against us.

Loan Repurchases and Obligations Related to Loan Sales

Representation and Warranty Obligation Reserve Methodology

The representation and warranty reserve was \$25 million at June 30, 2013 with respect to our sold and serviced loans for which we have retained representation and warranty obligation. The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

On April 16, 2013, we completed the sales of agency MSR to Ocwen and Quicken. The sale to Ocwen included the transfer of the origination representation and warranty liabilities (but not those related to servicing) on any and all claims following the sale of the MSRs through an indemnification agreement. However, Ally Bank retained all representation and warranty liability related to loans previously liquidated with a loss (e.g. GSEs completed a foreclosure) as well as the liability on outstanding claims at the time of the sale. The MSRs sale to Quicken did not include the transfer of representation and warranty liabilities. The repurchase reserve at June 30, 2013 reflects losses associated with this contractual obligation.

The following table summarizes the changes in our reserve for representation and warranty obligations.

Three months ended June 30, (\$ in millions)	2013 (a)	2012 (b)
Balance at April 1,	\$ 170	\$ 811
Provision for mortgage representation and warranty expenses		
Loan sales	1	4
Change in estimate — continuing operations	(2)	18
Total additions	(1)	22
Resolved claims (c)	(18)	(45)
Recoveries	1	1
Other (d)	(127)	(665)
Balance at June 30,	\$ 25	\$ 124

- (a) The liabilities are held by Ally Bank and a majority of the previous liability was eliminated as a result of the deconsolidation of ResCap. Refer to Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.
- (b) Includes activities of our discontinued operations.
- (c) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.
- (d) Activity for 2013 includes the impact of the sale of MSRs to Ocwen. Activity for 2012 includes the impact of the deconsolidation of ResCap.

Six months ended June 30, (\$ in millions)	2013 (a)	2012 (b)
Balance at January 1,	\$ 105	\$ 825
Provision for mortgage representation and warranty expenses		
Loan sales	5	8
Change in estimate — continuing operations	81	37
Total additions	86	45
Resolved claims (c)	(41)	(87)
Recoveries	2	6
Other (d)	(127)	(665)
Balance at June 30,	\$ 25	\$ 124

- (a) The liabilities are held by Ally Bank and a majority of the previous liability was eliminated as a result of the deconsolidation of ResCap. Refer to Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.
- (b) Includes activities of our discontinued operations.
- (c) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.
- (d) Activity for 2013 includes the impact of the sale of MSRs to Ocwen. Activity for 2012 includes the impact of the deconsolidation of ResCap.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the loss becomes probable and the amount can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

27. Subsequent Events

Notes Offering

On July 15, 2013, we completed a securities offering of \$1.4 billion in aggregate principal amount of Ally senior guaranteed notes. The offering included \$1.0 billion of fixed rate notes at par to yield 3.5% with a July 2016 maturity date and \$375 million of floating rate notes to yield a spread of 2.68% over the three-month London interbank offer rate with a July 2016 maturity date.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Declaration of Quarterly Dividend Payments

On July 9, 2013, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$1.125 per share, or a total of \$134 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of \$17.50 per share, or a total of \$45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of \$0.53 per share, or a total of \$22 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends are payable on August 15, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operation (MD&A), as well as other portions of this Form 10-K, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negatives of any of these words or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this report, including those under Item 1A, Risk Factors, as well as those provided in any subsequent SEC filings. Forward-looking statements apply only as of the date they are made, and Ally undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward-looking statement is made.

Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations, our Condensed Consolidated Financial Statements, and the Notes to Condensed Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

The following table presents selected statement of income data.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Total financing revenue and other interest income	\$ 2,008	\$ 1,808	\$ 3,964	\$ 3,524
Interest expense	881	1,016	1,762	2,076
Depreciation expense on operating lease assets	499	335	934	640
Net financing revenue	628	457	1,268	808
Total other revenue	402	714	788	1,319
Total net revenue	1,030	1,171	2,056	2,127
Provision for loan losses	89	33	220	131
Total noninterest expense	801	971	1,759	1,826
Income from continuing operations before income tax expense (benefit)	140	167	77	170
Income tax expense (benefit) from continuing operations	40	(16)	(83)	(15)
Net income from continuing operations	100	183	160	185
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net (loss) income	\$ (927)	\$ (898)	\$ 166	\$ (588)
Basic and diluted earnings per common share:				
Net loss from continuing operations	\$ (75)	\$ (13)	\$ (180)	\$ (162)
Net loss	(847)	(825)	(176)	(743)
Non-GAAP financial measures (a):				
Net (loss) income	\$ (927)	\$ (898)	\$ 166	\$ (588)
Add: Original issue discount amortization expense (b)	61	96	118	204
Add: Income tax expense (benefit) from continuing operations	40	(16)	(83)	(15)
Less: (Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Core pretax income (a)	\$ 201	\$ 263	\$ 195	\$ 374

(a) Core pretax income is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income is an important measure that management uses to assess the performance of our operations. We believe that core pretax income is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net (loss) income determined in accordance with GAAP.

(b) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table presents selected balance sheet and ratio data.

(\$ in millions)	At and for the three months ended June 30,		At and for the six months ended June 30,	
	2013	2012	2013	2012
Selected period-end balance sheet data:				
Total assets	\$ 150,627	\$ 178,560	\$ 150,627	\$ 178,560
Long-term debt	\$ 64,534	\$ 91,096	\$ 64,534	\$ 91,096
Preferred stock	\$ 6,940	\$ 6,940	\$ 6,940	\$ 6,940
Total equity	\$ 19,165	\$ 18,272	\$ 19,165	\$ 18,272
Financial ratios				
Efficiency ratio (a)	77.77 %	82.92 %	85.55%	85.85 %
Core efficiency ratio (a)	73.42 %	76.64 %	80.91%	78.34 %
Return on assets				
Net income from continuing operations	0.26 %	0.40 %	0.20%	0.20 %
Net (loss) income	(2.45)%	(1.96)%	0.21%	(0.64)%
Core pretax income	0.53 %	0.57 %	0.24%	0.41 %
Return on equity				
Net income from continuing operations	2.02 %	3.88 %	1.62%	1.95 %
Net (loss) income	(18.76)%	(19.05)%	1.68%	(6.19)%
Core pretax income	4.07 %	5.58 %	1.97%	3.94 %
Equity to assets	13.07 %	10.27 %	12.23%	10.35 %
Net interest spread (b)	1.51 %	1.18 %	1.59%	1.03 %
Net interest spread excluding original issue discount (b)	1.75 %	1.54 %	1.82%	1.42 %
Net yield on interest-earning assets (c)	1.85 %	1.38 %	1.88%	1.24 %
Net yield on interest-earning assets excluding original issue discount (c)	2.04 %	1.67 %	2.05%	1.56 %
Regulatory capital ratios				
Tier 1 capital (to risk-weighted assets) (d)	15.45 %	13.62 %	15.45%	13.62 %
Total risk-based capital (to risk-weighted assets) (e)	16.48 %	14.64 %	16.48%	14.64 %
Tier 1 leverage (to adjusted quarterly average assets) (f)	13.16 %	10.94 %	13.16%	10.94 %
Total equity	\$ 19,165	\$ 18,272	\$ 19,165	\$ 18,272
Goodwill and certain other intangibles	(188)	(491)	(188)	(491)
Unrealized gains and other adjustments	(1,862)	(180)	(1,862)	(180)
Trust preferred securities	2,544	2,543	2,544	2,543
Tier 1 capital (d)	19,659	20,144	19,659	20,144
Preferred stock	(6,940)	(6,940)	(6,940)	(6,940)
Trust preferred securities	(2,544)	(2,543)	(2,544)	(2,543)
Tier 1 common capital (non-GAAP) (g)	\$ 10,175	\$ 10,661	\$ 10,175	\$ 10,661
Risk-weighted assets (h)	\$ 127,248	\$ 147,909	\$ 127,248	\$ 147,909
Tier 1 common (to risk-weighted assets) (g)	8.00 %	7.21 %	8.00%	7.21 %

- (a) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.
- (b) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
- (c) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
- (d) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
- (e) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
- (f) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
- (g) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
- (h) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Overview

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Discontinued Operations

During 2013 and 2012, we committed to dispose of certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and have classified these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for more details. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

Remaining sales transactions for our Automotive Finance discontinued operations are expected to close in stages throughout 2013 and possibly 2014. We believe that when all of the stages are closed, we will realize a cumulative net gain on the sale.

Primary Lines of Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. The following table summarizes the operating results excluding discontinued operations of each line of business. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

(\$ in millions)	Three months ended June 30,			Six months ended June 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Total net revenue (loss)						
Dealer Financial Services						
Automotive Finance operations	\$ 837	\$ 805	4	\$ 1,692	\$ 1,512	12
Insurance operations	340	316	8	660	666	(1)
Mortgage operations	9	349	(97)	24	523	(95)
Corporate and Other	(156)	(299)	48	(320)	(574)	44
Total	\$ 1,030	\$ 1,171	(12)	\$ 2,056	\$ 2,127	(3)
Income (loss) from continuing operations before income tax expense (benefit)						
Dealer Financial Services						
Automotive Finance operations	\$ 382	\$ 440	(13)	\$ 725	\$ 681	6
Insurance operations	45	20	125	106	120	(12)
Mortgage operations	(43)	102	(142)	(247)	165	n/m
Corporate and Other	(244)	(395)	38	(507)	(796)	36
Total	\$ 140	\$ 167	(16)	\$ 77	\$ 170	(55)

n/m = not meaningful

- Our Dealer Financial Services operations offer a wide range of financial services and products to retail automotive consumers and automotive dealerships. Our Dealer Financial Services consist of two separate reportable segments — Automotive Finance and Insurance operations. Our automotive finance services include providing retail installment sales financing, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services.

Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and Guaranteed Automobile Protection (GAP) products. We also underwrite selected commercial insurance coverage, which primarily insures dealers' wholesale vehicle inventory.

- Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio. Our Mortgage operations also consist of noncore businesses that are winding down. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. On April 16, 2013, we completed the sales of agency MSR to Ocwen Financial Corp. (Ocwen) and Quicken Loans, Inc. (Quicken). Also on April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

- Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the operating segment sections of the MD&A that follows for a more complete discussion of operating results by line of business.

(\$ in millions)	Three months ended June 30,			Six months ended June 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Total financing revenue and other interest income	\$ 2,008	\$ 1,808	11	\$ 3,964	\$ 3,524	12
Interest expense	881	1,016	13	1,762	2,076	15
Depreciation expense on operating lease assets	499	335	(49)	934	640	(46)
Net financing revenue	628	457	37	1,268	808	57
Other revenue						
Net servicing income (loss)	7	159	(96)	(112)	175	(164)
Insurance premiums and service revenue earned	258	261	(1)	517	531	(3)
(Loss) gain on mortgage and automotive loans, net	(1)	86	(101)	37	106	(65)
Other gain on investments, net	64	64	—	115	153	(25)
Other income, net of losses	74	144	(49)	231	354	(35)
Total other revenue	402	714	(44)	788	1,319	(40)
Total net revenue	1,030	1,171	(12)	2,056	2,127	(3)
Provision for loan losses	89	33	(170)	220	131	(68)
Noninterest expense						
Compensation and benefits expense	252	270	7	537	573	6
Insurance losses and loss adjustment expenses	146	149	2	261	247	(6)
Other operating expenses	403	552	27	961	1,006	4
Total noninterest expense	801	971	18	1,759	1,826	4
Income from continuing operations before income tax expense (benefit)	140	167	(16)	77	170	(55)
Income tax expense (benefit) from continuing operations	40	(16)	n/m	(83)	(15)	n/m
Net income from continuing operations	\$ 100	\$ 183	(45)	\$ 160	\$ 185	(14)

n/m = not meaningful

We earned net income from continuing operations of \$100 million and \$160 million for the three months and six months ended June 30, 2013, respectively, compared to \$183 million and \$185 million for the three months and six months ended June 30, 2012, respectively. Net income from continuing operations for the three months and six months ended June 30, 2013 was unfavorably impacted by our Mortgage operations, primarily due to the exit of all non-strategic mortgage-related activities, including consumer mortgage-lending production associated with government-sponsored refinancing programs, our warehouse lending operations, and our agency MSR portfolio; which was partially offset by lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization, and lower funding costs. Results for the three months ended June 30, 2013 were also unfavorably impacted by higher income tax expense from continuing operations, whereas the results for the six months ended June 30, 2013 were favorably impacted by higher income tax benefit from continuing operations.

Total financing revenue and other interest income increased \$200 million and \$440 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The increases resulted primarily from an increase in operating lease revenue and consumer financing revenue for our Automotive Finance operations driven primarily by an increase in consumer asset levels as a result of strong lease originations, increased used vehicle automotive financing, and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods. Additionally, we continue to maintain our nonprime origination volume across a broad credit spectrum. This increase was partially offset by lower mortgage loan production as a result of the shutdown of our warehouse lending operations and the wind-down of the consumer held-for-sale portfolio.

Interest expense decreased 13% and 15% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to lower funding costs and a decrease in OID amortization expense. OID amortization expense decreased \$36 million and \$87 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, due to bond maturities and normal monthly amortization.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Depreciation expense on operating lease assets increased 49% and 46% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

We earned net servicing income of \$7 million and incurred a net servicing loss of \$112 million for the three months and six months ended June 30, 2013, respectively, compared to net servicing income of \$159 million and \$175 million for the same periods in 2012. The decreases resulted primarily from the valuation of our MSR portfolio in conjunction with the completed sales of our agency MSR portfolio to Ocwen and Quicken.

Gain on mortgage and automotive loans decreased \$87 million and \$69 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily related to lower consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs. Furthermore, while we continue to opportunistically utilize whole-loan sales as a source of funding in our Automotive Finance operations, we have not executed any whole-loan sales during the three months and six months ended June 30, 2013 and have primarily focused on securitization and deposit-based funding sources.

Other gain on investments, net, was \$64 million and \$115 million for the three months and six months ended June 30, 2013, respectively, compared to \$64 million and \$153 million for the same periods in 2012. The decrease for the six months ended June 30, 2013 was primarily a result of fewer sales of investments during the period.

Other income, net of losses, decreased 49% and 35% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs, partially offset by a fair value adjustment on derivatives related to the wind-down of our MSR portfolio.

The provision for loan losses was \$89 million and \$220 million, respectively, for the three months and six months ended June 30, 2013, compared to \$33 million and \$131 million for the same periods in 2012. The increases for the three months and six months ended June 30, 2013 were primarily due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. automobile consumer loan originations resulting primarily from higher industry sales.

Total noninterest expense decreased 18% and 4% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to lower representation and warranty expense due to the establishment of our representation and warranty liability during the second quarter of 2012 resulting from the deconsolidation of ResCap.

We recognized consolidated income tax expense from continuing operations of \$40 million and income tax benefit from continuing operations of \$83 million for the three months and six months ended June 30, 2013, respectively, compared to income tax benefit of \$16 million and \$15 million for the same periods in 2012. The increase in income tax expense for the three months ended June 30, 2013, compared to the same period in 2012, stemmed primarily from our differing U.S. valuation allowance posture in the respective periods. Specifically, U.S. pretax income was subject to U.S. taxation in both periods, however, the resulting deferred tax adjustment was offset by a valuation allowance reversal during the three months ended June 30, 2012. No such valuation allowance offset existed for the three months ended June 30, 2013 due to our release of valuation allowance against our ordinary-in-character deferred tax assets at December 31, 2012. The decrease in income tax expense for the six months ended June 30, 2013, compared to the same period in 2012, was primarily related to benefit in 2013 that was driven by the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

In calculating the continuing operations provision for income taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income on an interim basis. Refer to *Critical Accounting Estimates* within MD&A and Note 1 to the Condensed Consolidated Financial Statements for further details.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Dealer Financial Services

Results for Dealer Financial Services are presented by reportable segment, which includes our Automotive Finance and Insurance operations.

Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our Automotive Finance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

(\$ in millions)	Three months ended June 30,			Six months ended June 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Consumer	\$ 750	\$ 708	6	\$ 1,479	\$ 1,369	8
Commercial	268	290	(8)	549	575	(5)
Loans held-for-sale	—	6	(100)	—	11	(100)
Operating leases	788	561	40	1,522	1,068	43
Other interest income	6	15	(60)	13	30	(57)
Total financing revenue and other interest income	1,812	1,580	15	3,563	3,053	17
Interest expense	536	552	3	1,079	1,090	1
Depreciation expense on operating lease assets	499	335	(49)	934	640	(46)
Net financing revenue	777	693	12	1,550	1,323	17
Other revenue						
Servicing fees	16	30	(47)	35	60	(42)
Gain on automotive loans, net	—	39	(100)	—	39	(100)
Other income	44	43	2	107	90	19
Total other revenue	60	112	(46)	142	189	(25)
Total net revenue	837	805	4	1,692	1,512	12
Provision for loan losses	88	15	n/m	200	93	(115)
Noninterest expense						
Compensation and benefits expense	104	97	(7)	217	205	(6)
Other operating expenses	263	253	(4)	550	533	(3)
Total noninterest expense	367	350	(5)	767	738	(4)
Income from continuing operations before income tax expense (benefit)	\$ 382	\$ 440	(13)	\$ 725	\$ 681	6
Total assets	\$ 107,485	\$ 120,523	(11)	\$ 107,485	\$ 120,523	(11)

n/m = not meaningful

Our Automotive Finance operations earned income before income tax expense of \$382 million and \$725 million for the three months and six months ended June 30, 2013, respectively, compared to \$440 million and \$681 million for the three months and six months ended June 30, 2012, respectively. Results for the three months ended June 30, 2013 were unfavorably impacted by higher depreciation expense, higher provision for loan losses primarily driven by the prudent expansion of our underwriting strategy to originate assets across a broader credit spectrum, a gain on sale of loans during 2012 that did not recur in 2013, and higher noninterest expense primarily resulting from a favorable non-income tax credit recorded during the three months ended June 30, 2012. These unfavorable items were partially offset by higher total financing revenue due to growth in the consumer loan and lease portfolios coupled with lower interest expense. Results for the six months ended June 30, 2013 were favorably impacted by higher total financing revenue due to growth in the consumer loan and lease portfolios, partially offset by higher depreciation expense, higher provision for loan losses, and lower servicing fee income due to lower levels of serviced retail automotive loans.

Consumer financing revenue increased \$42 million and \$110 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, due to an increase in U.S. consumer asset levels primarily related to continued strong loan origination volume relative to the pay-down of the existing portfolio as well as a lack of use of whole-loan sales as a funding source in recent periods; however, our penetration levels for new retail automotive loans with GM are lower than those of 2012, and our originations of Chrysler subvented retail financing and subvented leases have ceased, thus reducing our current originations from the Chrysler channel. The

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

increase in consumer revenue from volume was partially offset by slightly lower yields as a result of the competitive market environment for automotive financing.

Commercial financing revenue decreased 8% and 5% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to lower yields as a result of competitive markets for automotive commercial financing.

Operating lease revenue increased 40% and 43% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong origination volume.

Depreciation expense on operating lease assets increased 49% and 46% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

Servicing fee income decreased 47% and 42% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, due to lower levels of off-balance sheet retail serviced assets.

Gains from the sale of automotive loans decreased \$39 million for both the three months and six months ended June 30, 2013, compared to the same periods in 2012. While we continue to opportunistically utilize whole-loan sales as a source of funding, we have not executed any whole-loan sales during the three months and six months ended June 30, 2013 and have primarily focused on securitization and deposit-based funding sources.

Other income increased 2% and 19% for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The increase for the six months ended June 30, 2013 was primarily due to a one-time fee earned from a vendor that did not occur during the six months ended June 30, 2012.

The provision for loan losses was \$88 million and \$200 million for the three months and six months ended June 30, 2013, respectively, compared to \$15 million and \$93 million for the same periods in 2012. The increases for the three months and six months ended June 30, 2013 were primarily due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. automobile consumer loan originations resulting primarily from higher industry sales.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Automotive Financing Volume

Consumer Automotive Financing Volume

The following tables summarize our new and used vehicle consumer financing volume, including lease, and our share of consumer sales in the United States.

Three months ended June 30, (units in thousands)	Consumer automotive financing volume		% Share of consumer sales	
	2013	2012	2013	2012
GM new vehicles	161	158	29	32
Chrysler new vehicles	58	89	16	28
Other non-GM / Chrysler new vehicles	21	24		
Used vehicles	125	128		
Total consumer automotive financing volume	365	399		

Six months ended June 30, (units in thousands)	Consumer automotive financing volume		% Share of consumer sales	
	2013	2012	2013	2012
GM new vehicles	312	299	30	31
Chrysler new vehicles	129	166	19	28
Other non-GM / Chrysler new vehicles	40	44		
Used vehicles	251	266		
Total consumer automotive financing volume	732	775		

Consumer automotive financing decreased during the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, driven primarily by a decrease in Chrysler new subvented vehicle originations as a result of the expiration of our operating agreement on April 30, 2013. The decrease was partially offset by an increase in GM new vehicle originations resulting from stronger lease volume.

The following tables present the total U.S. consumer origination dollars and percentage mix by product type.

Three months ended June 30, (\$ in millions)	Consumer automotive financing originations		% Share of originations	
	2013	2012	2013	2012
GM new vehicles				
New retail standard	\$ 1,608	\$ 1,540	16	15
New retail subvented	1,255	1,910	13	18
Lease	2,151	1,435	22	14
Total GM new vehicle originations	5,014	4,885		
Chrysler new vehicles				
New retail standard	952	1,146	10	11
New retail subvented	159	708	2	7
Lease	587	592	6	6
Total Chrysler new vehicle originations	1,698	2,446		
Other new retail vehicles	594	625	6	6
Other lease	30	26	1	1
Used vehicles	2,498	2,560	25	24
Total consumer automotive financing originations	\$ 9,834	\$ 10,542		

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Six months ended June 30, (\$ in millions)	Consumer automotive financing originations		% Share of originations	
	2013	2012	2013	2012
GM new vehicles				
New retail standard	\$ 3,104	\$ 3,137	16	15
New retail subvented	2,546	3,656	13	18
Lease	4,034	2,474	21	12
Total GM new vehicle originations	9,684	9,267		
Chrysler new vehicles				
New retail standard	1,998	2,224	10	11
New retail subvented	390	1,214	2	6
Lease	1,376	1,153	7	6
Total Chrysler new vehicle originations	3,764	4,591		
Other new retail vehicles	1,102	1,167	6	6
Other lease	68	46	1	1
Used vehicles	4,948	5,198	25	26
Total consumer automotive financing originations	\$ 19,566	\$ 20,269		

During the three months and six months ended June 30, 2013, respectively, total new GM vehicle originations increased, compared to the same periods in 2012, due to stronger lease volume, partially offset by lower new retail volume. Chrysler new retail contracts decreased primarily as a result of lower retail penetration at Chrysler due to our shift in focus towards non-subvented business as a result of the expiration of our operating agreement on April 30, 2013. Other lease originations were higher due to the continued strategic focus within the non-GM/non-Chrysler market.

For further discussion of manufacturing marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission (SEC) as revised by the Current Report on Form 8-K filed with the SEC on July 9, 2013 (referred to herein as 2012 Annual Report), Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

Commercial Wholesale Financing Volume

The following tables summarize the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles and share of dealer inventory in the United States.

Three months ended June 30, (\$ in millions)	Average balance		% Share of dealer inventory	
	2013	2012	2013	2012
GM new vehicles (a)	\$ 15,753	\$ 15,633	68	71
Chrysler new vehicles (a)	6,825	6,547	52	61
Other non-GM / Chrysler new vehicles	2,650	2,229		
Used vehicles	3,021	2,960		
Total commercial wholesale finance receivables	\$ 28,249	\$ 27,369		

(a) Share of dealer inventory based on a 4 month average of dealer inventory (excludes in-transit units).

Six months ended June 30, (\$ in millions)	Average balance		% Share of dealer inventory	
	2013	2012	2013	2012
GM new vehicles (a)	\$ 15,950	\$ 14,840	68	72
Chrysler new vehicles (a)	6,965	6,543	53	61
Other non-GM / Chrysler new vehicles	2,588	2,176		
Used vehicles	3,035	2,979		
Total commercial wholesale finance receivables	\$ 28,538	\$ 26,538		

(a) Share of dealer inventory based on a 7 month average of dealer inventory (excludes in-transit units).

Commercial wholesale financing average volume increased during the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, primarily due to growing dealer inventories required to support increasing automotive industry sales.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Wholesale penetration with GM decreased and wholesale penetration with Chrysler decreased significantly during the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012, as a result of increased competition in the wholesale marketplace.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Insurance Operations

Results of Operations

The following table summarizes the operating results of our Insurance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

(\$ in millions)	Three months ended June 30,			Six months ended June 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Insurance premiums and other income						
Insurance premiums and service revenue earned	\$ 258	\$ 261	(1)	\$ 517	\$ 531	(3)
Investment income	77	38	103	135	111	22
Other income	5	17	(71)	8	24	(67)
Total insurance premiums and other income	340	316	8	660	666	(1)
Expense						
Insurance losses and loss adjustment expenses	146	149	2	261	247	(6)
Acquisition and underwriting expense						
Compensation and benefits expense	16	15	(7)	31	32	3
Insurance commissions expense	93	94	1	185	193	4
Other expenses	40	38	(5)	77	74	(4)
Total acquisition and underwriting expense	149	147	(1)	293	299	2
Total expense	295	296	—	554	546	(1)
Income from continuing operations before income tax expense (benefit)	\$ 45	\$ 20	125	\$ 106	\$ 120	(12)
Total assets	\$ 7,336	\$ 8,237	(11)	\$ 7,336	\$ 8,237	(11)
Insurance premiums and service revenue written	\$ 271	\$ 284	(5)	\$ 505	\$ 535	(6)
Combined ratio (a)	112.9%	109.0%		106.3%	100.2%	

(a) Management uses a combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

Our Insurance operations earned income from continuing operations before income tax expense of \$45 million and \$106 million for the three months and six months ended June 30, 2013, respectively, compared to \$20 million and \$120 million for the three months and six months ended June 30, 2012, respectively. The increase for the three months ended June 30, 2013 was primarily due to higher realized investment gains. The decrease for the six months ended June 30, 2013 was primarily attributable to higher losses due to early spring hailstorms, partially offset by higher realized investment gains.

Insurance premiums and service revenue earned was \$258 million and \$517 million for the three months and six months ended June 30, 2013, respectively, compared to \$261 million and \$531 million for the same periods in 2012. The decreases were primarily due to declining U.S. vehicle service contracts written in prior years when the automotive market was depressed.

Investment income totaled \$77 million and \$135 million for the three months and six months ended June 30, 2013, respectively, compared to \$38 million and \$111 million for the same periods in 2012. The increases were primarily due to higher realized investment gains.

Insurance losses and loss adjustment expenses totaled \$146 million and \$261 million for the three months and six months ended June 30, 2013, respectively, compared to \$149 million and \$247 million for the same periods in 2012. The increase for the six month period was driven primarily by higher losses on our dealer inventory insurance products due to early spring hailstorms.

The combined ratio increased to 112.9% and 106.3% for the three months and six months ended June 30, 2013, respectively, compared to 109.0% and 100.2% for the same periods in 2012 primarily due to an increase in weather-related losses. Excluding the impact of the higher weather-related losses, expenses decreased in line with the decline in earned premium as expected.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table shows premium and service revenue written by insurance product.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Vehicle service contracts				
New retail	\$ 116	\$ 109	\$ 214	\$ 204
Used retail	133	131	258	264
Reinsurance	(34)	(29)	(67)	(60)
Total vehicle service contracts	215	211	405	408
Wholesale	45	31	72	51
Other finance and insurance (a)	11	42	28	76
Total	\$ 271	\$ 284	\$ 505	\$ 535

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products. The wind-down of Canadian personal line totaled \$23 million and \$38 million for the three months and six months ended June 30, 2012, respectively.

Insurance premiums and service revenue written was \$271 million and \$505 million for the three months and six months ended June 30, 2013, respectively, compared to \$284 million and \$535 million for the same periods in 2012. Insurance premiums and service revenue written decreased due to the sale of the Canadian personal lines business, which stopped writing new business on November 1, 2012. Exclusive of Canadian Personal Lines, written premium increased \$14 million primarily due to growth in Wholesale Motors Inventory business. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during 2013 will be recognized as income in future periods.

Cash and Investments

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

The following table summarizes the composition of our Insurance operations cash and investment portfolio at fair value.

(\$ in millions)	June 30, 2013	December 31, 2012
Cash		
Noninterest-bearing cash	\$ 299	\$ 129
Interest-bearing cash	437	488
Total cash	736	617
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	921	1,090
Foreign government	291	303
Mortgage-backed	1,184	714
Asset-backed	8	8
Corporate debt	1,309	1,264
Total debt securities	3,713	3,379
Equity securities	1,017	1,148
Total available-for-sale securities	4,730	4,527
Total cash and securities	\$ 5,466	\$ 5,144

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Mortgage Operations

Results of Operations

The following table summarizes the operating results for our Mortgage operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

(\$ in millions)	Three months ended June 30,			Six months ended June 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Total financing revenue and other interest income	\$ 93	\$ 146	(36)	\$ 215	\$ 312	(31)
Interest expense	78	117	33	166	246	33
Net financing revenue	15	29	(48)	49	66	(26)
Servicing fees	3	83	(96)	66	175	(62)
Servicing asset valuation and hedge activities, net	(12)	46	(126)	(213)	(60)	n/m
Total servicing (loss) income, net	(9)	129	(107)	(147)	115	n/m
(Loss) gain on mortgage loans, net	(1)	79	(101)	37	104	(64)
Other income, net of losses	4	112	(96)	85	238	(64)
Total other (loss) revenue	(6)	320	(102)	(25)	457	(105)
Total net revenue	9	349	(97)	24	523	(95)
Provision for loan losses	6	21	71	26	48	46
Noninterest expense						
Compensation and benefits expense	3	23	87	28	42	33
Representation and warranty expense	(2)	141	101	81	141	43
Other operating expenses	45	62	27	136	127	(7)
Total noninterest expense	46	226	80	245	310	21
(Loss) income from continuing operations before income tax expense (benefit)	\$ (43)	\$ 102	(142)	\$ (247)	\$ 165	n/m
Total assets	\$ 9,061	\$ 17,146	(47)	\$ 9,061	\$ 17,146	(47)

n/m = not meaningful

Our Mortgage operations incurred a loss from continuing operations before income tax expense of \$43 million and \$247 million for the three months and six months ended June 30, 2013, respectively, compared to income from continuing operations before income tax expense of \$102 million and \$165 million for the three months and six months ended June 30, 2012, respectively. The decreases were primarily related to our exit of all non-strategic mortgage-related activities, including consumer mortgage-lending production associated with government-sponsored refinancing programs, our warehouse lending operations, and our agency MSR portfolio.

Net financing revenue was \$15 million and \$49 million for the three months and six months ended June 30, 2013, respectively, compared to \$29 million and \$66 million for the same periods in 2012. The decreases in net financing revenue were primarily due to lower production as a result of the shutdown of our warehouse lending operations and the wind-down of consumer held-for-sale portfolio, partially offset by lower interest expense as a result of lower funding costs.

We incurred a net servicing loss of \$9 million and \$147 million for the three months and six months ended June 30, 2013, respectively, compared to net servicing income of \$129 million and \$115 million for the same periods in 2012, primarily resulting from the completed sales of our agency MSR portfolio to Ocwen and Quicken.

The net gain on mortgage loans decreased \$80 million and \$67 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily related to lower consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs.

Other income, net of losses, was \$4 million and \$85 million for the three months and six months ended June 30, 2013, respectively, compared to \$112 million and \$238 million for the same periods in 2012. The decreases were primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs, partially offset by a fair value adjustment on derivatives related to the wind-down of our MSR portfolio.

The provision for loan losses was \$6 million and \$26 million for the three months and six months ended June 30, 2013, respectively, compared to \$21 million and \$48 million for the same periods in 2012. The decreases for the three months and six months ended June 30,

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

2013, were primarily due to lower net charge-offs in 2013 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense decreased \$180 million and \$65 million for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to lower representation and warranty expense due to the establishment of our representation and warranty liability during the second quarter of 2012 resulting from the deconsolidation of ResCap.

Mortgage Loan Production and Servicing

Mortgage loan production was \$688 million and \$6.8 billion for the three months and six months ended June 30, 2013, respectively, compared to \$5.9 billion and \$14.5 billion for the same periods in 2012. Loan production decreased \$5.2 billion, or 88%, and \$7.7 billion, or 53%, for the three months and six months ended June 30, 2013, respectively, compared to the same periods in 2012. The decline in loan production was largely driven by our reduced presence in the correspondent lending and direct lending channels. On April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

The following tables summarize U.S. consumer mortgage loan production.

Three months ended June 30, (\$ in millions)	2013		2012	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	2,235	\$ 455	23,612	\$ 4,868
Prime nonconforming	286	232	716	580
Government	1	1	2,232	486
Total U.S. production by product type	2,522	\$ 688	26,560	\$ 5,934
U.S. production by channel				
Direct lending	1,018	\$ 207	15,753	\$ 3,166
Correspondent lender and secondary market purchases	1,322	415	8,572	2,156
Mortgage brokers	182	66	2,235	612
Total U.S. production by channel	2,522	\$ 688	26,560	\$ 5,934

Six months ended June 30, (\$ in millions)	2013		2012	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	30,107	\$ 6,020	54,362	\$ 11,455
Prime nonconforming	920	740	1,294	1,044
Government	221	44	9,027	1,970
Total U.S. production by product type	31,248	\$ 6,804	64,683	\$ 14,469
U.S. production by channel				
Direct lending	14,362	\$ 2,631	32,981	\$ 6,752
Correspondent lender and secondary market purchases	14,102	3,363	25,858	6,152
Mortgage brokers	2,784	810	5,844	1,565
Total U.S. production by channel	31,248	\$ 6,804	64,683	\$ 14,469

The majority of Ally Bank's serviced mortgage assets are subserviced by Ocwen, pursuant to a servicing agreement. During April 2013, we completed the sale of our portfolio of agency mortgage servicing rights to Ocwen and Quicken. The sales were completed in two stages - loans guaranteed by Fannie Mae were sold on April 1, 2013, and loans guaranteed by Freddie Mac were sold on April 16, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table summarizes our primary consumer mortgage loan-servicing portfolio by product category.

<i>(\$ in millions)</i>	June 30, 2013	December 31, 2012
U.S. primary servicing portfolio		
Prime conforming	\$ 401	\$ 117,544
Prime nonconforming	6,948	11,628
Prime second-lien	1,024	1,136
Government	1	16
Total primary servicing portfolio	\$ 8,374	\$ 130,324

For more information regarding our serviced mortgage assets, refer to Note 10 to the Condensed Consolidated Financial Statements.

Loans Outstanding

Consumer mortgage loans held-for-sale were as follows.

<i>(\$ in millions)</i>	June 30, 2013	December 31, 2012
Prime conforming	\$ 118	\$ 2,407
Government	1	8
Total	119	2,415
Net (discounts) premiums	(58)	26
Fair value option election adjustment	(5)	49
Total, net	\$ 56	\$ 2,490

Consumer mortgage loans held-for-investment were as follows.

<i>(\$ in millions)</i>	June 30, 2013	December 31, 2012
Prime conforming	\$ 248	\$ 245
Prime nonconforming	7,885	8,322
Prime second-lien	1,024	1,137
Government	—	—
Total	9,157	9,704
Net premiums	42	43
Allowance for loan losses	(410)	(432)
Other	6	8
Total, net	\$ 8,795	\$ 9,323

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

(\$ in millions)	Three months ended June 30,			Six months ended June 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing loss						
Total financing revenue and other interest income	\$ 71	\$ 45	58	\$ 124	\$ 89	39
Interest expense						
Original issue discount amortization	64	100	36	124	211	41
Other interest expense	186	226	18	358	487	26
Total interest expense	250	326	23	482	698	31
Net financing loss (a)	(179)	(281)	36	(358)	(609)	41
Other revenue						
Other gain on investments, net	—	36	(100)	3	60	(95)
Other income, net of losses	23	(54)	143	35	(25)	n/m
Total other revenue	23	(18)	n/m	38	35	9
Total net loss	(156)	(299)	48	(320)	(574)	44
Provision for loan losses	(5)	(3)	67	(6)	(10)	(40)
Noninterest expense						
Compensation and benefits expense	129	135	4	261	294	11
Other operating expense (b)	(36)	(36)	—	(68)	(62)	10
Total noninterest expense	93	99	6	193	232	17
Loss from continuing operations before income tax expense (benefit)	\$ (244)	\$ (395)	38	\$ (507)	\$ (796)	36
Total assets	\$ 26,745	\$ 32,654	(18)	\$ 26,745	\$ 32,654	(18)

n/m = not meaningful

(a) Refer to the table that follows for further details on the components of net financing loss.

(b) Includes a reduction of \$178 million and \$371 million for the three months and six months ended June 30, 2013, respectively, and \$195 million and \$402 million for the three months and six months ended June 30, 2012, respectively, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table summarizes the components of net financing losses for Corporate and Other.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Original issue discount amortization				
2008 bond exchange amortization	\$ (58)	\$ (92)	\$ (114)	\$ (196)
Other debt issuance discount amortization	(6)	(8)	(10)	(15)
Total original issue discount amortization (a)	(64)	(100)	(124)	(211)
Net impact of the funds transfer pricing methodology				
Unallocated liquidity costs (b)	(129)	(98)	(216)	(207)
Funds-transfer pricing / cost of funds mismatch (c)	47	(17)	111	(65)
Unassigned equity costs (d)	(46)	(81)	(155)	(159)
Total net impact of the funds transfer pricing methodology	(128)	(196)	(260)	(431)
Other (including Commercial Finance Group net financing revenue)	13	15	26	33
Total net financing losses for Corporate and Other	\$ (179)	\$ (281)	\$ (358)	\$ (609)
Outstanding original issue discount balance	\$ 1,716	\$ 1,992	\$ 1,716	\$ 1,992

(a) Amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.

(b) Represents the unallocated cost of funding our cash and investment portfolio.

(c) Represents our methodology to assign funding costs to classes of assets and liabilities based on expected duration and the London interbank offer rate (LIBOR) swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to the reportable segments so the respective reportable segments results are insulated from interest rate risk. The balance above is the resulting benefit (loss) due to holding interest rate risk at Corporate and Other.

(d) Primarily represents the unassigned cost of maintaining required capital positions for certain of our regulated entities, primarily Ally Bank and Ally Insurance.

The following table presents the scheduled remaining amortization of original issue discount at June 30, 2013.

Year ended December 31, (\$ in millions)	2013 (a)	2014	2015	2016	2017	2018 and thereafter	Total
Original issue discount							
Outstanding balance	\$ 1,579	\$ 1,391	\$ 1,335	\$ 1,272	\$ 1,197	\$—	
Total amortization (b)	137	188	56	63	75	1,197	\$ 1,716
2008 bond exchange amortization (c)	127	166	43	53	66	1,059	1,514

(a) The maximum annual scheduled amortization for any individual year is \$158 million in 2030 of which \$152 million is related to 2008 bond exchange amortization.

(b) The amortization is included as interest on long-term debt on the Condensed Consolidated Statement of Comprehensive Income.

(c) 2008 bond exchange amortization is included in total amortization.

Loss from continuing operations before income tax expense for Corporate and Other was \$244 million and \$507 million for the three months and six months ended June 30, 2013, respectively, compared to \$395 million and \$796 million for the three months and six months ended June 30, 2012, respectively. Corporate and Other's loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios. The improvement in the loss from continuing operations before income tax expense for the three months and six months ended June 30, 2013 was primarily due to decreases in OID amortization expense related to bond maturities and normal monthly amortization, lower funding costs as a result of the early repayment of certain Federal Home Loan Bank debt during the fourth quarter of 2012, and increases in other income primarily driven by derivative gains. The improvement was partially offset by a decrease in other gain on investments as a result of fewer sales of investments during the six months ended June 30, 2013.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$17 million and \$35 million for the three months and six months ended June 30, 2013, respectively, compared to \$9 million and \$34 million for the three months and six months ended June 30, 2012, respectively. The increases were primarily due to release of reserves related to a specific letter of credit exposure during the three months ended June 30, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Cash and Securities

The following table summarizes the composition of the cash and securities portfolio held at fair value by Corporate and Other.

<i>(\$ in millions)</i>	June 30, 2013	December 31, 2012
Cash		
Noninterest-bearing cash	\$ 993	\$ 944
Interest-bearing cash	6,035	5,942
Total cash	7,028	6,886
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	868	1,124
Mortgage-backed	9,145	6,191
Asset-backed	2,268	2,332
Total debt securities	12,281	9,647
Equity securities	4	4
Total available-for-sale securities	12,285	9,651
Total cash and securities	\$ 19,313	\$ 16,537

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses. Our risk management program is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage those risks to be within our risk appetite. Ally's primary risks include credit, lease residual, market, operational, insurance/underwriting, country, and liquidity. For more information on our risk management process, refer to the Risk Management MD&A section of our 2012 Annual Report.

Loan and Lease Exposure

The following table summarizes the exposures from our loan and lease activities.

<i>(\$ in millions)</i>	June 30, 2013	December 31, 2012
Finance receivables and loans		
Dealer Financial Services	\$ 86,226	\$ 86,542
Mortgage operations	9,270	9,821
Corporate and Other	1,497	2,692
Total finance receivables and loans	96,993	99,055
Held-for-sale loans		
Dealer Financial Services	—	—
Mortgage operations	56	2,490
Corporate and Other	46	86
Total held-for-sale loans	102	2,576
Total on-balance sheet loans	\$ 97,095	\$ 101,631
Off-balance sheet securitized loans		
Dealer Financial Services	\$ 1,183	\$ 1,495
Mortgage operations	131	119,384
Corporate and Other	—	—
Total off-balance sheet securitized loans	\$ 1,314	\$ 120,879
Operating lease assets		
Dealer Financial Services	\$ 16,085	\$ 13,550
Mortgage operations	—	—
Corporate and Other	—	—
Total operating lease assets	\$ 16,085	\$ 13,550
Serviced loans and leases		
Dealer Financial Services	\$ 117,897	\$ 134,122
Mortgage operations	8,374	130,324
Corporate and Other	1,438	1,344
Total serviced loans and leases	\$ 127,709	\$ 265,790

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. Historically, we primarily originated mortgage loans with the intent to sell and, as such, retained only a small percentage of the loans that we originated or purchased. Mortgage loans that we did not intend to retain were sold to investors, primarily through securitizations guaranteed by GSEs. However, we may have retained an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure. On April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans; as a result, our ongoing mortgage portfolio includes the management of our held-for-investment mortgage loans.

Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from an obligor in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. Credit risk is monitored by global and line of business committees and the Global Risk Management organization. Together they oversee the credit decisioning and management processes, and monitor credit risk exposures to ensure they are managed in a safe-and-sound manner and are within our risk appetite. In addition, our Loan Review Group

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

provides an independent assessment of the quality of our credit portfolios and credit risk management practices, and directly reports its findings to the Risk and Compliance Committee of the Board on a regular basis.

To mitigate risk we have implemented specific policies and processes across all lines of business, utilizing both qualitative and quantitative analyses, that reflect our commitment to maintaining an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, as well as stress testing and the assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations. In addition, we maintain limits and underwriting guidelines that reflect our risk appetite.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment.

Additionally, we utilize numerous collection strategies to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we work with customers when they become delinquent on their monthly payment. In lieu of repossessing their vehicle, we may offer additional types of assistance to aid our customers based on their willingness and ability to repay their loan. Loss mitigation includes extending payments and rewriting the loan terms. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

Furthermore, we manage our counterparty credit exposure based on the risk profile of the counterparty. Within our policies, we have established standards and requirements for managing counterparty risk exposures in a safe-and-sound manner. Counterparty credit risk is derived from multiple exposure types, including derivatives, securities trading, securities financing transactions, financial futures, cash balances (e.g. due from depository institutions, restricted accounts, and cash equivalents), and investment in debt securities. For more information on Derivative Counterparty Credit Risk, refer to Note 20 to the Condensed Consolidated Financial Statements.

The U.S. economy has continued to expand during the three months and six months ended June 30, 2013. The labor market recovered further during the quarter, with nonfarm payrolls increasing by more than 600,000 and the quarterly unemployment rate falling to a four year low of 7.6%. Within the U.S. automotive portfolio, encouraging trends include a Seasonally Adjusted Annual Rate of 15.3 million new light vehicle sales during the quarter, an 8.7% increase over the same period in 2012. Nonetheless, we continue to be cautious with the economic outlook due to adverse effects of the sequester mandated cuts to U.S. federal government spending, weak manufacturing activity, and slow economic growth.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At June 30, 2013, this primarily included \$86.2 billion of automobile finance receivables and loans and \$9.3 billion of mortgage finance receivables and loans.

During 2012 and 2013, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Consumer						
Finance receivables and loans						
Loans at historical cost	\$ 65,298	\$ 63,536	\$ 701	\$ 642	\$ 1	\$ 1
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	65,298	63,536	701	642	1	1
Loans held-for-sale	56	2,490	21	25	—	—
Total consumer loans	65,354	66,026	722	667	1	1
Commercial						
Finance receivables and loans						
Loans at historical cost	31,695	35,519	305	216	—	—
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	31,695	35,519	305	216	—	—
Loans held-for-sale	46	86	—	—	—	—
Total commercial loans	31,741	35,605	305	216	—	—
Total on-balance sheet loans	\$ 97,095	\$ 101,631	\$ 1,027	\$ 883	\$ 1	\$ 1

(a) Includes nonaccrual troubled debt restructured loans (TDRs) of \$518 million and \$419 million at June 30, 2013, and December 31, 2012, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2013 and December 31, 2012.

Total on-balance sheet loans outstanding at June 30, 2013, decreased \$4.5 billion to \$97.1 billion from December 31, 2012 reflecting a decrease of \$3.9 billion in the commercial portfolio and a decrease of \$672 million in the consumer portfolio. The decrease in commercial on-balance sheet loans outstanding was primarily driven by the seasonality of dealer inventories and increased competition across the automotive lending market. The decrease in consumer on-balance sheet loans was primarily driven by the reduction of mortgage originations, partially offset by automobile originations, which outpaced portfolio runoff.

The total TDRs outstanding at June 30, 2013, increased \$105 million to \$1.3 billion from December 31, 2012, primarily due to our loss mitigation procedures and continued foreclosure prevention along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at June 30, 2013, increased \$144 million to \$1.0 billion from December 31, 2012, reflecting an increase of \$89 million of commercial nonperforming loans and an increase of \$55 million of consumer nonperforming loans. The increase in total nonperforming loans from December 31, 2012, was due in part to the reclassification of a small number of commercial loans to nonperforming status within an overall stable commercial portfolio. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report for additional information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

(\$ in millions)	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2013	2012	2013	2012	2013	2012	2013	2012
Consumer								
Finance receivables and loans at historical cost (b)	\$ 106	\$ 107	0.7%	0.5 %	\$ 220	\$ 224	0.7%	0.6 %
Commercial								
Finance receivables and loans at historical cost (c)	(3)	(19)	—	(0.2)	(3)	(29)	—	(0.1)
Total finance receivables and loans at historical cost	\$ 103	\$ 88	0.4	0.3	\$ 217	\$ 195	0.4	0.3

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

(b) Includes no international net charge-offs for the three months and six months ended June 30, 2013, and \$27 million and \$47 million of international net charge-offs for the three months and six months ended June 30, 2012.

(c) Includes \$1 million of international net charge-offs for both the three months and six months ended June 30, 2013, and \$18 million and \$23 million of international recoveries for the three months and six months ended June 30, 2012.

Net charge-offs were \$103 million and \$217 million for the three months and six months ended June 30, 2013, respectively, compared to \$88 million and \$195 million for the three months and six months ended June 30, 2012, respectively. The increase was largely due to recoveries in the commercial portfolio in 2012 that did not repeat in 2013. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

The *Consumer Credit Portfolio* and *Commercial Credit Portfolio* discussions that follow relate to consumer and commercial finance receivables and loans recorded at historical cost. Finance receivables and loans recorded at historical cost have an associated allowance for loan losses. Finance receivables and loans measured at fair value were excluded from these discussions since those exposures are not accounted for within our allowance for loan losses.

Consumer Credit Portfolio

During the three months and six months ended June 30, 2013, the credit performance of the consumer portfolio remained strong and reflects our prudently expanded underwriting strategy to originate the consumer automotive assets across a broader spectrum. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	December 31,		December 31,		December 31,	
	June 30, 2013	2012	June 30, 2013	2012	June 30, 2013	2012
Consumer automobile (c)	\$ 56,028	\$ 53,715	\$ 277	\$ 260	\$ —	\$ —
Consumer mortgage						
1st Mortgage	6,774	7,173	388	342	1	1
Home equity	2,496	2,648	36	40	—	—
Total consumer finance receivables and loans	\$ 65,298	\$ 63,536	\$ 701	\$ 642	\$ 1	\$ 1

(a) Includes nonaccrual troubled debt restructured loans of \$442 million and \$373 million at June 30, 2013, and December 31, 2012, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2013, and December 31, 2012.

(c) Includes \$1 million and \$2 million of international consumer automobile loans outstanding at June 30, 2013, and December 31, 2012, respectively.

Total consumer outstanding finance receivables and loans increased \$1.8 billion at June 30, 2013 compared with December 31, 2012. This increase was related to growth in our U.S. automobile consumer loan originations largely due to higher industry sales, which outpaced portfolio runoff. Additionally, we continued to prudently expand our nonprime and used originations as a percent of our total originations.

Total consumer nonperforming finance receivables and loans at June 30, 2013 increased \$59 million to \$701 million from December 31, 2012, reflecting an increase of \$42 million of consumer mortgage nonperforming finance receivables and loans and an increase of \$17 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans increased primarily due to increased TDRs as we continue foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Nonperforming consumer automobile finance receivables and loans increased

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

primarily due to the change in our portfolio mix as we prudently expanded our nonprime and used originations as well as seasoning of the portfolio. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.1% and 1.0% at June 30, 2013 and December 31, 2012, respectively.

Consumer automotive loans accruing and past due 30 days or more decreased \$74 million to \$999 million at June 30, 2013, compared with December 31, 2012. The decrease is predominately due to normal seasonal trends.

The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

(\$ in millions)	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs		Net charge-off ratios (a)		Net charge-offs		Net charge-off ratios (a)	
	2013	2012	2013	2012	2013	2012	2013	2012
Consumer automobile (b)	\$ 80	\$ 70	0.6%	0.4%	\$ 173	\$ 144	0.6%	0.4%
Consumer mortgage								
1st Mortgage	18	24	1.0	1.4	28	47	0.8	1.4
Home equity	8	13	1.3	1.8	19	33	1.5	2.2
Total consumer finance receivables and loans	\$ 106	\$ 107	0.7	0.5	\$ 220	\$ 224	0.7	0.6

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

(b) Includes no international consumer automobile net charge-offs for the three months and six months ended June 30, 2013, and \$27 million and \$47 million for the three months and six months ended June 30, 2012.

Our net charge-offs from total consumer automobile finance receivables and loans were \$80 million and \$173 million for the three months and six months ended June 30, 2013, respectively, compared to \$70 million and \$144 million for the three months and six months ended June 30, 2012, respectively. The increase was driven primarily by the change in our U.S. portfolio mix as we prudently expanded our nonprime and used originations, seasoning of the portfolio, and higher outstandings. This increase was partially offset by the inclusion of international net charge-offs during the first half of 2012 prior to the reclassification of the international automotive finance business to discontinued operations.

Our net charge-offs from total consumer mortgage receivables and loans were \$26 million and \$47 million for the three months and six months ended June 30, 2013, compared to \$37 million and \$80 million for the same periods in 2012. The decreases were driven by the improved mix of remaining loans as lower quality legacy loans continued to runoff.

The following table summarizes the unpaid principal balance of total consumer loan originations for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans and loans held-for-sale during the period.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Consumer automobile (a)	\$ 7,066	\$ 11,257	\$ 14,088	\$ 21,909
Consumer mortgage				
1st Mortgage	688	5,943	6,804	14,539
Home equity	—	—	—	—
Total consumer loan originations	\$ 7,754	\$ 17,200	\$ 20,892	\$ 36,448

(a) Includes no international consumer automobile originations for the three months and six months ended June 30, 2013, and \$2.8 billion and \$5.3 billion for the three months and six months ended June 30, 2012.

Total automobile-originated loans decreased \$4.2 billion and \$7.8 billion for the three months and six months ended June 30, 2013, compared to the same periods in 2012. The decreases were primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market. Total mortgage-originated loans decreased \$5.3 billion and \$7.7 billion for the three months and six months ended June 30, 2013, respectively. The declines in loan production were largely driven by our decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

Consumer loan originations retained on-balance sheet as held-for-investment were \$7.3 billion and \$14.8 billion for the three months and six months ended June 30, 2013, respectively, compared to \$11.8 billion and \$23.0 billion for the three months and six months ended June 30, 2012, respectively. The decreases were primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state concentration. Total automobile loans were \$56.0 billion and \$53.7 billion at June 30, 2013, and December 31, 2012, respectively. Total mortgage and home equity loans were \$9.3 billion and \$9.8 billion at June 30, 2013, and December 31, 2012, respectively.

	June 30, 2013 (a)		December 31, 2012	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	13.0%	5.9%	12.9%	5.8%
California	5.6	29.7	5.6	29.2
Florida	6.9	3.6	6.7	3.6
Pennsylvania	5.3	1.6	5.2	1.6
Michigan	4.7	3.9	5.0	4.1
Illinois	4.4	4.5	4.3	4.8
New York	4.4	1.9	4.6	2.0
Ohio	4.0	0.8	4.0	0.8
Georgia	3.8	2.0	3.7	1.9
North Carolina	3.3	1.9	3.3	2.0
Other United States	44.6	44.2	44.7	44.2
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at June 30, 2013.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 21.1% and 21.0% of our total outstanding consumer finance receivables and loans at June 30, 2013, and December 31, 2012, respectively.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in Other Assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

Repossessed assets in our Automotive Finance operations at June 30, 2013 increased \$7 million to \$69 million from December 31, 2012. Foreclosed mortgage assets at June 30, 2013, remained flat at \$6 million from December 31, 2012.

Higher-Risk Mortgage Loans

Since 2009, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for production and prime nonconforming or nonprime for international production), and below-market rate (teaser) mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories, it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value (LTV) mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below-market rate (teaser) mortgages. We believe this hierarchy provides the most relevant risk assessment of our nontraditional products, given the historical stress within the housing market.

The following table summarizes mortgage finance receivables and loans by higher-risk loan type. These finance receivables and loans are recorded at historical cost and reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming		Accruing past due 90 days or more	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Interest-only mortgage loans (a)	\$ 1,746	\$ 2,063	\$ 126	\$ 125	\$ —	\$ —
Below-market rate (teaser) mortgages	177	192	3	3	—	—
Total higher-risk mortgage loans	\$ 1,923	\$ 2,255	\$ 129	\$ 128	\$ —	\$ —

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

High original LTV mortgage finance receivables and loans at June 30, 2013 remained flat at \$1 million from December 31, 2012, and payment-option adjustable-rate mortgage finance receivables and loans at June 30, 2013 decreased \$1 million to \$2 million from December 31, 2012. There were no high original LTV mortgage loans or payment-option adjustable-rate mortgage loans classified as nonperforming or 90 days past due and still accruing at June 30, 2013 and December 31, 2012.

The allowance for loan losses was \$88 million, or 4.6%, of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at June 30, 2013 compared to \$104 million, or 4.6% at December 31, 2012.

The following table includes our five largest state concentrations based on our higher-risk mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

(\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
June 30, 2013			
California	\$ 417	\$ 55	\$ 472
Virginia	192	8	200
Maryland	153	5	158
Illinois	91	6	97
Florida	73	8	81
Other United States	820	95	915
Total higher-risk mortgage loans	\$ 1,746	\$ 177	\$ 1,923
December 31, 2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Florida	90	9	99
Other United States	984	103	1,087
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255

Commercial Credit Portfolio

During the three months and six months ended June 30, 2013, the credit performance of the commercial portfolio remained strong as net charge-offs remained stable. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Commercial and industrial						
Automobile	\$ 27,518	\$ 30,270	\$ 186	\$ 146	\$ —	\$ —
Mortgage	—	—	—	—	—	—
Other (c)(d)	1,502	2,697	88	33	—	—
Commercial real estate						
Automobile	2,675	2,552	31	37	—	—
Mortgage	—	—	—	—	—	—
Total commercial finance receivables and loans	\$ 31,695	\$ 35,519	\$ 305	\$ 216	\$ —	\$ —

(a) Includes nonaccrual troubled debt restructured loans of \$75 million and \$29 million at June 30, 2013, and December 31, 2012, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at June 30, 2013 and December 31, 2012.

(c) Includes international commercial and industrial other outstanding loans of \$15 million and \$18 million and no international nonperforming loans at June 30, 2013, and December 31, 2012, respectively.

(d) Other commercial primarily includes senior secured commercial lending.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Total commercial finance receivables and loans outstanding decreased \$3.8 billion to \$31.7 billion at June 30, 2013, from December 31, 2012. The commercial and industrial outstandings decreased \$3.9 billion primarily due to seasonality of dealer inventories and increased competition across the automotive lending market, as well as the June 2013 payoff of ResCap's debtor-in-possession financing.

Total commercial nonperforming finance receivables and loans were \$305 million at June 30, 2013, an increase of \$89 million compared to December 31, 2012. The increase was primarily due to the reclassification of a small number of commercial loans to nonperforming status within the overall stable commercial portfolio. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans increased to 1.0% as of June 30, 2013 from 0.6% as of December 31, 2012.

The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

(\$ in millions)	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2013	2012	2013	2012	2013	2012	2013	2012
Commercial and industrial								
Automobile (b)	\$ —	\$ 1	— %	— %	\$ —	\$ 1	— %	— %
Mortgage	—	—	—	—	—	—	—	—
Other (c)	(2)	(18)	(0.4)	(4.0)	(3)	(27)	(0.3)	(3.4)
Commercial real estate								
Automobile	(1)	(2)	(0.1)	(0.3)	—	(2)	—	(0.1)
Mortgage (d)	—	—	—	—	—	(1)	—	(12.4)
Total commercial finance receivables and loans	\$ (3)	\$ (19)	—	(0.2)	\$ (3)	\$ (29)	—	(0.1)

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

(b) Includes no international net charge-offs for the three months and six months ended June 30, 2013, and \$1 million of international net charge-offs for both the three months and six months ended June 30, 2012.

(c) Includes \$1 million of international net charge-offs for both the three months and six months ended June 30, 2013, respectively, and \$19 million and \$23 million of international recoveries for the three months and six months ended June 30, 2012, respectively.

(d) Includes no international net charge-offs for the three months and six months ended June 30, 2013, and no international net charge-offs and \$1 million of international recoveries for the three months and six months ended June 30, 2012, respectively.

Our net charge-offs from commercial finance receivables and loans resulted in \$3 million of recoveries for both the three months and six months ended June 30, 2013, compared to recoveries of \$19 million and \$29 million for the same periods in 2012. The change in net charge-offs was largely driven by strong recoveries in certain wind-down portfolios during the three months and six months ended June 30, 2012 that did not repeat for the same periods in 2013.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were \$2.7 billion and \$2.6 billion at June 30, 2013 and December 31, 2012, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table presents the percentage of total commercial real estate finance receivables and loans by geographic region and property type. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	June 30, 2013	December 31, 2012
Geographic region		
Texas	13.8%	13.0%
Michigan	12.3	12.6
Florida	12.1	11.7
California	9.4	9.3
New York	4.5	4.9
North Carolina	4.1	3.9
Virginia	3.7	3.9
Pennsylvania	3.5	3.3
Georgia	3.1	3.0
Alabama	2.2	2.2
Other United States	31.3	32.2
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	100.0%
Total commercial real estate finance receivables and loans	100.0%	100.0%

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential economic loss.

The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	June 30, 2013	December 31, 2012
Industry		
Automotive	89.3%	85.7%
Services	4.4	4.9
Electronics	1.9	1.2
Other	4.4	8.2
Total commercial criticized finance receivables and loans	100.0%	100.0%

Total criticized exposures increased \$88 million to \$1.8 billion at June 30, 2013 from December 31, 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Allowance for Loan Losses

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

Three months ended June 30, 2013 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at April 1, 2013	\$ 599	\$ 451	\$ 1,050	\$ 147	\$ 1,197
Charge-offs (a)	(133)	(31)	(164)	(2)	(166)
Recoveries	53	5	58	5	63
Net charge-offs	(80)	(26)	(106)	3	(103)
Provision for loan losses	92	6	98	(9)	89
Other	(1)	—	(1)	1	—
Allowance at June 30, 2013	\$ 610	\$ 431	\$ 1,041	\$ 142	\$ 1,183
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2013 (b)	1.1%	4.6%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2013 (b)	0.6%	1.1%	0.7%	—%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2013 (b)	220.5%	101.5%	148.4%	46.6%	117.6%
Ratio of allowance for loan losses to net charge-offs at June 30, 2013	1.9	4.1	2.5	(11.7)	2.9

(a) Includes international commercial charge-offs of \$1 million.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Three months ended June 30, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at April 1, 2012	\$ 832	\$ 501	\$ 1,333	\$ 213	\$ 1,546
Charge-offs (a)	(130)	(41)	(171)	(3)	(174)
Recoveries (b)	60	4	64	22	86
Net charge-offs	(70)	(37)	(107)	19	(88)
Provision for loan losses	18	21	39	(6)	33
Other (c)	(2)	(13)	(15)	(49)	(64)
Allowance at June 30, 2012	\$ 778	\$ 472	\$ 1,250	\$ 177	\$ 1,427
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2012 (d)	1.1%	4.8%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2012 (d)	0.4%	1.5%	0.5%	(0.2)%	0.3%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2012 (d)	262.5%	114.8%	176.7%	61.5%	143.4%
Ratio of allowance for loan losses to net charge-offs at June 30, 2012	2.8	3.2	2.9	(2.3)	4.1

(a) Includes international consumer automobile and international commercial charge-offs of \$45 million and \$2 million, respectively.

(b) Includes international consumer automobile and international commercial recoveries of \$18 million and \$20 million, respectively.

(c) Includes negative provision for loan losses relating to discontinued operations of \$4 million.

(d) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Six months ended June 30, 2013 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2013	\$ 575	\$ 452	\$ 1,027	\$ 143	\$ 1,170
Charge-offs (a)	(275)	(55)	(330)	(3)	(333)
Recoveries	102	8	110	6	116
Net charge-offs	(173)	(47)	(220)	3	(217)
Provision for loan losses	199	26	225	(5)	220
Other	9	—	9	1	10
Allowance at June 30, 2013	\$ 610	\$ 431	\$ 1,041	\$ 142	\$ 1,183
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2013 (b)	1.1%	4.6%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2013 (b)	0.6%	1.0%	0.7%	—%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2013 (b)	220.5%	101.5%	148.4%	46.6%	117.6%
Ratio of allowance for loan losses to net charge-offs at June 30, 2013	1.8	4.6	2.4	(24.2)	2.7

(a) Includes international commercial charge-offs of \$1 million.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Six months ended June 30, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Charge-offs (a)	(266)	(86)	(352)	(5)	(357)
Recoveries (b)	122	6	128	34	162
Net charge-offs	(144)	(80)	(224)	29	(195)
Provision for loan losses	101	48	149	(18)	131
Other (c)	55	(12)	43	(55)	(12)
Allowance at June 30, 2012	\$ 778	\$ 472	\$ 1,250	\$ 177	\$ 1,427
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2012 (d)	1.1%	4.8%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at June 30, 2012 (d)	0.4%	1.6%	0.6%	(0.1)%	0.3%
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2012 (d)	262.5%	114.8%	176.7%	61.5%	143.4%
Ratio of allowance for loan losses to net charge-offs at June 30, 2012	2.7	3.0	2.8	(3.1)	3.7

(a) Includes international consumer automobile and international commercial charge-offs of \$81 million and \$2 million, respectively.

(b) Includes international consumer automobile and international commercial recoveries of \$34 million and \$25 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of \$37 million.

(d) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses at June 30, 2013, declined \$209 million compared to June 30, 2012. The decline was primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 and run-off of legacy mortgage assets. The decline was partially offset by increases in the allowance for consumer automotive assets due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum and the growth in our U.S. automobile consumer loan originations largely due to higher industry sales.

The allowance for commercial loan losses declined \$35 million at June 30, 2013, compared to June 30, 2012, primarily related to the reclassification of our international automotive business to discontinued operations at the end of 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

June 30, (\$ in millions)	2013			2012		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Consumer automobile (a)	\$ 610	1.1%	51.6%	\$ 778	1.1%	54.5%
Consumer mortgage						
1st Mortgage	276	4.1	23.3	252	3.6	17.7
Home equity	155	6.2	13.1	220	7.9	15.4
Total consumer loans	1,041	1.6	88.0	1,250	1.6	87.6
Commercial						
Commercial and industrial						
Automobile (b)	59	0.2	5.0	89	0.2	6.2
Mortgage	—	—	—	1	0.1	0.1
Other	46	3.1	3.9	46	1.9	3.2
Commercial real estate						
Automobile (c)	37	1.4	3.1	41	1.6	2.9
Mortgage	—	—	—	—	—	—
Total commercial loans	142	0.4	12.0	177	0.4	12.4
Total allowance for loan losses	\$ 1,183	1.2	100.0%	\$ 1,427	1.2	100.0%

(a) Includes no international consumer automobile allowance for loan losses and \$189 million at June 30, 2013 and June 30, 2012, respectively.

(b) Includes no international commercial and industrial automobile allowance for loan losses and \$31 million at June 30, 2013 and June 30, 2012, respectively.

(c) Includes no international commercial real estate automobile allowance for loan losses and \$3 million at June 30, 2013 and June 30, 2012, respectively.

Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

(\$ in millions)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Consumer				
Consumer automobile	\$ 92	\$ 18	\$ 199	\$ 101
Consumer mortgage				
1st Mortgage	39	15	58	25
Home equity	(33)	6	(32)	23
Total consumer loans	98	39	225	149
Commercial				
Commercial and industrial				
Automobile	(1)	(5)	4	(5)
Mortgage	—	—	—	—
Other	(5)	(3)	(6)	(10)
Commercial real estate				
Automobile	(3)	2	(3)	(3)
Mortgage	—	—	—	—
Total commercial loans	(9)	(6)	(5)	(18)
Total provision for loan losses	\$ 89	\$ 33	\$ 220	\$ 131

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The provision for consumer loan losses increased \$59 million and \$76 million, respectively, for the three months and six months ended June 30, 2013, compared to the same periods in 2012. The increases were primarily due to the prudent expansion of our underwriting strategy to originate consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession and the growth in our U.S. automobile consumer loan originations largely due to higher industry sales.

Provision for commercial loan losses were credits of \$9 million and \$5 million, respectively, for the three months and six months ended June 30, 2013, compared to credits of \$6 million and \$18 million for the same periods in 2012. Lower finance receivables and loans at June 30, 2013 resulted in lower allowance build during the quarter while fewer recoveries and allowance releases from legacy businesses drove a lower credit for the six months ended June 30, 2013.

Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. For additional information on our valuation of automobile lease assets and residuals, refer to the Critical Accounting Estimates — Valuation of Automobile Lease Assets and Residuals section within the MD&A included in our 2012 Annual Report.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 20 to the Condensed Consolidated Financial Statements for further information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Refer to our 2012 Annual Report, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for further discussion on value at risk and sensitivity analysis. Since December 31, 2012, there have been no material changes in these market risks.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet uncertain cash flow obligations caused by unanticipated events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to their solvency.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO and the Risk and Compliance Committee of the Ally Financial Board of Directors. We manage liquidity risk at the parent company, Ally Bank, and consolidated levels. The parent company and Ally Bank prepare periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline economic projections as well as more severe economic stressed environments. Corporate Treasury, in turn, plans and executes our funding strategies.

We use multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends such as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At June 30, 2013, we maintained \$23.0 billion of total available parent company liquidity and \$10.3 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. At June 30, 2013, \$3.4 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on our timely and cost-effective access to retail deposits and funding in different segments of the capital markets. Our funding strategy largely focuses on the development of diversified funding sources across a broad investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, unsecured retail term notes, public and private asset-backed securitizations, committed and uncommitted credit facilities, brokered deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company (nonbank) funding.

We diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on optimizing our funding sources, in particular at Ally Bank by growing retail deposits, expanding public and private securitization programs, maintaining a prudent maturity profile of our brokered deposit portfolio while not exceeding a \$10.0 billion portfolio, maintaining repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our parent company exposures and funding requirements and to utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Ally Bank Funding and Liquidity

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our Automotive Finance and Mortgage operations with a stable and low-cost funding source. At June 30, 2013, Ally Bank had \$49.5 billion of total external deposits, including \$39.9 billion of retail deposits.

At June 30, 2013, Ally Bank maintained cash liquidity of \$3.1 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$6.7 billion. In addition, at June 30, 2013, Ally Bank had unused capacity in committed secured funding facilities of \$3.9 billion, including an equal allocation of shared unused capacity of \$4.1 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to five days notice. Ally Bank has total available liquidity of \$10.3 billion at June 30, 2013, excluding the intercompany loan of \$3.4 billion.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first six months of 2013 the deposit base at Ally Bank grew \$2.6 billion, ending the quarter at \$49.5 billion from \$46.9 billion at December 31, 2012. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market checking accounts, and our CDs, partially offset by a decline in our mortgage escrow accounts related to the disposition of Ally Bank's MSR assets. Strong retention rates continue to materially contribute to our growth in retail deposits. In the second quarter of 2013 we retained 92% of maturing CD balances up for renewal in the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve's Discount Window. At June 30, 2013, debt outstanding from the FHLB totaled \$1.5 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase transactions are generally short-term. At June 30, 2013, Ally Bank had no debt outstanding under repurchase agreements. Refer to Note 12 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2012.

(\$ in millions)	2nd Quarter					
	2013	1st Quarter 2013	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012
Number of retail accounts	1,389,577	1,334,483	1,219,791	1,142,837	1,082,753	1,036,468
Deposits						
Retail	\$ 39,859	\$ 38,770	\$ 35,041	\$ 32,139	\$ 30,403	\$ 29,323
Brokered	9,552	9,877	9,914	9,882	9,905	9,884
Other (a)	72	844	1,977	2,487	2,411	2,314
Total deposits	\$ 49,483	\$ 49,491	\$ 46,932	\$ 44,508	\$ 42,719	\$ 41,521

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During the second quarter of 2013, Ally Bank completed three term securitization transactions backed by retail and dealer floorplan automotive loans and lease notes raising \$2.4 billion. Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset creating an effective tool for managing interest rate and liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At June 30, 2013, Ally Bank had exclusive access to \$3.5 billion from committed credit facilities including a \$2.5 billion syndicated facility that can fund automotive retail and dealer floorplan loans, as well as leases. In March 2013, this facility was renewed by a syndicate of nineteen lenders and extended until June 2014. Ally Bank also had access to a \$4.1 billion committed facility that is shared with the parent company.

Parent Company (Nonbank) Funding and Liquidity

At June 30, 2013, the parent company maintained liquid cash and equivalents in the amount of \$4.0 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$2.0 billion. In addition, at June 30, 2013, the parent company had available liquidity from unused capacity in committed credit facilities of \$12.3 billion, including an equal allocation of shared unused capacity of \$4.1 billion from a facility also available to Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

regulated subsidiaries of Ally Insurance's holding company. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges. Funding sources at the parent company generally consist of long-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to five days notice. The parent company has total available liquidity of \$23.0 billion at June 30, 2013, which includes the intercompany loan of \$3.4 billion. The total available liquidity amount at June 30, 2013 also includes \$1.3 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next six months.

We will access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a legacy retail term note program known as SmartNotes. This program generally consisted of callable fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that were issued through a network of participating broker-dealers. During 2012, we launched a new retail term note program known as Ally Term Notes. There were \$7.5 billion and \$7.9 billion of combined retail term notes outstanding at June 30, 2013, and December 31, 2012, respectively. As of July 31, 2013, we have provided notice for the early redemption of \$3.3 billion of high-coupon callable SmartNotes debt during the third quarter of 2013, as part of a liability management strategy to continue to improve Ally's cost of funds.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were \$3.2 billion at June 30, 2013, compared to \$3.1 billion at December 31, 2012. Refer to Note 13 and Note 14 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. During the second quarter of 2013, Ally Financial raised \$490 million through a public securitization transaction comprised of non-prime retail automotive loan collateral. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including an \$8.5 billion syndicated facility that can fund automotive retail and dealer floorplan loans, as well as leases. In March 2013, this facility was renewed by a syndicate of nineteen lenders and extended until March 2015. At June 30, 2013, the parent company had \$15.5 billion of exclusive commitments in the U.S. in various facilities secured by automotive and commercial finance assets. The parent company also had access to a \$4.1 billion committed facility that is shared with Ally Bank.

Recent Funding Developments

During the first six months of 2013, we completed U.S. funding transactions totaling almost \$5.6 billion and renewed or increased key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2013 to date were as follows:

- Ally Financial renewed, increased and/or extended \$11.1 billion in U.S. credit facilities. The automotive credit facility renewal amount includes the March 2013 refinancing of \$11.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The \$11.0 billion capacity is secured by retail, lease, and dealer floorplan automotive assets and is allocated to two separate facilities, one is a \$8.5 billion facility maturing in March 2015, which is available to the parent company, while the other is a \$2.5 billion facility available to Ally Bank maturing in June 2014.
- Ally Financial continued to access the public asset-backed securitization markets completing six U.S. transactions that raised \$5.5 billion, with \$3.4 billion and \$2.1 billion raised by Ally Bank and the parent company, respectively.
- We accessed the unsecured debt capital markets in July 2013 and raised \$1.4 billion.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

<i>(\$ in millions)</i>	Bank	Parent	Total	%
June 30, 2013				
Secured financings	\$ 22,304	\$ 10,295	\$ 32,599	28
Institutional term debt	—	22,297	22,297	19
Retail debt programs (a)	—	13,143	13,143	11
Total debt (b)	22,304	45,735	68,039	58
Deposits (c)	49,483	642	50,125	42
Total on-balance sheet funding	\$ 71,787	\$ 46,377	\$ 118,164	100
December 31, 2012				
Secured financings	\$ 29,161	\$ 15,950	\$ 45,111	35
Institutional term debt	—	22,200	22,200	17
Retail debt programs (a)	—	13,451	13,451	10
Bank loans and other	2	164	166	—
Total debt (b)	29,163	51,765	80,928	62
Deposits (c)	46,932	983	47,915	38
Total on-balance sheet funding	\$ 76,095	\$ 52,748	\$ 128,843	100

(a) Primarily includes \$7.5 billion and \$7.9 billion of Retail Term Notes at June 30, 2013 and December 31, 2012, respectively.

(b) Excludes fair value adjustment as described in Note 22 to the Condensed Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Parent deposits include dealer deposits. Intercompany deposits are not included.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2013 from 2012 levels. In addition, deposits represent a larger portion of the overall funding mix. Refer to Note 14 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at June 30, 2013.

Funding Facilities

We utilize both committed and uncommitted funding facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Condensed Consolidated Balance Sheet.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At June 30, 2013, \$23.7 billion of our \$28.3 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of June 30, 2013, we had \$13.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. The decline in committed funding facilities is attributed to the sale of international businesses and the growth in Ally Bank deposits.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Committed Funding Facilities

(\$ in billions)	Outstanding		Unused Capacity (a)		Total Capacity	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Bank funding						
Secured	\$ 1.7	\$ 3.8	\$ 1.8	\$ 4.7	\$ 3.5	\$ 8.5
Parent funding						
Unsecured (b)	—	0.1	—	—	—	0.1
Secured (c) (d) (e)	9.0	22.5	11.7	7.8	20.7	30.3
Total Parent funding	9.0	22.6	11.7	7.8	20.7	30.4
Shared capacity (f) (g)	—	1.1	4.1	3.0	4.1	4.1
Total committed facilities	\$ 10.7	\$ 27.5	\$ 17.6	\$ 15.5	\$ 28.3	\$ 43.0

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Total unsecured parent funding capacity represents committed funding for our discontinued international automobile financing business.
- (c) Total secured parent funding capacity includes committed funding for our discontinued international automobile financing business of \$2.5 billion and \$12.0 billion as of June 30, 2013 and December 31, 2012, respectively, with outstanding debt of \$2.0 billion and \$9.6 billion, respectively.
- (d) Total unused capacity includes \$1.5 billion and \$2.2 billion as of June 30, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.
- (e) Includes the secured facilities of our Commercial Finance Group.
- (f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.
- (g) Total shared facilities includes committed funding for our discontinued international automobile financing business of \$0.1 billion as of December 31, 2012, with outstanding debt of \$0.1 billion.

Uncommitted Funding Facilities

(\$ in billions)	Outstanding		Unused Capacity		Total Capacity	
	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Bank funding						
Secured						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.8	\$ 1.8	\$ 1.8	\$ 1.8
FHLB advances	1.5	4.8	4.0	0.4	5.5	5.2
Total bank funding	1.5	4.8	5.8	2.2	7.3	7.0
Parent funding						
Unsecured	1.3	2.1	—	0.4	1.3	2.5
Secured	—	0.1	—	0.1	—	0.2
Total parent funding (a)	1.3	2.2	—	0.5	1.3	2.7
Total uncommitted facilities	\$ 2.8	\$ 7.0	\$ 5.8	\$ 2.7	\$ 8.6	\$ 9.7

- (a) Total parent funding capacity represents uncommitted funding for our discontinued international automobile financing business .

Ally Bank Committed Funding Facilities — Automotive Finance Operations

At June 30, 2013, Ally Bank had exclusive access to \$3.5 billion from committed credit facilities. Ally Bank's largest facility is a \$2.5 billion revolving syndicated credit facility secured by automotive receivables. In March 2013, we reduced and renewed this facility until June 2014. At June 30, 2013, the amount outstanding under this facility was \$1.7 billion. Ally Bank also had access to a \$4.1 billion committed facility that is shared with the parent company. In the event these facilities are not renewed in the future, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Parent (Nonbank) Committed Funding Facilities — Automotive Finance Operations

The parent company's largest facility is an \$8.5 billion revolving syndicated credit facility secured by automotive receivables. In March 2013, we increased and renewed this facility until March 2015. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At June 30, 2013, there was \$2.9 billion outstanding under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At June 30,

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

2013, the parent company maintained exclusive access to \$18.2 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a \$4.1 billion committed facility that is shared with Ally Bank.

Cash Flows

Net cash provided by operating activities was \$3.4 billion for the six months ended June 30, 2013, compared to \$4.9 billion for the same period in 2012. The decrease in net cash provided by operating activities was primarily due to higher cash outflow to settle derivatives in the six months ended June 30, 2013, compared to 2012. The decrease was partially offset by the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeding cash outflow from new originations and purchases of such loans by \$2.4 billion during the six months ended June 30, 2013. During the six months ended June 30, 2012, this activity resulted in a net cash inflow of \$1.7 billion.

Net cash provided by investing activities was \$5.7 billion for the six months ended June 30, 2013, compared to a net cash outflow from investing activities of \$6.1 billion for the same period in 2012. The increase in net cash provided from investing activities was primarily due to \$6.9 billion of net cash proceeds resulting from the sale of international businesses during the six months ended June 30, 2013, proceeds of \$911 million from the sale of mortgage servicing rights, and a \$7.1 billion decrease in net cash outflow from finance receivables and loans for the six months ended June 30, 2013, compared to 2012. Cash used to purchase available-for-sale securities, net of proceeds from sales, maturities, and repayments, increased \$4.2 billion during the six months ended June 30, 2013, compared to the same period in 2012. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by \$3.5 billion for the six months ended June 30, 2013, compared to a net cash outflow of \$2.5 billion for the six months ended June 30, 2012. The increase in net cash outflows associated with leasing activities was primarily due to an increase in cash used to acquire leased assets.

Net cash used in financing activities for the six months ended June 30, 2013, totaled \$10.8 billion, compared to net cash provided by financing of \$4.3 billion in the same period in 2012. Cash used to repay long-term debt exceeded cash generated from long-term debt issuances by \$9.7 billion for the six months ended June 30, 2013, as cash generated from the sale of international businesses was used in part to pay down debt. During the six months ended June 30, 2012, cash from issuances of long-term debt exceeded repayments by \$3.2 billion. Cash provided by short-term debt decreased \$1.3 billion in the six months ended June 30, 2013, compared to 2012, while cash provided by deposits decreased by \$0.8 billion.

Capital Planning and Stress Tests

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital position. The proposed capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital plan before Ally may take any proposed capital action covered by the new regime.

Ally submitted the required 2013 capital plan in January 2013. In March 2013, the FRB objected to our capital plan both on quantitative and qualitative grounds. In their published results, the FRB estimated our stressed tier 1 common ratio with adjusted planned capital actions to be 1.52 for the nine-quarter planning period. Also, the FRB estimated our stressed tier 1 capital ratio to be 11.02 and our tier 1 leverage ratio to be 9.42. The FRB noted that the stressed capital ratios assumed Ally remained subject to a substantial amount of contingent liabilities associated with ResCap over the nine-quarter period. During the three months ended June 30, 2013, we agreed on a settlement that will, if approved, substantially reduce our contingent liabilities associated with ResCap. Refer to Note 1 to the Condensed Consolidated Financial Statements for more details related to the ResCap bankruptcy matters.

Further, and as previously disclosed, Ally is exploring a number of alternatives in furtherance of supporting our capital plan resubmission, including a possible primary issuance of common stock by Ally. No decision has been made to pursue any approach under consideration, and the implementation of any such approach may require regulatory and other approvals.

In connection with its reviews, the FRB continues to provide their approval for dividend and interest payments on preferred equity and debt instruments included in regulatory capital, including preferred stock, trust preferred securities, and subordinated debt that were outstanding as of December 31, 2012. We continue to have active, frequent and constructive dialogue with the FRB related to our capital plan on both the quantitative and qualitative aspects. In addition, on July 5, 2013, in accordance with the requirements of the Dodd-Frank Act, Ally submitted to the FRB its results of a mid-year stress test conducted under multiple macroeconomic scenarios.

Regulatory Capital

Refer to Note 19 to the Condensed Consolidated Financial Statements.

Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Stable	May 24, 2013 (a)
Moody's	Not Prime	B1	Positive	February 25, 2013 (b)
S&P	C	B+	Watch Positive	May 16, 2013 (c)
DBRS	R-4	BB	Stable	July 3, 2013 (d)

(a) Fitch affirmed our senior debt rating of BB-, our short term rating of B and changed the outlook to Stable on May 24, 2013.

(b) Moody's confirmed our senior debt rating of B1 and changed the outlook to Positive on February 25, 2013.

(c) Standard & Poor's affirmed our senior debt rating of B+, our short term rating of C, and placed our ratings on CreditWatch with positive implications on May 16, 2013.

(d) DBRS upgraded our senior debt rating to BB, confirmed our short term rating of R-4, and changed the outlook to Stable on July 3, 2013.

Off-balance Sheet Arrangements

Refer to Note 9 to the Condensed Consolidated Financial Statements.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

ResCap Bankruptcy Filing

As described in Note 1 and Note 26 to the Condensed Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC and certain of its wholly owned direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the deconsolidation of ResCap, a significant portion of our representation and warranty reserve was eliminated. Further, on April 16, 2013, we completed the sale of a portfolio of agency MSRs to Ocwen and the sale included the transfer of the representation and warranty liabilities associated with the majority of the loans sold. Our representation and warranty reserve was \$25 million at June 30, 2013 with respect to Ally Bank's sold and serviced loans for which we have retained representation and warranty obligation.

Overview

Ally Bank, within our Mortgage operations, sells loans that take the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, is provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Ally Bank at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Ally Bank to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. See *Repurchase Process* below.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income.

On April 16, 2013, we completed the sales of agency MSRs to Ocwen and Quicken. The sale to Ocwen included the transfer of the origination representation and warranty liabilities (but not those related to servicing) on any and all claims following the sale of the MSRs through an indemnification agreement. However, Ally Bank retained all representation and warranty liability related to loans previously

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

liquidated with a loss (e.g. GSEs completed a foreclosure) as well as the liability on outstanding claims at the time of the sale. The MSR's sale to Quicken did not include the transfer of representation and warranty liabilities. The repurchase reserve at June 30, 2013 reflects losses associated with this contractual obligation.

Total new repurchase claims received by Ally Bank were \$8 million and \$78 million for the three months and six months ended June 30, 2013, respectively, compared to \$107 million and \$194 million for the same periods in 2012. The decrease in repurchase claims was driven by significantly fewer new claims during the second quarter of 2013 primarily resulting from the transfer of the representation and warranty liabilities associated with the agency MSR's sold to Ocwen.

The total number and original unpaid principal balance (UPB) of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands) were 43 and \$10 million, respectively, at June 30, 2013, compared to 259 and \$58 million, respectively, at December 31, 2012. This includes demands that we have requested be rescinded but have not been agreed to by the investor. Total unresolved representation and warranty demands where Ally Bank has requested the investor to rescind decreased to \$3 million or 26% of outstanding claims at June 30, 2013, compared to \$23 million or 40% of outstanding claims at December 31, 2012.

Repurchase Process

After receiving a claim under representation and warranty obligations, Ally Bank will review the claim to determine the appropriate response (e.g., appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. Ally Bank actively contests claims to the extent they are not considered valid. Ally Bank is not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. Ally Bank believes that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, Ally Financial, Inc. bears the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

Critical Accounting Estimates

We identified critical accounting estimates that, as a result of judgments, uncertainties, uniqueness, and complexities of the underlying accounting standards and operations involved could result in material changes to our financial condition, results of operations, or cash flows under different conditions or using different assumptions.

Our most critical accounting estimates are as follows.

- Fair value measurements
- Allowance for loan losses
- Valuation of automobile lease assets and residuals
- Valuation of mortgage servicing rights
- Goodwill
- Legal and regulatory reserves
- Loan repurchase and obligations related to loan sales
- Determination of provision for income taxes

As part of our quarterly assessment of critical accounting estimates, we concluded that in accordance with Accounting Standards Codification 740, *Income Taxes*, there was a change in the methodologies and processes used in developing the provision for income taxes from what was described in our 2012 Annual Report. Refer to Note 1 to the Condensed Consolidated Financial Statements for further discussion regarding the methodology and process used in the determination of provision for income taxes. There have been no other significant changes in the methodologies and processes used in developing these estimates from what was described in our 2012 Annual Report.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 22 to the Condensed Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

value hierarchy set forth in Note 22 to the Condensed Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

<i>(\$ in millions)</i>	June 30, 2013	December 31, 2012
Assets at fair value	\$ 17,744	\$ 20,408
As a percentage of total assets	12%	11%
Liabilities at fair value	\$ 220	\$ 2,468
As a percentage of total liabilities	n/m	2%
Assets at fair value using Level 3 inputs	\$ 363	\$ 1,288
As a percentage of assets at fair value	2%	6%
Liabilities at fair value using Level 3 inputs	\$ 9	\$ 3
As a percentage of liabilities at fair value	4%	n/m

n/m = not meaningful

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Statistical Table

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Condensed Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Net Interest Margin Table

The following tables present an analysis of net interest margin excluding discontinued operations for the periods shown.

Three months ended June 30, (\$ in millions)	2013			2012			Increase (decrease) due to (a)		
	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	\$ 6,059	\$ 2	0.13%	\$ 11,130	\$ 9	0.33%	\$ (3)	\$ (4)	\$ (7)
Trading assets	—	—	—	98	1	4.10	(1)	—	(1)
Investment securities (c)	14,580	69	1.90	12,124	70	2.32	12	(13)	(1)
Loans held-for-sale, net	297	3	4.05	2,179	20	3.69	(19)	2	(17)
Finance receivables and loans, net (d) (e)	97,840	1,139	4.67	95,423	1,140	4.80	29	(30)	(1)
Investment in operating leases, net (f)	15,616	289	7.42	10,422	226	8.72	100	(37)	63
Total interest-earning assets	134,392	1,502	4.48	131,376	1,466	4.49	118	(82)	36
Noninterest-bearing cash and cash equivalents	1,708			2,337					
Other assets (g)	16,698			52,119					
Allowance for loan losses	(1,197)			(1,250)					
Total assets	\$ 151,601			\$ 184,582					
Liabilities									
Interest-bearing deposit liabilities	\$ 49,522	\$ 162	1.31%	\$ 41,583	\$ 160	1.55%	\$ 28	\$ (26)	\$ 2
Short-term borrowings	3,937	16	1.63	3,718	19	2.06	1	(4)	(3)
Long-term debt (h) (i) (j)	65,450	703	4.31	78,053	837	4.31	(135)	1	(134)
Total interest-bearing liabilities (h) (i) (k)	118,909	881	2.97	123,354	1,016	3.31	(106)	(29)	(135)
Noninterest-bearing deposit liabilities	274			2,279					
Total funding sources (i) (l)	119,183	881	2.96	125,633	1,016	3.25			
Other liabilities (m)	12,600			39,991					
Total liabilities	131,783			165,624					
Total equity	19,818			18,958					
Total liabilities and equity	\$ 151,601			\$ 184,582					
Net financing revenue		\$ 621		\$ 450			\$ 224	\$ (53)	\$ 171
Net interest spread (n)			1.51%			1.18%			
Net interest spread excluding original issue discount (n)			1.75%			1.54%			
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (n)			1.76%			1.59%			
Net yield on interest-earning assets (o)			1.85%			1.38%			
Net yield on interest-earning assets excluding original issue discount (o)			2.04%			1.67%			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

(b) Average balances are calculated using a combination of monthly and daily average methodologies.

(c) Excludes income on equity investments of \$7 million during the three months ended June 30, 2013 and 2012, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report.

(e) Includes other interest income of \$1 million during the three months ended June 30, 2012.

(f) Includes gains on sale of \$91 million and \$24 million during the three months ended June 30, 2013 and 2012, respectively. Excluding these gains on sale, the annualized yield would be 5.09% and 7.80% at June 30, 2013 and 2012, respectively.

(g) Includes average balances of assets of discontinued operations.

(h) Includes the effects of derivative financial instruments designated as hedges.

(i) Average balance includes \$1,694 million and \$1,960 million related to original issue discount at June 30, 2013 and 2012, respectively. Interest expense includes original issue discount amortization of \$61 million and \$96 million during the three months ended June 30, 2013 and 2012, respectively.

(j) Excluding original issue discount the rate on long-term debt was 3.84% and 3.72% at June 30, 2013 and 2012, respectively.

(k) Excluding original issue discount the rate on total interest-bearing liabilities was 2.73% and 2.95% at June 30, 2013 and 2012, respectively.

(l) Excluding original issue discount the rate on total funding sources was 2.72% and 2.90% at June 30, 2013 and 2012, respectively.

(m) Includes average balances of liabilities of discontinued operations.

(n) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

(o) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Six months ended June 30, (\$ in millions)	2013			2012			Increase (decrease) due to (a)		
	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	\$ 6,293	\$ 5	0.16%	\$ 9,920	\$ 11	0.22%	\$ (3)	\$ (3)	\$ (6)
Trading assets	—	—	—	527	10	3.82	(5)	(5)	(10)
Investment securities (c)	14,252	132	1.87	12,395	139	2.26	19	(26)	(7)
Loans held-for-sale, net	1,157	19	3.31	2,963	51	3.46	(30)	(2)	(32)
Finance receivables and loans, net (d) (e)	98,321	2,274	4.66	93,038	2,233	4.83	124	(83)	41
Investment in operating leases, net (f)	14,910	588	7.95	9,886	428	8.71	201	(41)	160
Total interest-earning assets	134,933	3,018	4.51	128,729	2,872	4.49	306	(160)	146
Noninterest-bearing cash and cash equivalents	1,826			2,049					
Other assets (g)	27,344			55,022					
Allowance for loan losses	(1,184)			(1,265)					
Total assets	\$ 162,919			\$ 184,535					
Liabilities									
Interest-bearing deposit liabilities	\$ 48,756	\$ 326	1.35%	\$ 41,346	\$ 323	1.57%	\$ 54	\$ (51)	\$ 3
Short-term borrowings	4,321	32	1.49	3,583	36	2.02	6	(10)	(4)
Long-term debt (h) (i) (j)	68,642	1,404	4.12	75,631	1,717	4.57	(151)	(162)	(313)
Total interest-bearing liabilities (h) (i) (k)	121,719	1,762	2.92	120,560	2,076	3.46	(91)	(223)	(314)
Noninterest-bearing deposit liabilities	939			2,195					
Total funding sources (i) (l)	122,658	1,762	2.90	122,755	2,076	3.40			
Other liabilities (m)	20,334			42,682					
Total liabilities	142,992			165,437					
Total equity	19,927			19,098					
Total liabilities and equity	\$ 162,919			\$ 184,535					
Net financing revenue		\$ 1,256			\$ 796		\$ 397	\$ 63	\$ 460
Net interest spread (n)			1.59%			1.03%			
Net interest spread excluding original issue discount (n)			1.82%			1.42%			
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (n)			1.84%			1.48%			
Net yield on interest-earning assets (o)			1.88%			1.24%			
Net yield on interest-earning assets excluding original issue discount (o)			2.05%			1.56%			

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

(b) Average balances are calculated using a combination of monthly and daily average methodologies.

(c) Excludes income on equity investments of \$12 million during the six months ended June 30, 2013 and 2012, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report.

(e) Includes other interest income of \$1 million and \$3 million during the six months ended June 30, 2013 and 2012, respectively.

(f) Includes gains on sale of \$155 million and \$47 million during the six months ended June 30, 2013 and 2012, respectively. Excluding these gains on sale, the annualized yield would be 5.86% and 7.75% at June 30, 2013 and 2012, respectively.

(g) Includes average balances of assets of discontinued operations.

(h) Includes the effects of derivative financial instruments designated as hedges.

(i) Average balance includes \$1,723 million and \$2,011 million related to original issue discount at June 30, 2013 and 2012, respectively. Interest expense includes original issue discount amortization of \$118 million and \$204 million during the six months ended June 30, 2013 and 2012, respectively.

(j) Excluding original issue discount the rate on long-term debt was 3.69% and 3.92% at June 30, 2013 and 2012, respectively.

(k) Excluding original issue discount the rate on total interest-bearing liabilities was 2.69% and 3.07% at June 30, 2013 and 2012, respectively.

(l) Excluding original issue discount the rate on total funding sources was 2.67% and 3.02% at June 30, 2013 and 2012, respectively.

(m) Includes average balances of liabilities of discontinued operations.

(n) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

(o) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward-looking Statements

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 10-Q contain various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of these words or similar expressions is intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports on Forms 10-Q and 8-K. Such factors include, among others, the following: maintaining the mutually beneficial relationship between Ally and General Motors ("GM"), and Ally and Chrysler Group LLC ("Chrysler"); the profitability and financial condition of GM and Chrysler; resolution of the bankruptcy filings by Residential Capital, LLC and certain of its subsidiaries; our ability to realize the anticipated benefits associated with being a bank holding company, and the increased regulation and restrictions that we are now subject to; the potential for deterioration in the residual value of off-lease vehicles; disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity; changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; changes in the credit ratings of Ally, Chrysler, or GM; changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations (including as a result of the Dodd-Frank Act and Basel III).

Use of the term "loans" describes products associated with direct and indirect lending activities of Ally's global operations. The specific products include retail installment sales contracts, loans, lines of credit, leases or other financing products. The term "originate" refers to Ally's purchase, acquisition, or direct origination of various "loan" products.

Quantitative and Qualitative Disclosures about Market Risk

Ally Financial Inc. • Form 10-Q

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk sections of Item 2, Management's Discussion and Analysis.

Controls and Procedures

Ally Financial Inc. • Form 10-Q

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Senior Executive Vice President of Finance and Corporate Planning (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

Ally Financial Inc. • Form 10-Q

Item 1. Legal Proceedings

Refer to Note 26 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 29 to our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission (SEC) as amended by the Current Report on Form 8-K filed with the SEC on July 9, 2013 (referred to herein as 2012 Annual Report).

Item 1A. Risk Factors

Other than with respect to the risk factors provided below, there have been no material changes to the Risk Factors described in our 2012 Annual Report and subsequent quarterly report on Form 10-Q for the three months ended March 31, 2013.

Risks Related to Our Business

The Plan Support Agreement related to the ResCap bankruptcy may not be consummated if certain conditions are not met or if delays occur. If the plan support agreement is not consummated, we will not be entitled to any release from claims of the Debtors or third parties.

On May 14, 2012, ResCap and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court).

On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases (the Creditors' Committee), and certain creditors (collectively, the Consenting Claimants). The PSA provides for the parties to support a plan (the Plan), which, among other things, would settle and provide AFI full releases for all existing and potential claims between AFI and the Debtors and all pending and potential claims held by third parties related to the Debtors that could be brought against AFI, except for securities claims by the Federal Housing Finance Agency and the Federal Deposit Insurance Corporation, as receiver for certain failed banks. The Plan will also include a settlement of insurance disputes between AFI and the Debtors under which the Debtors will relinquish in favor of AFI all of their rights to coverage under certain insurance policies. Further, the PSA requires that all litigation against AFI by the Debtors, the Creditors' Committee and the Consenting Claimants be stayed so long as the PSA has not been terminated.

The PSA requires, among other things, that the following milestones be satisfied: (i) the FGIC rehabilitation court must approve the PSA and a separate FGIC Settlement on or before August 19, 2013; (ii) the Bankruptcy Court must approve the Disclosure Statement on or before August 30, 2013; and (iii) the effective date of the Plan must occur on or before December 15, 2013. In the event any of the above milestones are not satisfied, the PSA could be terminated.

The PSA also includes a number of additional events that could result in the PSA being terminated, including the following: (i) the Bankruptcy Court enters an order appointing a Chapter 11 trustee; (ii) any of the Debtors' Chapter 11 cases are dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; (iii) any court has entered a final, non-appealable judgment or order declaring any material portion of the PSA unenforceable; (iv) the releases set forth in the PSA are modified, amended, changed, severed or otherwise altered in the Plan or any other definitive document; and (v) the PSA ceases to be binding on AFI or the Creditors' Committee.

Additionally, the PSA requires that several conditions be satisfied or waived before the Plan can be effective, including, the following: (i) the Bankruptcy Court approves the Plan and Disclosure Statement on terms reasonably acceptable to the parties; (ii) the Confirmation Order must have been entered by the Bankruptcy Court and provide for, among other things, the releases specified in the PSA; (iii) the Confirmation Order must not have been stayed, modified, or vacated on appeal, and the time to appeal shall have passed; (iv) the FGIC rehabilitation court must have approved the PSA and FGIC Settlement Agreement, including the release of all present and future claims against FGIC relating to FGIC policies; (v) AFI must have funded the Ally Contribution; and (vi) AFI's secured claims against the Debtors must have been fully satisfied.

There can be no assurance that any of the required milestones will be satisfied, that the conditions to effectiveness will be satisfied or waived or that none of the specified termination events will occur. The termination of the PSA or the failure of the PSA to become effective could result in modifications to the Plan, or the pursuit of an alternative form of reorganization or liquidation. This would result in delay and significant expense, and any modifications to the Plan or other alternative may well be less favorable to AFI. If AFI does not receive the releases described above, the Debtors and/or third party creditors are expected to assert substantial claims directly against AFI, which could have a material adverse impact on us. Even if substantial elements of the Plan are confirmed by the Bankruptcy Court and all required conditions are satisfied, there could be significant litigation against AFI for any claims not released under the Plan.

We are currently party to an agreement with GM that provides for certain exclusivity privileges that expires in December 2013, and were previously party to a similar agreement with Chrysler which has expired. We cannot predict the ultimate impact that the expiration of these agreements will have on our operations, but it is likely that the expiration of these agreements will continue to increase the competitive pressure on us.

We are currently party to an agreement with GM that provides for certain exclusivity privileges related to subvention programs that it offers, and were previously party to a similar agreement with Chrysler. On April 25, 2012, Chrysler provided us with notification of nonrenewal for our existing agreement with them, and as a result our agreement with Chrysler expired in April 2013. Further, in May 2013 Chrysler announced that it has entered into a ten-year agreement with Santander Consumer USA Inc. (Santander), pursuant to which Santander will provide a full range of wholesale and retail financing services to Chrysler dealers and consumers. Since this time, our originations of Chrysler subvented retail financing and subvented leases have ceased and that has reduced our current originations from the Chrysler channel. In addition, our agreement with GM will expire in December 2013. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler in their incentive programs. We cannot predict the ultimate impact that the expiration of these agreements will have on our operations. However, the expiration of these agreements are likely to continue to increase competitive pressure on Ally, as competitors have or could in the future have exclusive agreements with GM and/or Chrysler.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

Signatures

Ally Financial Inc. • Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 2nd day of August, 2013.

Ally Financial Inc.
(Registrant)

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
*Senior Executive Vice President of
Finance and Corporate Planning*

/s/ DAVID J. DEBRUNNER

David J. DeBrunner
*Vice President, Chief Accounting Officer, and
Corporate Controller*

INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
10.1	Plan Support Agreement, dated May 13, 2013	Filed herewith.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	Interactive Data File	Filed herewith.

EXHIBIT 3

Plan Support Agreement

PLAN SUPPORT AGREEMENT

THIS AGREEMENT IS NOT AN OFFER REGARDING ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN. SUCH OFFER OR SOLICITATION ONLY WILL BE MADE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. THIS AGREEMENT HAS NOT BEEN AUTHORIZED BY ANY REGULATORY AUTHORITY. IT IS PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND ANY OTHER APPLICABLE STATUTES OR DOCTRINES PROTECTING THE USE OR DISCLOSURE OF CONFIDENTIAL SETTLEMENT DISCUSSIONS.

This PLAN SUPPORT AGREEMENT (together with, and incorporating herein by reference, all exhibits attached hereto, including the Plan Term Sheet and the Supplemental Term Sheet, the “Agreement”) is made and entered into as of May 13, 2013, by and among:

- (a) Residential Capital, LLC (“ResCap”) and certain of its direct and indirect subsidiaries (collectively, the “Debtors”);
- (b) Ally Financial Inc. (“AFI”) on its own behalf and on behalf of Ally;
- (c) The Official Committee of Unsecured Creditors as appointed by the Bankruptcy Court (the “Creditors’ Committee”);
and
- (a) The Consenting Claimants (as defined below).

RECITALS

WHEREAS, on May 14, 2012 (the “Petition Date”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code, 11 U.S.C. §§ 101-1532 (the “Bankruptcy Code”), with the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) commencing cases that are being jointly administered under the caption *In re Residential Capital, LLC*, Case No. 12-12020 (collectively, the “Chapter 11 Cases”);

WHEREAS, prior to the Petition Date, AFI entered into a settlement and plan sponsor agreement with ResCap (the “Original AFI-ResCap Settlement”) [Ex. 8 of ECF No. 6];

WHEREAS, the Original AFI-ResCap Settlement terminated in accordance with its terms on February 28, 2013;

WHEREAS, on July 3, 2012, the U.S. Trustee appointed Arthur J. Gonzalez, Esq. as an examiner (the “Examiner”) [ECF No. 674] to conduct an investigation of, among other things, the Original AFI-ResCap Settlement, and the Examiner is expected to release his report (the “Examiner’s Report”) in early May 2013 [ECF No. 2868];

WHEREAS, the Creditors’ Committee undertook an investigation of, among other things, certain related-party transactions between the Debtors, AFI and other non-Debtor affiliates, and, as a result of that investigation, filed a motion seeking standing to pursue certain estate claims and causes of action against AFI and its affiliates on April 11, 2013 [ECF No. 3421];

WHEREAS, on November 21, 2012, the Bankruptcy Court approved the Debtors’ sale of their platform servicing assets [ECF No. 2246] and their whole loan assets [ECF No. 2247] for an aggregate purchase price of \$4.5 billion, and such sales closed on or before February 15, 2013;

WHEREAS, on December 26, 2012, upon a motion by the Debtors, the Bankruptcy Court appointed the Honorable James M. Peck as mediator to assist the Parties in resolving certain issues relating to the formulation and confirmation of a chapter 11 plan, with mediation to conclude on May 31, 2013 [ECF Nos. 2519 and 3 101];

WHEREAS, the Debtors, the Creditors' Committee, the Consenting Claimants, and AFI have engaged in arm's-length, good faith negotiations regarding the formulation of a consensual chapter 11 plan and a resolution of all claims and disputes between them and have agreed upon a plan term sheet, as set forth in **Exhibit A** attached hereto (the "Plan Term Sheet"), and a supplemental term sheet, as set forth in **Exhibit B** attached hereto (the "Supplemental Term Sheet" and, together with the Plan Term Sheet, the "Term Sheets");

WHEREAS, the Plan Proponents intend to jointly propose, and each Supporting Party intends to support, a chapter 11 plan that encompasses and comports with each of the terms of this Agreement;

WHEREAS, subject to the caveats set forth herein regarding Bankruptcy Court approval, the Debtors and the Creditors' Committee will use Agreed Efforts (as defined herein) to obtain Bankruptcy Court approval of their entry into this Agreement and the Plan in accordance with the Bankruptcy Code and the terms of this Agreement, and each Party will use its Agreed Efforts to cooperate in that regard; and

WHEREAS, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law.

NOW, THEREFORE, in consideration of the foregoing and the premises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

Section Definitions. In addition to the terms defined in the above Recitals, as used in this Agreement, the following terms shall have the

1. meanings specified below.

"AIG" means AIG Asset Management (U.S.), LLC, as investment advisor for certain affiliated entities that have filed proofs of claim in the Chapter 11 Cases.

"Ally" means AFI and its direct and indirect subsidiaries excluding the Debtors.

"Agreed Efforts" means (1) with respect to the obligations of all Parties, other than FGIC, the use of Best Efforts, but shall not include the expenditure of out of pocket costs other than for the fees and expenses of attorneys and existing financial advisors (including testimony as experts, if necessary); and (2) with respect to the obligations of FGIC, the use of commercially reasonable efforts, which shall include (a) the expenditure of out of pocket costs for the fees and expenses of attorneys and existing financial advisors (including testimony as experts, if necessary) and (b) the personal participation, including as requested by the Parties, of John Dubel, and any other senior executives of FGIC as appropriate.

"Allstate" means Allstate Insurance Company and its subsidiaries and affiliates.

"Approved Plan Documents" has the meaning set forth in Section 2 hereof.

"Automatic Stay" has the meaning set forth under section 362 of the Bankruptcy Code.

“Best Efforts” means the obligation to act with honesty, expedience, and good faith in light of one’s own capabilities, taking into account the context of the transaction; *provided*, that “best efforts to resolve or defeat all objections to the Plan” shall in no event (i) require any Consenting Claimant to accept a treatment that discriminates unfairly or that is not fair and equitable under 11 U. S.C. § 1129(b), (ii) require Ally to pay more than the Ally Contribution, or (iii) require any Party to expend its own resources beyond professional fees required to prosecute the Plan. For the avoidance of doubt, the Term Sheets do not contemplate treatment that discriminates unfairly or that is not fair and equitable under 11 U. S.C. § 1129(b).

“BNY Mellon” means The Bank of New York Mellon Trust Company, N.A. and The Bank of New York Mellon each solely in its capacity as trustee, indenture trustee, securities administrator, co-administrator, paying agent, grantor trustee, master servicer, custodian and/or similar agency capacities in respect of certain of the RMBS Trusts.

“Business Day” means any day other than Saturday, Sunday and any day that is a legal holiday or a day on which banking institutions in New York, New York are required or authorized by law or governmental action to close.

“Causes of Action” means any and all Claims, actions, causes of action, choses in action, rights, demands, suits, claims, liabilities, encumbrances, lawsuits, adverse consequences, debts, damages, dues, sums of money, accounts, reckonings, deficiencies, bonds, bills, disbursements, expenses, losses, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, judgments, remedies, rights of set-off, third-party claims, subrogation claims, contribution claims, reimbursement claims, indemnity claims, counterclaims, and cross- claims (including those of the Debtors, and/or the bankruptcy estate of any Debtor created pursuant to sections 301 and 541 of the Bankruptcy Code upon the commencement of the Chapter 11 Cases), whether known or unknown, foreseen or unforeseen, suspected or unsuspected, liquidated or unliquidated, fixed or contingent, matured or unmatured, disputed or undisputed, whether held in a personal or representative capacity, that are or may be pending as of the date hereof or instituted hereafter against any entity, based in law or equity, including under the Bankruptcy Code, whether direct, indirect, derivative, or otherwise and whether asserted or unasserted as of the date hereof.

“Claims” has the meaning set forth in section 101(5) of the Bankruptcy Code.

“Confirmation Order” means the order of the Bankruptcy Court approving the Plan and that is an Approved Plan Document.

“Consenting Claimants” means, collectively, AIG, Allstate, FGIC, the Kessler Class Claimants, Mass Mutual, MBIA, Prudential, the RMBS Trustees, the Steering Committee Consenting Claimants, the Talcott Franklin Consenting Claimants, the Supporting Senior Unsecured Noteholders, Wilmington Trust, Paulson, and any other parties that agree to be bound by the terms of the Plan Support Agreement. Each of the foregoing parties is a Consenting Claimant.

“DB” means Deutsche Bank Trust Company Americas and Deutsche Bank National Trust Company each solely in its capacity as trustee, indenture trustee, securities administrator, co-

administrator, paying agent, grantor trustee, custodian and/or similar agency capacities in respect of certain of the RMBS Trusts.

“Definitive Documents” means the Plan, the Disclosure Statement, the Confirmation Order, and any documents related thereto or contemplated therein.

“Disclosure Statement” means a disclosure statement that (1) is filed in connection with, and in support of, the Plan, (2) is materially consistent in all respects with this Agreement, and (3) is an Approved Plan Document, as the same may be amended, supplemented, or otherwise modified as provided herein.

“FGIC” means Financial Guaranty Insurance Company.

“FHFA” means Federal Housing Finance Agency.

“HSBC” means HSBC Bank USA, N.A. solely in its capacity as trustee in respect of certain of the RMBS Trusts.

“Institutional Investors” means the Steering Committee Consenting Claimants and the Talcott Franklin Consenting Claimants.

“Investors” means the current or former holders of RMBS, in such capacity.

“Kessler Class Claimants” means the putative class of persons represented in the consolidated class action entitled *In re: Community Bank of Northern Virginia Second Mortgage Lending Practice Litigation*, filed in the United States District Court for the Western District of Pennsylvania, MDL No. 1674, Case Nos. 03-0425, 02-01201, 05-0688, 051386, asserting claims against the Debtors including but not limited to violations of RESPA, TILA, HOEPA, and RICO

“LDTC” means Law Debenture Trust Company of New York solely in its capacity as separate trustee in respect of certain of the RMBS Trusts.

“MassMutual” means Massachusetts Mutual Life Insurance Company and its subsidiaries and affiliates.

“MBIA” means MBIA Insurance Corporation and its subsidiaries and affiliates.

“Milestones” means the deadlines and conditions set forth in the Plan Term Sheet.

“Monolines” means the insurers who provided insurance policies in connection with certain of the RMBS Trusts.

“Qualified Marketmaker” means an entity that (i) holds itself out to the market as standing ready in the ordinary course of its business to purchase from customers and sell to customers Claims against the Debtors (including debt securities or other debt) or enter with customers into long and short positions in Claims against the Debtors (including debt securities or other debt), in its capacity as a dealer or market maker in such Claims against the Released Parties and (ii) is in fact regularly

in the business of making a market in Claims against issuers or borrowers (including debt securities or other debt).

“Parties” means the Debtors, the Creditors’ Committee, and the Supporting Parties. Each of the foregoing Parties is a Party.

“Paulson” means funds and accounts managed by Paulson & Co. Inc., holders of Senior Unsecured Notes. Paulson shall be deemed a Consenting Claimant and a Supporting Senior Unsecured Noteholder.

“Plan” means a chapter 11 plan to be jointly proposed by the Creditors’ Committee and the Debtors in each of the Chapter 11 Cases, that contains the same terms set forth in, and is otherwise materially consistent with, this Agreement and that is an Approved Plan Document, as the same may be amended, supplemented, or otherwise modified as provided herein.

“Plan Proponents” means the Debtors and the Creditors’ Committee.

“Prudential” means Prudential Insurance Company of America and its subsidiaries and affiliates.

“Representatives” means a person’s or entity’s former and current officers, former and current directors, former and current principals, employees, agents, financial advisors, attorneys, accountants, investment bankers, consultants, and other professionals, each solely in its capacity as such; provided, that “Representatives” shall not include, in the case of Ally or the Debtors, an underwriter that is unaffiliated with Ally or the Debtors against which an Investor has a pending or tolled action.

“RMBS” means residential mortgage-backed securities, notes and certificates related to the RMBS Trusts.

“RMBS Monoline Trusts” means RMBS Trusts or tranches of RMBS Trusts for which a Monoline provided insurance policies.

“RMBS Settlement” means the Debtors’ agreements with certain Institutional Investors relating to claims of the RMBS Trusts as modified in the Supplemental Term Sheet (as defined in the Plan Term Sheet).

“RMBS Trustees” means BNY Mellon, DB, USB, HSBC, LDTC, and WFB.

“RMBS Trusts” means all residential mortgage-backed securitization trusts, net interest margin trusts and similar trusts for which the Debtors act as sponsor, depositor, servicer, master servicer or in similar capacities.

“Senior Unsecured Notes” means the outstanding senior unsecured notes issued by ResCap under the Indenture dated as of June 24, 2005, and certain supplements thereto.

“Solicitation” means the Debtors’ solicitation of votes in favor of the Plan following approval by the Bankruptcy Court of the Disclosure Statement pursuant to section 1125 of the Bankruptcy Code.

“Steering Committee Consenting Claimants” means certain investors in RMBS backed by mortgage loans held by securitization trusts associated with securitizations sponsored by the Debtors between 2004 and 2007 and represented by Kathy Patrick of Gibbs & Bruns LLP and Keith H. Wofford of Ropes & Gray LLP.

“Supporting Parties” means each of Ally and the Consenting Claimants.

“Supporting Senior Unsecured Noteholders” means the holders of the Senior Unsecured Notes that have executed (or joined) this Agreement.

“Syncora” means Syncora Guarantee Inc. and its subsidiaries and affiliates.

“Talcott Franklin Consenting Claimants” means certain investors in RMBS backed by mortgage loans held by securitization trusts associated with securitizations sponsored by the Debtors between 2004 and 2007 led by Talcott Franklin of Talcott Franklin, P.C.

“Termination Event” means any of the events set forth in Section 6.1 hereof, whatever the reason for such Termination Event and whether it is voluntary or involuntary.

“Termination Notice” means written notice provided upon the occurrence of a Termination Event, by any Party seeking to terminate to the other Parties specifying the clause hereto pursuant to which such termination is made.

“USB” means U.S. Bank National Association solely in its capacity as trustee, indenture trustee, securities administrator, co-administrator, paying agent, grantor trustee, master servicer, custodian and/or similar agency capacities in respect of certain of the RMBS Trusts.

“WFB” means Wells Fargo Bank, N.A. solely in its capacity as trustee, indenture trustee, securities administrator, co-administrator, paying agent, grantor trustee, master servicer, custodian and/or similar agency capacities in respect of certain of the RMBS Trusts.

“Wilmington Trust” means Wilmington Trust, National Association, not individually, but solely in its capacity as Indenture Trustee for the Senior Unsecured Notes.

Section 2. Plan.

- (a) Each Party agrees, solely with respect to itself, that it will negotiate the Definitive Documents in good faith, and such Definitive Documents will be materially consistent in all respects with the Term Sheets, and otherwise in form and substance reasonably acceptable to the Parties, and that, upon execution, the terms and conditions set forth in the Term Sheets are not subject to further negotiation or change. Notwithstanding anything to the contrary herein, in no event shall the Plan or the Definitive Documents increase or decrease directly or indirectly the settlement

consideration or otherwise require any amount to be payable, directly or indirectly, by Ally beyond the settlement consideration. If the Plan and the Definitive Documents satisfy the criteria in this Section 2(a), they will be considered the “Approved Plan Documents.”

- (b) Each Party agrees, solely with respect to itself, to support the releases and exculpatory provisions set forth in the Term Sheets and that such releases and exculpatory provisions will not be severable or modified in the Plan or the Confirmation Order.
- (c) No changes may be made to this Agreement, and no material variations from the this Agreement may be made to the Plan or the other approved Plan Documents without the approval of each Party.

Section 3. The Debtors’ Obligations Under this Agreement.

3.1 Confirmation of the Plan; Debtors’ Obligations.

As long as this Agreement has not been terminated, and notwithstanding the issuance of the Examiner’s Report or any findings contained therein, the Debtors agree to:

- (a) file this Agreement with the Bankruptcy Court, along with a motion for entry of an order (the “PSA Order”) to approve this Agreement and the Debtors’ and RMBS Trustees’ entry into this Agreement, which order shall include the findings set forth in Section 5.2, within one Business Day of executing the Supplemental Term Sheet, and in no event later than in accordance with the Milestones;
- (b) take any and all Agreed Efforts to effectuate the terms of this Agreement, including prosecuting the terms of this Agreement in accordance with the Milestones, and on terms consistent with this Agreement; and
- (c) not enter into any agreements with holders of any Claims, other than the Consenting Claimants, relating to the allowance, estimation, validity, extent or priority of any Claim in an amount over \$200,000 individually and \$25,000,000 in the aggregate prior to the entry of the Confirmation Order without the prior consent of the Creditors’ Committee.

3.2 Confirmation of the Plan; Plan Proponents’ Obligations.

As long as this Agreement has not been terminated, and notwithstanding the issuance of the Examiner’s Report or any findings contained therein, the Plan Proponents agree to:

- (a) in accordance with the terms of this Agreement, including the Milestones, (i) file the Plan and the Disclosure Statement with the Bankruptcy Court, (ii) use Agreed Efforts to obtain Bankruptcy Court approval of the Disclosure Statement, (iii) as soon as practicable following approval of the Disclosure Statement by the Bankruptcy Court, use Agreed Efforts to cause the solicitation of votes to approve the Plan and seek entry of the Confirmation Order; (iv) without in any way limiting

the rights of the Creditors' Committee or any Supporting Party pursuant to this Agreement, including, without limitation, pursuant to Section 2(b) hereof, give the Supporting Parties the reasonable opportunity to review prior to filing any amendment, modification, or supplement to the Plan or Disclosure Statement or any other proposed filing in the Chapter 11 Cases related to the prosecution of the Plan or Disclosure Statement (including, without limitation, any other motion regarding solicitation and voting procedures) and consider in good faith any such comments, and (v) use Agreed Efforts to obtain any and all required regulatory and/or third-party approvals for the transactions embodied in the Plan and the Term Sheets;

- (b) until the termination of this Agreement, not withdraw the Plan or amend or modify the Plan in any material manner without the reasonable consent of the Consenting Claimants and Ally; and
- (c) neither take, nor encourage any other person or entity to take, any action which would, or would reasonably be expected to, breach or be inconsistent with this Agreement or the Plan or delay, impede, appeal against, or take any other negative action, directly or indirectly, to interfere with the acceptance of the Plan.

Notwithstanding anything to the contrary herein, all documents related to Solicitation, including noticing of any hearing on confirmation of the Plan, will be in form and substance satisfactory to Ally, the Debtors, and the Creditors' Committee, and the RMBS Trustees. All documents related to Solicitation, including noticing of any hearing on confirmation of the Plan, will be in form and substance reasonably satisfactory to all other Consenting Claimants.

Section 4. Creditors' Committee's and Supporting Parties' Obligations Under this Agreement.

4.1 Support of the Plan.

As long as this Agreement has not been terminated and notwithstanding the issuance of the Examiner's Report or anything contained therein, the Creditors' Committee and each Supporting Party agrees, solely with respect to itself:

- (d) to use Agreed Efforts to (i) facilitate the filing of this Agreement with the Bankruptcy Court, along with a motion to approve this Agreement, within one Business Day of executing the Supplemental Term Sheet and (ii) support approval from the Bankruptcy Court for the Debtors to enter into this Agreement on shortened notice, and in no event later than in accordance with the Milestones;
- (e) to support approval of this Agreement and the Disclosure Statement and support confirmation of the Plan as soon as reasonably practicable in accordance with the Milestones, and on terms consistent with this Agreement and the Term Sheets;
- (f) not to (i) object to confirmation of the Plan or the Disclosure Statement, (ii) object to, or otherwise commence any proceeding to oppose, alter, delay or impede the Plan

or the other Approved Plan Documents, (iii) object to, or otherwise oppose, the extension of the Debtors' exclusive right to file a plan of reorganization pursuant to section 1121 of the Bankruptcy Code, so long as all of the milestones under the Term Sheets have been met; (iv) vote (to the extent entitled to vote) for, consent to, support or participate in the formulation of any chapter 11 plan other than the Plan, (v) directly or indirectly seek, solicit, negotiate or support any chapter 11 plan other than the Plan, or any sale or disposition of the remaining assets of the Debtors, or any dissolution, winding up, liquidation, merger, transaction, reorganization or restructuring of the Debtors, if such action reasonably could be expected to prevent, delay or impede the successful implementation of the Plan and the other Approved Plan Documents, (vi) object to the Solicitation or support any such objection by a third party, or (vii) take any other action not required by law that is inconsistent with, or that would materially delay, the confirmation or consummation of the Plan;

- (g) to stay all litigation (including contested motions) and discovery or the pursuit of any actual or potential Causes of Action pending against, or subject to tolling agreements with, the Debtors or Ally, or the pursuit to obtain standing to pursue such litigation or any such Causes of Action and conversely, Ally agree that all statutes of limitation for any Causes of Action against the Debtors or Ally (whether currently pending or tolled) that have not run prior to the date of entry into this Agreement with respect to any claims against it relating to the Debtors shall be tolled for a period ending not earlier than 60-days following the termination of this Agreement, provided, however, that (i) the Kessler Class Claimants may continue to prosecute their class claims and the *Motion to Apply Bankruptcy Rule 7023 and to Certify Class Claims* [Docket No. 2044] as they deem necessary consistent with this Agreement and (ii) any Investor may continue to prosecute Causes of Action against any party other than Ally, the Debtors, or their respective Representatives;
- (h) that, so long as its vote has been solicited in a manner sufficient to comply with the requirements of sections 1125 and 1126 of the Bankruptcy Code, including its receipt of the Disclosure Statement following approval of such by the Bankruptcy Court under section 1125 of the Bankruptcy Code, it agrees to (i) vote (to the extent entitled to vote) to accept the Plan by delivering its duly executed and completed ballot accepting the Plan on a timely basis following the commencement of the Solicitation; and (ii) not change or withdraw (or cause to be changed or withdrawn) such vote;
- (i) to take any and all commercially reasonable necessary actions to effectuate the terms of this Agreement; and
- (j) to support a partial paydown of no less than \$800 million of the Junior Secured Notes Secured Claim; provided that Ally is paid prior to any such paydown of the Junior Secured Notes Secured Claim in cash in full in satisfaction of all outstanding amounts owed under the Amended and Restated Credit Agreement, dated as of December 30, 2009, among the GMACM, Residential Funding Company, LLC, ResCap, GMAC Residential Holding Company, LLC, GMACRFC Holding Company, LLC,

Homecomings Financial, LLC, AFI and Wells Fargo Bank, N.A. (as amended or supplemented); provided further that the terms of any Bankruptcy Court order approving such paydown enforces the terms and conditions of the intercreditor agreement between the Junior Secured Notes and Ally in all respects, provided, further, however, that in the event the Plan does not become effective, any paydown of Ally's secured indebtedness will have no impact on, and be without prejudice to, the rights of any Party to seek to recharacterize or equitably subordinate Ally's secured claims as if the paydown had not been made, and for the Court to fashion any remedy in connection therewith.

4.2 Release of Ally

The Debtors, the Creditors' Committee, and each of the Consenting Claimants hereby agree to support the inclusion in the Plan of the Third Party Release set forth in the Plan Term Sheet.

4.3 Transfer of Claims.

(a) Each Supporting Party, other than the Institutional Investors, hereby agrees, severally and not jointly, for so long as this Agreement shall remain in effect as to it, not to sell, assign, transfer, pledge, hypothecate or otherwise dispose of, directly or indirectly, any of its Claims, or convey, grant, issue or sell any option or right to acquire any of its Claims or voting rights related thereto or any other interest in any Claim (a "Transfer"), except to (i) a party that is a Supporting Party or (ii) a party who agrees for the benefit of the Parties to be bound by all the terms of this Agreement and to assume the rights and obligations of the transferring Supporting Party by executing a joinder in the form attached hereto as Exhibit C (a "Joinder") and providing the same to the Debtors on the date of the Transfer (a "Joining Supporting Party") and who delivers such Joinder to the Debtors and the Creditors' Committee within five (5) Business Days of the Transfer; *provided*, that an Investor's transfer of RMBS shall not be deemed a Transfer as long as the Causes of Action held by such Investor are retained by the transferor. With respect to any Transfer effectuated in accordance with this Section 4.3(a), such Joining Supporting Party shall be deemed to be a Supporting Party for purposes of this Agreement and shall have the same rights and obligations under this Agreement with respect to the transferred Claims as the transferring Supporting Party. The Parties acknowledge that this restriction does not apply to any Senior Unsecured Noteholder that is not a Supporting Senior Unsecured Noteholder or a Joining Supporting Party.

(b) For so long as this Agreement shall remain in effect as to the Institutional Investors, the Institutional Investors, collectively, shall maintain holdings aggregating 25% of the voting rights in one or more classes of Securities of not less than 235 of the Covered Trusts (as defined in the plan support agreement between them and AFI dated May 13, 2012 ("Requisite Holdings")); provided, however, that any reduction in Requisite Holdings caused by: (a) sales by Maiden Lane I and Maiden Lane III; or (b) exclusion of one or more trusts due to the exercise of Voting Rights by a third party guarantor or financial guaranty provider, shall not be considered in determining whether the Requisite Holdings threshold has been met. For the avoidance of doubt, other than as set forth above, this Agreement shall not restrict the right of any Institutional Investor to sell or exchange any securities issued by a Trust free and clear of any encumbrance. The Institutional Investors will not sell any of the securities issued by a Trust for the purpose of avoiding their

obligations under this Agreement, and each Institutional Investor commits to maintain at least one position in one of the Securities in one of the Trusts until the earliest of the dates set forth above.

(c) Any purported Transfer or transaction involving any Claim that is subject to section 4.3(a) does not comply with the procedures set forth in Section 4.3(a) shall be deemed void *ab initio*.

(d) Notwithstanding anything herein to the contrary, (1) a Supporting Party may Transfer any right, title or interest in Claims to an entity that is acting in its capacity as a Qualified Marketmaker (a “Transfer to a QMM”) without the requirement that the Qualified Marketmaker be or become a Supporting Party, provided that such Transfer to a QMM shall only be valid if the Qualified Marketmaker subsequently Transfers such right, title or interest in the Claims to a transferee who is a Supporting Party (or becomes a Supporting Party at the time of the Transfer pursuant to a Joinder in the form attached hereto as Exhibit C) either (i) prior to the voting record date for the Plan (the “Voting Record Date”) if the Transfer to a QMM is made prior to the Voting Record Date or (ii) after the Voting Record Date if the Transfer to a QMM is made after the Voting Record Date, and (2) if a Supporting Party, acting in its capacity as a Qualified Marketmaker, acquires a right, title or interest in Claims from a holder of Claims who is not a Supporting Party, it may Transfer such Claims without the requirement that the transferee be or become a Supporting Party.

4.4 Further Acquisition of Claims.

This Agreement shall in no way be construed to preclude any Supporting Party or any of its affiliates (as defined in section 101(2) of the Bankruptcy Code) from acquiring additional Claims following its execution of the Agreement; provided, that any such additional Claims acquired by any such Supporting Party shall automatically be deemed to be subject to the terms of this Agreement. Each Supporting Party further agrees that it will not knowingly create any subsidiary or affiliate for the sole purpose of acquiring any Claims against or interests in any of the Debtors without causing such affiliate to become a Party hereto prior to such acquisition.

4.5 Representations and Warranties of Each Supporting Party.

Each Supporting Party represents that, as of the date hereof (a) it is either (i) the legal and/or beneficial owner of its Claims, if any, (ii) counsel for the putative class with respect to such Claims, if any, or (iii) the investment manager for the legal and beneficial owners of Claims, if any, subject to this Agreement as set forth on its signature page hereto or on an annex thereto, and (b) subject to sections 5.4 and 7.5, it has full power to vote, dispose of, and compromise such Claims.

Section 5. Specific Parties’ Rights and Obligations.

5.1 FGIC Approval.

FGIC must obtain approval of this Agreement from FGIC’s Rehabilitator on or before entry into this Agreement. FGIC will use Agreed Efforts to obtain the Rehabilitation Court’s approval of this Agreement and that certain Settlement Agreement to be entered into among the Debtors,

FGIC, The Bank of New York Mellon, The Bank of New York Mellon Trust Company, N.A., U.S. Bank National Association and Wells Fargo Bank, N.A., each in its capacity as RMBS Trustee, and the Institutional Investors (as defined therein), dated not later than May 23, 2013, in each case by no later than August 19, 2013.

5.2 RMBS Trustees.

(e) The RMBS Trustees will execute this Agreement and vote in favor of the Plan on behalf of each RMBS Trust.

(f) The Monolines and the Investors, including without limitation the Institutional Investors, will withdraw all letters to the RMBS Trustees that purport to direct them to take, or not to take, any actions that would be inconsistent with this Agreement, the Term Sheets, the RMBS Settlement or the Plan.

(g) Notwithstanding anything to the contrary in this Agreement, the Term Sheets or the Plan, if, prior to entry of the PSA Order, any RMBS Trustee that receives an investor direction and indemnity consistent with the applicable transaction documents from the requisite percentage of Investors in such RMBS Trust that directs such RMBS to withdraw its execution of this PSA and the agreement to vote in favor of the Plan, then, such RMBS Trustee shall have a right, for such RMBS Trust, to withdraw the execution of this Agreement and the agreement to vote in favor of the Plan as set forth in section 5.2(a).

(h) The hearing for approval by the Bankruptcy Court of the Debtors' motion for entry of the PSA Order shall be scheduled on a date no earlier than thirty-seven (37) days after the filing of that motion. The PSA Order and the Confirmation Order shall include affirmative findings reasonably acceptable to the RMBS Trustees that this Agreement, the RMBS Settlement, and the Plan are in the best interests of Investors, that the RMBS Trustees acted in good faith and in the best interests of the Investors in agreeing to this Agreement, the RMBS Settlement and the Plan and such additional protective findings as the RMBS Trustees may reasonably require relating to the actions and interests of the RMBS Trusts and the RMBS Trustees in connection with this Agreement, the RMBS Settlement and the Plan, provided, however, that the findings in such orders shall be binding solely in connection with the RMBS Trusts and the RMBS Trusts and the actions of the RMBS Trusts and the RMBS Trustees with respect to this Agreement, the RMBS Settlement and the Plan.

5.3 Kessler Class Claims.

The obligations of counsel for the putative Kessler Class under this Agreement are subject to satisfactory resolution of ongoing settlement negotiations with the Debtors on or before the date specified in the Supplemental Term Sheet, and ultimate approval of the settlement by a court of competent jurisdiction on or before the date specified in the Supplemental Term Sheet, including with respect to the amount of the allowed claim of the Kessler Class and other terms and conditions of a settlement.

5.4 Senior Unsecured Notes

Not later than May 31, 2013, Wilmington Trust will recommend to holders of Senior Unsecured Notes that they direct Wilmington Trust to enter into the Plan Support Agreement in accordance with the terms of the Indenture, provided that if such direction is not delivered by that date Wilmington Trust will no longer be deemed a Party to this Agreement and Wilmington Trust will have no further obligations under this Agreement.

5.5 Consenting Investors

The Investors executing this Plan Support Agreement have expressly relied upon the written disclosures entitled “Ally – Filed & Tolloed PLS Actions” made by Ally on May 13, 2013, and acceptance of this Plan Support Agreement and such Investors’ obligations hereunder are conditioned upon the accuracy of that disclosure as of the date thereof.

Section 6. Termination.

6.1 Termination Events.

The following shall be Termination Events:

- (b) the Bankruptcy Court has entered an order in any of the Chapter 11 Cases appointing a trustee under chapter 11 of the Bankruptcy Code;
- (c) any of the Chapter 11 Cases is dismissed or converted to a case under chapter 7 of the Bankruptcy Code;
- (d) any court has entered a final, non-appealable judgment or order declaring this Agreement or any material portion hereof to be unenforceable;
- (e) the releases set forth in the Plan Term Sheet are modified, amended, changed, severed or otherwise altered in the Plan or any other Definitive Document in any manner;
- (f) the Plan Support Agreement ceases to be binding on Ally or the Creditors’ Committee;
- (g) the Plan Support Agreement ceases to be binding on any Consenting Claimant;
- (h) the Examiner’s Report is disclosed to any party on or before the Bankruptcy Court enters the PSA Order;
- (i) the Debtors file with the Bankruptcy Court a proposed disclosure statement, chapter 11 plan, confirmation order or other related document that is not an Approved Plan Document; and
- (j) the Milestones are not satisfied.

The foregoing Termination Events are intended solely for the benefit of the Parties; provided, that, notwithstanding anything herein to the contrary, (a) a Party may not seek to terminate this

Agreement based upon a material breach or a failure of a condition (if any) in this Agreement arising out of its own actions or omissions in the event that such actions or inactions violate the terms of this Agreement, (b) only the Parties with termination rights with respect to the Milestones as identified in, and in accordance with, the Plan Term Sheet may terminate their obligations under this Agreement for failure to comply with section 6.1 (i) with respect to the applicable Milestone, and (c) Paulson may not seek to terminate this Agreement under section 6.1(f) if Wilmington Trust ceases to be a party to this Agreement.

6.2 Termination Event Procedures.

Except as provided in Section 6.1, upon the occurrence of a Termination Event, any Party that is materially and adversely affected by such Termination Event may terminate its obligations under this Agreement by providing a Termination Notice to all other Parties to this Agreement utilizing the notice addresses in section 10.13 hereof, and, unless the Party or Parties providing the Termination Notice waives the Termination Event in writing no later than five (5) Business Days after the date of such Termination Notice, such Party's obligations and benefits under this Agreement shall be terminated; provided, however, that a Party shall not be required to demonstrate that it is "materially and adversely affected" by a failure to satisfy the Milestones in Section 6.1 (i) to exercise its termination rights under section 6.1 of this Agreement.

Notwithstanding the foregoing, if a Termination Event as specified in clauses (a), (b), or (c), of Section 6.1 hereof occurs, this Agreement shall automatically terminate without further action by any Party. In the event the Agreement is terminated as to any Party, such Party shall not have any continuing liability or obligation under this Agreement and each Party shall have all the rights and remedies available to it under applicable law; provided, that no such termination shall modify any provision which by its express terms survives the termination of this Agreement. Any termination of the Agreement shall not restrict the Parties' rights and remedies for any breach of the Agreement by any Party, including the reservation of rights set forth in Section 8 hereof.

The Parties hereby waive any requirement under section 362 of the Bankruptcy Code to lift the Automatic Stay in connection with giving any Termination Notice (and agree not to object to any Party seeking to lift the Automatic Stay in connection with giving any such notice, if necessary). In the event any Party has terminated its obligations under this Agreement, the Debtors shall file with the Bankruptcy Court a notice concerning such termination within three (3) days of such termination.

6.3 Mutual Consent to Termination.

In addition to the Termination Events set forth in Section 6.1 hereof, this Agreement shall be terminable immediately upon the mutual written agreement of all of the Parties to terminate this Agreement.

6.4 Termination As a Result of the Plan Effective Date.

On the Effective Date, this Agreement shall terminate.

Section 7. Mutual Representations, Warranties, and Covenants.

Each Party, solely on behalf of itself and its respective subsidiaries and affiliates, makes the following representations, warranties, and covenants to each of the other Parties, each of which are continuing representations, warranties, and covenants:

7.1 Good Faith.

Such Party agrees to negotiate in good faith all of the documents and transactions described in the Term Sheets and in this Agreement, including the Definitive Documents.

7.2 Enforceability.

Subject to the Bankruptcy Court's approval of the Debtors' entry into this Agreement and any relevant provisions of the Bankruptcy Code, this Agreement is a legal, valid, and binding obligation, enforceable against the Debtors in accordance with its terms. This Agreement is a legal, valid, and binding obligation, enforceable against the Supporting Parties, other than the Debtors, and, unless and until the condition in section 5.4 is satisfied, with respect to Wilmington Trust, in accordance with its terms upon such Supporting Parties' execution of this Agreement. This Agreement supersedes in all respects the Original AFI-ResCap Settlement.

7.3 No Consent or Approval.

Except as expressly provided in this Agreement or as required by the Bankruptcy Code, no consent or approval is required by any other entity in order for such Party to carry out the provisions of this Agreement. Save that the Debtors make no representations, warranties or covenants regarding insurer consent or approval for (i) the assignment of insurance rights and/or (ii) any settlement of the claims of the Kessler Class Claimants.

7.4 Power and Authority.

Such Party, if an Entity, is duly organized, validly existing, and in good standing under the laws of its jurisdiction of organization and such Party has all requisite corporate, partnership, or limited liability company power and authority to enter into this Agreement and to perform its respective obligations under this Agreement.

7.5 Recognition of Applicable Fiduciary Duty.

Such Party has reviewed this Agreement and has decided to enter into this Agreement in the exercise of any applicable fiduciary duties. Such Party acknowledges that the Examiner has been appointed and that the Examiner's Report is forthcoming, and such Party has included this fact in its applicable fiduciary duties analysis. For the avoidance of doubt, no Party shall have the ability to terminate this Agreement based in any way upon the Examiner's Report or any information, findings, or conclusions contained therein. Notwithstanding anything to the contrary herein, the Parties acknowledge that Wilmington Trust's execution of this Agreement is not binding on or a limitation of the rights of any Senior Unsecured Noteholder.

7.6 Governmental Consents.

Except as expressly provided herein, the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with or consent or approval of, or notice to, or other action to, with or by, any federal, state, or other governmental authority or regulatory body, except such filings as may be necessary and/or required under the federal securities laws or as necessary for the approval of the Disclosure Statement and confirmation of the Plan by the Bankruptcy Court.

7.7 No Conflicts.

The execution, delivery, and performance of this Agreement does not and shall not: subject to obtaining the consents provided herein, violate any provision of law, rule, or regulations applicable to such Party or, in the case of the Debtors, any of its subsidiaries; violate such Party's certificate of incorporation, bylaws (or other formation documents in the case of a limited liability company) or, in the case of the Debtors, those of any of its subsidiaries; or (c) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which such Party or, in the case of the Debtors, any of their subsidiaries, is a party.

Section 8.No Waiver of Participation and Preservation of Rights.

This Agreement includes a proposed settlement among the Parties with respect to each Party's Claims and other disputes. Except as expressly provided herein, nothing herein is intended to, does or shall be deemed in any manner to waive, limit, impair, or restrict the ability of the Parties to protect and preserve their rights, remedies, and interests, including their Claims against any of the Debtors, any liens or security interests they may have in any assets of any of the Debtors, or their full participation in the Chapter 11 Cases including appearing as a party-in- interest in any matter to be adjudicated in the Chapter 11 Cases.

Without limiting the foregoing sentence in any way, if a Termination Event occurs or if this Agreement is otherwise terminated for any reason or if the transactions contemplated by the Plan are not consummated as provided herein or therein, the Parties each fully reserve any and all of their respective rights, remedies and interests under applicable law and at equity.

Section 9.Acknowledgement.

THIS AGREEMENT IS THE PRODUCT OF NEGOTIATIONS BETWEEN THE PARTIES AND THEIR RESPECTIVE REPRESENTATIVES. EACH PARTY HEREBY ACKNOWLEDGES THAT THIS AGREEMENT IS NOT AND SHALL NOT BE DEEMED TO BE A SOLICITATION OF VOTES FOR THE ACCEPTANCE OF A CHAPTER 11 PLAN FOR THE PURPOSES OF SECTIONS 1125 AND 1126 OF THE BANKRUPTCY CODE OR OTHERWISE. THE DEBTORS WILL NOT SOLICIT ACCEPTANCES OF THE PLAN FROM ANY PARTY UNTIL SUCH SOLICITATION HAS BEEN APPROVED BY THE BANKRUPTCY COURT. EACH PARTY FURTHER ACKNOWLEDGES THAT NO SECURITIES OF ANY DEBTOR ARE BEING OFFERED OR SOLD HEREBY AND THAT THIS AGREEMENT DOES

NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OF ANY DEBTOR.

Section 10. Miscellaneous Terms.

10.1 Effectiveness of Agreement; Binding Obligation; Assignment.

- (a) Effectiveness of Agreement. This Agreement shall be effective immediately between the Parties upon execution of this Agreement by each Party; provided that (a) this Agreement is executed on or before May 13, 2013, (b) the Examiner Report shall be sealed through and including the earlier of (i) the date the Bankruptcy Court approves the Plan Support Agreement, and (ii) July 3, 2013; provided that if the Plan Support Agreement is terminated, the Examiner Report may be unsealed the next business day after the effective date of such termination, and (c) the examiner report is issued to no party prior to the Parties executing the Supplemental Term Sheet; provided, however, that this Agreement shall be effective with respect to the Debtors only upon Bankruptcy Court approval of this Agreement.
- (b) Binding Obligation. Subject to Section 10.1(a) hereof and as otherwise provided herein, this Agreement is a legally valid and binding obligation of the Parties and their respective members, officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, successors, assigns, heirs, executors, administrators, and Representatives, other than a trustee or similar representative appointed in the Chapter 11 Cases, enforceable in accordance with its terms, and shall inure to the benefit of the Parties and their respective members, officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, successors, assigns, heirs, executors, administrators, and Representatives. Nothing in this Agreement, express or implied, shall give to any entity, other than the Parties and their respective members, officers, directors, agents, financial advisors, attorneys, employees, partners, affiliates, successors, assigns, heirs, executors, administrators, and Representatives, any benefit or any legal or equitable right, remedy or claim under this Agreement.
- (c) Assignment. Except as provided herein, rights or obligations of any Party under this Agreement may not be assigned or transferred to any other entity.

10.2 Conflicts Among the Plan, the other Approved Plan Documents, and this Agreement.

In the event of any conflict among the terms and provisions in (x) the Plan or the other Approved Plan Documents and (y) this Agreement, the terms and provisions of the Plan shall control.

10.3 Further Assurances.

The Parties agree to execute or cause to be executed and deliver or cause to be delivered all such agreements, instruments and documents and take or cause to be taken all such further actions

as may be reasonably necessary from time to time to carry out the intent and purpose of this Agreement and to consummate the transactions contemplated hereby.

10.4 Headings.

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

10.5 Governing Law.

THIS AGREEMENT IS TO BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN SUCH STATE, WITHOUT GIVING EFFECT TO THE CHOICE OF LAWS PRINCIPLES THEREOF.

FURTHER, BY ITS EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION OF ALL MATTERS ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

10.6 Complete Agreement, Interpretation, and Modification.

- (a) Complete Agreement. This Agreement constitutes the complete agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect thereto.
- (b) Interpretation. This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.
- (c) Modification of Agreements. This Agreement may only be modified, altered, amended, or supplemented by an agreement in writing signed by the Debtors, the Creditors' Committee and each of the Supporting Parties.

10.7 Execution.

This Agreement may be executed and delivered (by facsimile or otherwise) in any number of identical counterparts, each of which, when executed and delivered, shall be deemed an original and all of which together shall constitute the same agreement. Except as expressly provided in this Agreement, each individual executing this Agreement on behalf of a Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of said Party.

10.8 Specific Performance.

Each Party acknowledges that the other Parties would be irreparably damaged if this Agreement were not performed in accordance with its specific terms or were otherwise breached. Accordingly, notwithstanding anything in this Agreement to the contrary, each Party's sole remedy for breach of this Agreement shall be to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the terms of this Agreement.

10.9 Settlement Discussions.

This Agreement is part of a proposed settlement among the Parties. Nothing herein shall be deemed an admission of any kind. To the extent provided by Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating thereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce the terms of this Agreement.

10.10 Consideration.

The Debtors, the Creditors' Committee and the Supporting Parties hereby acknowledge that no consideration, other than that specifically described in this Agreement, shall be due or paid to the Supporting Parties for their agreement to support confirmation of the Plan in accordance with the terms and conditions of this Agreement.

10.11 No Joint and Several Liability.

Notwithstanding anything to the contrary herein, the duties and obligations of the Supporting Parties under this Agreement shall be several, not joint.

10.12 Confidentiality.

(a) Information regarding the Claims held by any Consenting Claimant in connection to this Agreement shall be provided only to Ally, the Debtors and the Creditors' Committee's counsel and financial advisors ("Committee Professionals"). In no event shall this Agreement impose on the Consenting Claimant an obligation to disclose the price for which it purchased or disposed of any Claim.

(b) Unless Ally, the Debtors or the Committee Professionals obtain the prior written consent of a Consenting Claimant: (i) Ally, the Debtors and Committee Professionals will use the information regarding the Claims of the Consenting Claimant (the "Confidential Claims Information") solely in connection with this Agreement; and (ii) except as required by law, rule or regulation or by order of a court or as requested or required by the Securities and Exchange Commission or by any other federal or state regulatory, judicial, governmental, or supervisory authority or body, Ally, the Debtors and Committee Professionals will keep the Confidential Claims Information strictly confidential and will not disclose the Confidential Claims Information to any other person; provided, further, that Ally, the Debtors or the Committee Professionals may disclose Claims subject to this Agreement on an aggregate basis.

(c) Each Party agrees that this Agreement is subject to the terms and conditions of the mediation orders entered in the Chapter 11 Cases and that such orders, including regarding confidentiality, remain in full force and effect.

(d) The Debtors, Ally, the Creditors' Committee, and the Consenting Claimants shall keep all of the terms and conditions of the Plan Support Agreement and the Term Sheets strictly confidential until the Supplemental Plan Term Sheet has been agreed to and executed by all necessary Parties as set forth herein. For the avoidance of doubt, the existence of this Agreement, but not its economic terms, may be disclosed prior to execution of the Supplemental Plan Term Sheet.

10.13 Notices.

All notices hereunder shall be deemed given if in writing and delivered, if sent by email, courier, or by registered or certified mail (return receipt requested) to the following addresses (or at such other addresses or email addresses as shall be specified by like notice):

- (a) if to the Debtors, (i) if by mail or courier to: LLC, Lewis Kruger, CRO, c/o Morrison & Foerster LLP, 1290 Avenue of the Americas, New York, New York 10104; with copies to: Morrison & Foerster LLP, 1290 Avenue of the Americas, New York, New York, 10104, Attn: Gary Lee, Lorenzo Marinuzzi, and Todd Goren; (ii) if by e-mail, to: Lewis.Kruger@gmacrescap.com, glee@mofo.com, lmarinuzzi@mofo.com and tgoren@mofo.com.
- (b) if to Ally to: Ally Financial, Inc., 1177 Avenue of the Americas, New York, NY 10036; Attn: William B. Solomon and Timothy Devine; with copies to: Kirkland & Ellis LLP, 601 Lexington Avenue, New York, New York 10022, Attn.: Richard M. Cieri, Ray C. Schrock, and Craig A. Bruens;
- (c) if to the Creditors' Committee, (i) if by mail or courier to: Kramer Levin Naftalis & Frankel LLP, 1177 Avenue of the Americas, New York, New York, 10036; Attn: Kenneth H. Eckstein, Douglas H. Mannal and Stephen D. Zide, (ii) if by email to keckstein@kramerlevin.com, dmannel@kramerlevin.com and szide@kramerlevin.com.
- (d) if to AIG, Allstate, MassMutual and/or Prudential, (i) if by mail or courier to: Quinn Emanuel Urquhart & Sullivan LLP, 51 Madison Avenue, 22nd Floor, New York, New York 10010; Attn: Susheel Kirpalani and Scott Shelley; (ii) if by email to susheelkirpalani@quinnemanuel.com and scottshelley@quinnemanuel.com.
- (e) if to FGIC, (i) if by mail or courier to: Jones Day, 222 East 41st Street, New York, New York 10017; Attn: Richard L. Wynne and Howard F. Sidman; and the Superintendent of Financial Services of the State of New York, as Rehabilitator of FGIC, c/o Weil Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153; Attn: Gary T. Holtzer (ii) if by e-mail to: rlwynne@jonesday.com, hfsidman@jonesday.com, and gary.holtzer@weil.com.

- (f) if to the Steering Committee Consenting Claimants, (i) if by mail or courier to: Gibbs & Bruns LLP, 1100 Louisiana, Suite 5300, Houston, Texas 77002; Attn: Kathy D. Patrick and Robert J. Madden; and Ropes & Gray LLP, 1211 Avenue of the Americas, New York, New York 10036; Attn: Keith H. Wofford and Ross Martin, (ii) if by e-mail to: kpatrick@gibbsbruns.com, rmadden@gibbsbruns.com, keith.wofford@ropesgray.com, and ross.martin@ropesgray.com.
- (g) if to the Talcott Franklin Consenting Claimants, (i) if by mail or courier to: Talcott Franklin, P.C., 208 N. Market Street, Suite 200, Dallas, Texas 75202; Attn: Talcott J. Franklin; (ii) if by e-mail to: tal@talcottfranklin.com.
- (h) if to Wilmington Trust, (i) if by mail or courier to: Cleary Gottlieb Steen & Hamilton LLP, One Liberty Plaza, New York, New York 10006, Attn: Thomas J. Moloney and Sean A. O'Neal and Loeb & Loeb, 345 Park Avenue, New York, New York 10154, Attn: Walter H. Curchack; (ii) if by e-mail to: tmoloney@cgsh.com, soneal@cgsh.com, and wcurchack@loeb.com.
- (i) if to MBIA, (i) if by mail or courier to: Cadwalader, Wickersham & Taft LLP, One World Financial Center, New York, New York 10281; Attn: Gregory M. Petrick and Mark Ellenberg; (ii) if by e-mail to: Gregory.Petrick@cwt.com and Mark.Ellenberg@cwt.com.
- (j) if to the Kessler Class Claimants, (i) if by mail or courier to: Polsinelli, 900 Third Avenue, Ste. 2020, New York, New York 10022; Attn: Daniel J. Flanigan; Carlson Lynch, Ltd., PNC Park, 115 Federal Street Suite 210, Pittsburgh, PA 15212, Attn: R. Bruce Carlson, Walters Bender Strohhahn & Vaughan, P.C., 2500 City Center Square, 12th & Baltimore, P.O. Box 26188, Kansas City, MO 64196, Attn: R. Frederick Walters (ii) if by e-mail to: dflanigan@polsinelli.com, bcarlson@carsonlynch.com, and fwalters@wbsvllaw.com.
- (k) if to the RMBS Trustees, (i) if by mail or courier to: BNY Mellon, c/o Dechert LLP, 1095 Avenue of the Americas, New York, New York 10036, Attn: Glenn E. Siegel; DB, c/o Morgan, Lewis & Bockius LLP, 101 Park Avenue, New York, NY 10178, Attn: James L. Garrity, Jr.; USB, c/o Seward & Kissel LLP, One Battery Park Plaza, New York, New York 10004, Attn: Arlene R. Alves; WFB, c/o Alston & Bird LLP, 1 Atlantic Center, 1201 W. Peachtree Street, NW Atlanta, Georgia 30309-3424, Attn: John C. Weitnauer; LDTC, Seward & Kissel LLP, One Battery Park Plaza, New York, New York 10004, Attn: Dale C. Christensen, Jr., HSBC, c/o John Kibler, Allen & Overy, 1221 Avenue of the Americas, New York, NY 10020, (ii) if by e-mail to: glenn.siegel@dechert.com, jgarrity@morganlewis.com, alves@sewkis.com, kit.weitnauer@alston.com, christensen@sewkis.com, and John.Kibler@AllenOvery.com.
- (l) if to Paulson, (i) if by mail or courier to: Paulson & Co., Inc., 1251 Avenue of the Americas, New York, New York 10020, Attn: Daniel J. Kamensky, (ii) if by e-mail to: Daniel.Kamensky@paulsonco.com.

Any notice given by delivery, mail, email, or courier shall be effective when received.

* * * * *

[Signature Pages Follow]

Agreed, this 13th day of May, 2013:

RESIDENTIAL CAPITAL, LLC for itself and its Debtor subsidiaries

By: /s/ Lewis Kruger

Name: Lewis Kruger

Title: Chief Restructuring Officer

Agreed, this 13th day of May, 2013:

ALLY FINANCIAL INC. on behalf of itself and its subsidiaries and affiliates
(excluding the Debtors and their direct and indirect subsidiaries)

By: /s/ Michael A. Carpenter
Name: Michael A. Carpenter
Title: Chief Executive Officer

Agreed, this 13th day of May, 2013:

THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS

By: /s/ Kenneth H. Eckstein

Name: Kenneth H. Eckstein

Title: Counsel to the Official Committee of Unsecured Creditors

Agreed, this 13th day of May, 2013:

AIG ASSET MANAGEMENT (U.S.), LLC, as investment manager of certain
affiliated funds and accounts

By: /s/ Lochlan McNew
Name: Lochlan McNew
Title: Authorized Signatory

Agreed, this 13th day of May, 2013:

Allstate Investments, LLC and Allstate Investment Management Company, as financial advisors to the Allstate holder Investors, as their interests may appear

By: /s/ Quinn Emanuel Urquhart & Sullivan, LLP

Quinn Emanuel Urquhart & Sullivan, LLP

By: /s/ Daniel L. Brockett

Daniel L. Brockett, Partner

Counsel and authorized attorney-in-fact for Allstate Insurance Company, Allstate Life Insurance Company, Allstate Bank (/k/a Allstate Federal Savings Bank), Allstate New Jersey Insurance Company, American Heritage Life Insurance Company, First Colonial Insurance Company, Allstate Life Insurance Company of New York and Allstate Retirement Plan

Plan Support Agreement Signature Page

Agreed, this 14th day of May, 2013:

FINANCIAL GUARANTY INSURANCE COMPANY

By: /s/ Benjamin M. Lawsky

Name: Benjamin M. Lawsky

Title: Superintendent of Financial Services of the State of New York, as
Rehabilitator of Financial Guaranty Insurance Company

By: /s/ Peter A. Giacone

Name: Peter A. Giacone

Title: Chief Financial Officer and Agent of Benjamin M. Lawsky,
Superintendent of Financial Services of the State of New York, as Rehabilitator of
Financial Guaranty Insurance Company

Agreed, this 13th day of May, 2013:

INTERIM CLASS COUNSEL FOR KESSLER PUTATIVE CLASS

By: /s/ R. Frederick Walters
Name: R. Frederick Walters

By: /s/ Bruce Carlson
Name: Bruce Carlson

Agreed, this 13th day of May, 2013:

INTERIM CLASS COUNSEL FOR KESSLER PUTATIVE CLASS

By: /s/ R. Frederick Walters
Name: R. Frederick Walters

By: /s/ Bruce Carlson
Name: Bruce Carlson

Agreed, this 13th day of May, 2013:

MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY

By: /s/ David S. Allen

Name: David S. Allen

Title: Sr. UP Dept. GC

Agreed, this 13th day of May, 2013:

MBIA INSURANCE CORPORATION

By: /s/ R. William Fallon

Name: William Fallon

Title: President & Chief Operating Officer

Agreed, this 13th day of May, 2013:

Commerce Street Investments
Park Place Commerce Investments, LLC
Pru Alpha Fixed Income Opportunity Master Fund I, L.P.
Pruco Life Insurance Company
Pruco Life Insurance Company of New Jersey Prudential Annuities Life Assurance Corporation Prudential Investment Portfolios 2
Prudential Retirement Insurance & Annuities Company
Prudential Total Return Bond Fund, Inc.
Prudential Trust Company
The Gibraltar Life Insurance Company, Ltd. The Prudential Insurance Company of America The Prudential Series Fund

By: /s/ Quinn Emanuel Urquhart & Sullivan, LLP

Quinn Emanuel Urquhart & Sullivan, LLP

By: /s/ Daniel L. Brockett

Daniel L. Brockett, Partner

Counsel and authorized attorney-in-fact for Commerce Street Investments, Park Place Commerce Investments, LLC, Pru Alpha Fixed Income Opportunity Master Fund I, LP., Pruco Life Insurance Company, Pruco Life Insurance Company of New Jersey, Prudential Annuities Life Assurance Corporation, Prudential Investment Portfolios 2, Prudential Retirement Insurance & Annuities Company, Prudential Total Return Bond Fund, inc., Prudential Trust Company, The Gibraltar Life insurance Company, Ltd., The Prudential insurance Company of America, The Prudential Series Fund Plan Support Agreement Signature Page

Agreed, this 13th day of May, 2013:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: /s/ Robert H. Major
Name: Robert H. Major
Title: Vice President

THE BANK OF NEW YORK MELLON, as Trustee

By: /s/ Gerard F. Facendola
Name: Gerard F. Facendola
Title: Managing Director

Agreed, this 13th day of May, to 2013:

DEUTSCHE BANK TRUST COMPANY AMERICAS, as trustee

By: /s/ Eileen M. Hughes
EILEEN M. HUGHES

Its: DIRECTOR

By: /s/ Carol Ng
Its: Carol Ng, Vice President

DEUTSCHE BANK NATIONAL TRUST COMPANY, as trustee

By: /s/ Brendan Meyer
Its: DIRECTOR

By: /s/ Michael Dunlaevy
Its: DIRECTOR

Agreed, this 13th day of May, 2013:

U.S. BANK NATIONAL ASSOCIATION, solely in its capacity as trustee, indenture trustee, securities administrator, co-administrator, paying agent, grantor trustee, master servicer, custodian and/or similar agency capacities in respect of certain of the RMBS Trusts

By: /s/ Mamta K. Scott

Name: Mamta K. Scott

Title: Vice President

Agreed, this 13th day of May, 2013:

HSBC BANK USA, N.A. as RMBS Trustee

By: /s/ Fernando Acebedo
Name: Fernando Acebedo
Title: Vice President

Agreed, this 13th day of May, 2013:

LAW DEBENTURE TRUST COMPANY OF NEW YORK, solely in its capacity as
Separate Trustee in respect of certain of the RMBS Trusts By:

Name: /s/ Thomas Musarra

Name: THOMAS MUSARRA

Title: SENIOR VICE PRESIDENT

Agreed, this 13th day of May, 2013:

WELLS FARGO BANK, N.A., solely in its capacities as trustee, indenture trustee, securities administrator, co-administrator, paying agent, grantor trustee, master servicer, custodian and/or similar agency capacities in respect of certain of the RMBS Trusts

By: /s/ Mary L. Sohlberg
Name: Mary L. Sohlberg
Title: Vice President

Agreed, this 13th day of May, 2013:

STEERING COMMITTEE GROUP OF RMBS HOLDERS

By: /s/ Kath D. Patrick

Kath D. Patrick

Gibbs & Bruns LLP

Counsel to the Steering Committee Group of RMBS Holders

Agreed, this 13th day of May, 2013, to use Best Efforts to obtain the consent to this Agreement by Talcott Franklin Consenting Claimants ("Claimants"), conditioned upon receipt of a reasonably acceptable tolling agreement from Ally regarding Claimants and the R NABS Trusts' claims:

TALCOTT FRANKLIN P.C.

By: /s/ Talcott J. Franklin

Name: Talcott J. Franklin

Title: Principal

Agreed, this 13th day of May, 2013:

WILMINGTON TRUST, NATIONAL ASSOCIATION, *not individually, but solely
in its capacity as Indenture Trustee for the Senior Unsecured Notes*

By: /s/ Peter Finkel
Name: Peter Finkel
Title: Vice President

Agreed, this 13th day of May, 2013:

PAULSON & CO., INC.,
on behalf of funds and accounts managed by it

By: /s/ Michael Waldorf
Name: Michael Waldorf
Title: Authorized Signatory

EXHIBIT A

PLAN TERM SHEET

RESIDENTIAL CAPITAL, LLC AND CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES TERM SHEET FOR PROPOSED JOINT CHAPTER 11 PLAN

This term sheet (the “Plan Term Sheet”) describes the principal terms of a proposed joint plan of liquidation (the “Plan”) of Residential Capital, LLC (“ResCap”) and each of its subsidiaries (collectively, and together with ResCap, the “Debtors”) in the Debtors’ chapter 11 cases, which are jointly administered under the caption *In re Residential Capital, LLC, et al.*, Case No. 12- 12020 (MG).

THIS PLAN TERM SHEET IS NOT AN OFFER REGARDING ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN. SUCH OFFER OR SOLICITATION ONLY WILL BE MADE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. THIS PLAN TERM SHEET HAS NOT BEEN AUTHORIZED BY ANY REGULATORY AUTHORITY. IT IS PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND ANY OTHER APPLICABLE STATUTES OR DOCTRINES PROTECTING THE USE OR DISCLOSURE OF CONFIDENTIAL SETTLEMENT DISCUSSIONS.

THE PLAN TERM SHEET CONTAINS A SERIES OF ASSUMPTIONS, COMPROMISES AND SETTLEMENTS OF ISSUES AND DISPUTES THAT WILL BE RESOLVED IN CONNECTION WITH CONFIRMATION OF THE PLAN. FOR THE AVOIDANCE OF DOUBT, IN THE EVENT THE PLAN CONTEMPLATED BY THIS TERM SHEET DOES NOT BECOME EFFECTIVE, NOTHING HEREIN OR IN THE SUPPLEMENTAL TERM SHEET SHALL BE CONSTRUED AS THE POSITION OF ANY CONSENTING CLAIMANT WITH RESPECT TO THESE ISSUES AND DISPUTES, INCLUDING, WITHOUT LIMITATION, INTERCOMPANY CLAIMS, SUBSTANTIVE CONSOLIDATION, ALLOCATION OF ADMINISTRATIVE EXPENSES, TREATMENT OF PRIVATE SECURITIES CLAIMS, SUBROGATION CLAIMS, SECURED CLAIMS, MONOLINE CLAIMS, SENIOR UNSECURED NOTE CLAIMS, BORROWER CLAIMS OR RMBS TRUSTEE CLAIMS. THE TRANSACTIONS DESCRIBED HEREIN WILL BE SUBJECT TO THE COMPLETION OF DEFINITIVE DOCUMENTATION IN ACCORDANCE WITH, AND INCORPORATING, THE TERMS AND CONDITIONS SET FORTH HEREIN AND THE CLOSING OF ANY TRANSACTION SHALL BE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN SUCH DOCUMENTATION.

PLAN STRUCTURE, SUPPORT AND MILESTONES

The Plan

The Plan will be jointly proposed by the Debtors and the Official Committee of Unsecured Creditors (the “Creditors’ Committee”), and, as set forth herein, will include, among other things: (i) a settlement among the Debtors, the Creditors’ Committee, the Consenting Claimants, and Ally Financial, Inc. (“AFI”) and its direct and indirect non-Debtor subsidiaries, including Ally Bank, and affiliates (collectively, “Ally”) whereby Ally will make the Ally Contribution (defined below) in exchange for a release of all estate claims and third party claims, as set forth herein, in favor of the Ally Released Parties (as defined below); (ii) settlements that fix and allow the amount and priority of the claims held by certain creditors, and (iii) the agreed upon allocation of the Ally Contribution and the assets of the Debtors’ estates.

Plan Support Agreement

The Debtors, Ally, the Creditors’ Committee, and the Consenting Claimants will enter into the plan support agreement (the “Plan Support Agreement”) to which this Plan Term Sheet is attached as an exhibit. For the avoidance of doubt, the Plan Support Agreement will be binding on the parties thereto regardless of the Examiner report results.

Plan and Disclosure Statement

The Plan and the Disclosure Statement will: (a) incorporate, and be materially consistent in all respects with, the terms and conditions of this Plan Term Sheet and (b) incorporate, and be materially consistent in all respects with, the terms and conditions of a supplemental term sheet, which will address intercreditor and allocation issues (the “Supplemental Term Sheet” and, together with the Plan Term Sheet, the “Term Sheets”).

The Supplemental Term Sheet will be materially consistent with the terms and conditions of this Plan Term Sheet and will otherwise be in form and substance reasonably satisfactory to the Debtors, Ally, the Creditors’ Committee and the Consenting Claimants.

Each of the Consenting Claimants has agreed to an allocation of estate assets and the Ally Contribution that will be set forth in the Supplemental Term Sheet. On or before May 13, 2013, the Creditors’ Committee shall disclose to Ally in writing such allocation, which Ally will keep strictly confidential, subject to the “Confidentiality” provision described below, and which shall not be changed in the Supplemental Term Sheet absent obtaining consent from the Parties for such change.

Ally represents and warrants that the list of Ally – Filed & Tolled PLS Actions provided to the Creditors’ Committee on May 13, 2013 comprises an accurate list of third parties with filed and served or tolled actions of Investors against Ally arising from the purchase or sale of RMBS.

Nothing in the Plan shall reduce or in any way impair recoveries to the FHFA and the FDIC to which each is entitled under the governing documents of the trusts for which the RMBS Trustees are trustees. The Supplemental Term Sheet and the Plan will provide that the FHFA and the FDIC will not receive any recovery from any securities litigation trust established under the Plan, and the FHFA and FDIC shall retain all such securities claims against Ally.

[The remainder of this page is intentionally left blank]

Milestones

The following milestones (the “Milestones”) must be satisfied:

- (a) Not later than May 23, 2013 at 9:00 a.m. (ET), the Debtors, the Creditors’ Committee, Ally, and the Consenting Claimants will execute the Supplemental Term Sheet;
- (b) Not later than May 31, 2013, Wilmington Trust must receive a direction to enter into the Plan Support Agreement from the holders of Senior Unsecured Notes in accordance with the terms of the indenture;
- (c) Not later than July 3, 2013, the plan proponents will file the Plan and the Disclosure Statement;
- (d) Not later than July 3, 2013, the Bankruptcy Court will enter the PSA Order;
- (e) Not later than August 19, 2013, the New York State Supreme Court with jurisdiction over FGIC’s rehabilitation proceeding (the “FGIC Rehabilitation Court”) will approve the Plan Support Agreement and that certain Settlement Agreement entered into among the Debtors, FGIC, The Bank of New York Mellon, The Bank of New York Mellon Trust Company, N.A., U.S. Bank National Association and Wells Fargo Bank, N.A., each in its capacity as RMBS Trustee, and the Institutional Investors (as defined therein), to be entered into no

later than May 23, 2013 (the “FGIC Settlement Agreement”);

- (f) Not later than August 30, 2013, the Bankruptcy Court will have approved the Disclosure Statement; and
- (g) Not later than 30 days following entry of the Confirmation Order, but in no event later than December 15, 2013, the Plan will be effective.

Ally and the Creditors’ Committee may terminate their support of the Plan and the Term Sheets if any Milestone is not satisfied. A Consenting Claimant may terminate its support of the Plan and the Term Sheets if Milestones (a), (d), (f) or (g) is not satisfied. Wilmington Trust may also terminate its support of the Plan and the Term Sheets if Milestone (b) is not satisfied. FGIC may also terminate its support of the Plan and the Term Sheets if Milestone (e) is not satisfied. Notwithstanding anything contained in this Plan Term Sheet or the Plan Support Agreement, the right to terminate support for the Plan shall be the exclusive remedy available to any Party for the failure to achieve any of the foregoing Milestones.

AFI Settlement (the Ally Contribution)

The Plan will incorporate a settlement with Ally, as described in the Term Sheets, pursuant to which Ally will agree to contribute an additional (a) \$1,950,000,000 in cash on the Effective Date, and (b) the first \$150,000,000 received by Ally for any Directors and Officers or Errors and Omissions claims it pursues against its insurance carriers related to the claims released in connection with the Plan (the “Ally Contribution”), pursuant to the Plan for among other things, Debtor Releases and Third Party Releases, subject to Bankruptcy Court approval as part of the Plan; provided that Ally guarantees that the Debtors will receive \$150,000,000 on account of such insurance claims, which guarantee shall be payable without defense, objection or setoff on September 30, 2014.

AFI Settlement (No Additional Contribution)

All Parties agree that the Ally Contribution will not be increased. The Ally Contribution is final and capped at \$2,100,000,000. The Debtors, the Creditors’ Committee, Ally and the Consenting Claimants agree to use Agreed Efforts to resolve or defeat all objections to the Plan. Ally will not make any additional contributions to the Debtors or the estates or any creditor of the Debtors for any cost related to the Debtors, including contributions on account of the consent judgment among the United States Department of Justice, the Attorneys General of certain states, ResCap, GMACM, and AFI entered by the District Court for the District of Columbia on February 9, 2012 (the “DOJ/AG Settlement”), the consent order among ResCap, GMACM, AFI, Ally Bank, the Federal Reserve Board and the Federal Deposit Insurance Corporation, dated April 13, 2011 (the “Consent Order”), and the order of assessment among ResCap, GMACM, AFI and the Board of Governors of the Federal Reserve System (the “Order of Assessment”).

AFI Settlement Releases (Debtor Releases)

On and as of the effective date of the Plan (the “Effective Date”), the following releases shall be effective:

Debtor Releases. Pursuant to section 1123(b) of the Bankruptcy Code, for good and valuable consideration, including with respect to the Ally Released Parties the Ally Contribution provided to the estates under the Plan and otherwise, on and as of the Effective Date of the Plan, the Debtor Released Parties are deemed released and discharged by the Debtors, the estates, and, if applicable, a liquidating trust from any and all Causes of Action whatsoever, whether known or unknown, asserted or unasserted, derivative or direct, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, whether for tort, fraud, contract, violations of federal or state securities laws, or otherwise, including those Causes of Action based on avoidance liability under federal or state laws, veil piercing or alter-ego theories

of liability, a theory of debt recharacterization, or equitable subordination liability, arising from or related in any way to the Debtors, including those that any of the Debtors would have been legally entitled to assert against a Debtor Released Party in its own right (whether individually or collectively) or that any holder of a claim or interest, the liquidating trust, or other entity would have been legally entitled to assert on behalf of any of those Debtors or any of their estates, including those in any way related to the chapter 11 cases or the Plan to the fullest extent of the law.

Entry of the confirmation order (the “Confirmation Order”) shall constitute the Bankruptcy Court’s approval, under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, of the Debtors’ release, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court’s finding that the Debtors’ release is: (1) in exchange for the good and valuable consideration provided by the Debtor Released Parties; (2) a good faith settlement and compromise of the claims released by the Debtors’ release; (3) in the best interests of the Debtors, the estates, the liquidating trust and all holders of claims and equity interests; (4) fair, equitable and reasonable; (5) given and made after due notice and opportunity for a hearing; and (6) a bar to the Debtors, the liquidating trust and any holder of a claim or interest or other entity who would have been legally entitled to assert on behalf of any of the Debtors or any of their estates from asserting any claim or cause of action released pursuant to the Debtors’ release.

AFI Settlement Releases (Third Party Releases)

Third Party Releases. On and as of the Effective Date of the Plan, the holders of claims and equity interests, shall be deemed to provide a full and complete discharge and release to the Ally Released Parties and their respective property from any and all Causes of Action whatsoever, whether known or unknown, asserted or unasserted, derivative or direct, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, whether for tort, fraud, contract, violations of federal or state securities laws, veil piercing or alter-ego theories or liability, or otherwise, arising from or related in any way to the Debtors, including those in any way related to residential mortgage backed securities issued and/or sold by the Debtors or their affiliates and/or the chapter 11 cases or the Plan.

Entry of the Confirmation Order shall constitute the Bankruptcy Court’s approval, under section 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, of the third party release, and further, shall constitute the Bankruptcy Court’s finding that this third party release is: (1) in exchange for the good, valuable and substantial consideration provided by the Ally Released Parties; (2) in the best interests of the Debtors, the Estates, the liquidating trust and all holders and claims and equity interests; (3) fair, equitable and reasonable; (4) given and made after due notice and opportunity for a hearing; (5) justified by truly unusual circumstances; (6) an essential component and critical to the success of the Plan; (7) resulted in distributions to the creditors that would otherwise have been unavailable; (8) the result of an identity of interest between the Debtors and the Ally Released Parties regarding the Plan; and (9) a bar to any party asserting a claim or cause of action released pursuant to this third party release against any of the Ally Released Parties.

Notwithstanding anything to the contrary herein, the foregoing third party release shall not apply to any claims held by the FDIC, in its capacity as a receiver, and FHFA against Ally.

AFI Settlement Releases (No Admission)

Ally has denied and continues to deny any breach, fault, liability, or wrongdoing regarding claims alleged against Ally. Nothing contained in the Term Sheets, the Plan, the Plan Support Agreement or otherwise shall be construed as, or deemed to be evidence of, an admission or concession on the part of Ally with respect to any claim or of any breach, liability, fault, wrongdoing, or damage

whatsoever, or with respect to any infirmity in any Ally defense. Neither the order approving the Plan Support Agreement, the order approving the Disclosure Statement, nor the Confirmation Order shall contain any finding to the contrary.

Ally Releases

On and as of the Effective Date of the Plan, the following releases shall be effective: the Ally Released Parties shall release the Creditors' Committee, the Debtors, and the Consenting Claimants from any and all Causes of Action whatsoever, whether known or unknown, asserted or unasserted, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise arising from or related to the Debtors' liquidation, and the negotiation, formulation, or preparation of the Plan Support Agreement, the Term Sheets, the Plan, the Disclosure Statement, and any other Definitive Documents and related disclosures, as well any counterclaims in commenced or tolled litigation with the Debtors or the Consenting Claimants.

AFI Settlement Releases (Plan Injunction)

Plan Injunction. Except as otherwise provided in the Plan or the Confirmation Order, all entities, including RMBS investors, who have held, hold or may hold claims, equity interests, Causes of Action or liabilities that: (1) have been discharged or terminated pursuant to the terms of the Plan; (2) have been released pursuant to the Plan; or (3) are subject to exculpation pursuant to the Plan (together with (1) and (2), the "Released Claims"), are permanently enjoined and precluded, from and after the effective date of the Plan, from: (a) commencing or continuing in any manner or action or other proceeding of any kind against any entity so released, discharged or exculpated (including the liquidating trust) (or the property or Estate of any entity so released, discharged or exculpated) (a "Released Party") whether directly, derivatively or otherwise, on account of or in connection with or with respect to any Released Claims; (b) enforcing, attaching, collecting or recovering by any manner or means any judgment, award, decree or order against any Released Party on account of or in connection with or with respect to any Released Claims; (c) creating, perfecting or enforcing any lien (other than any charging lien of a trustee under its respective indenture), claim or encumbrance of any kind against any Released Party on account of or in connection with or with respect to any Released Claims; (d) asserting any right to setoff, subrogation or recoupment of any kind against any obligation due from any Released Party on account of or in connection with or with respect to any Released Claims unless such holder has filed a motion requesting the right to perform such setoff on or before the confirmation date, and notwithstanding any indication in a proof of claim or equity interest or otherwise that such holder asserts, has or intends to preserve any right of setoff pursuant to section 553 of the Bankruptcy Code or otherwise; and (e) commencing or continuing in any manner or action or other proceeding of any kind against any Released Party on account of or in connection with or with respect to any Released Claims; provided, that nothing contained herein shall be construed to prevent any entity from objecting to claims or defending against claims objections or collection actions whether by asserting a right of setoff or otherwise to the extent permitted by law. Such injunction shall extend to the successors of the liquidating trust, if any, and to their respective properties and interests in property. Any person injured by any willful violation of this injunction shall recover actual damages, including costs and attorneys' fees and, in appropriate circumstances, may recover punitive damages from the willful violator.

Exculpation

The Settling Parties and each of their respective Representatives (the "Exculpated Parties") shall neither have, nor incur, any liability to any entity for any pre-petition or post-petition act or omission taken in connection with, or related to, formulating, negotiating, preparing, disseminating, soliciting, implementing, administering, confirming, or effecting the consummation of any prepetition plan support agreements, the Plan Support Agreement, the Term Sheets, the Plan, the Disclosure Statement, the Ally Settlement

Agreement, the RMBS Settlement, or any contract, instrument, release, or other agreement or document created or entered into in connection with the Plan provided, that the foregoing provisions of this exculpation shall have no effect on the liability of any entity that results from any such act that is determined in a final, non-appealable order to have constituted gross negligence or willful misconduct; provided, further, that the Exculpated Parties shall be entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in connection with, any prepetition plan support agreement, the Plan Support Agreement, the Term Sheets, the Plan, the Disclosure Statement, and the RMBS Settlement.

Debtors' Regulatory Obligations

The Plan shall provide that the Debtors and/or the Debtors' estates shall perform all respective obligations under the DOJ/AG Settlement, the Consent Order, and the Order of Assessment, other than those obligations under the DOJ/AG Settlement, the Consent Order, and the Order of Assessment that Ocwen performs under the Ocwen APA (each of "Ocwen" and "Ocwen APA" as defined in the order approving the Ocwen APA at ECF Docket No. 2246), including, for the avoidance of doubt, completing or otherwise satisfying in full the foreclosure review obligations, unless the foreclosure review obligations are otherwise settled, fulfilling all specific performance obligations, and satisfying all monetary obligations in full in cash. For the avoidance of doubt, Ally shall have no monetary obligations under the Consent Order, DOJ/AG Settlement, and the Order of Assessment.

Debtors' Release of the Indemnity Payment Escrow Account

The Plan shall provide for the Debtors' release of the funds held in the escrow account to Ally created pursuant to the *Stipulation and Order Reserving Rights with Respect to Debtors' Motion for Interim and Final Orders under Bankruptcy Code Section 105(a) and 363 Authorizing the Debtors to Continue to Perform under the Ally Bank Servicing Agreement in the Ordinary Course of Business* [ECF No. 1420].

General Treatment of Ally's Claims

The Debtors shall provide full repayment to Ally on account of all outstanding amounts owed under the Amended and Restated Loan Agreement, dated as of December 30, 2009, by and among ResCap, GMACM, Residential Funding Company, LLC, Passive Asset Transactions, LLC, RFC Asset Holdings II, LLC, Equity Investment I, LLC and AFI (as amended or supplemented, the "LOC") and the Amended and Restated Credit Agreement, dated as of December 30, 2009, among the GMACM, Residential Funding Company, LLC, ResCap, GMAC Residential Holding Company, LLC, GMAC-RFC Holding Company, LLC, Homecomings Financial, LLC, AFI and Wells Fargo Bank, N.A. (as amended or supplemented, the "Revolver"). The Debtors shall remit any and all funds held in trust for Ally to Ally, pursuant to the Plan, including the approximately \$2.6 million of funds that were misdirected to the Debtors' tri-party account with Bank of New York Mellon prior to the filing of the Debtors' chapter 11 cases. The Debtors shall not pay any professionals fees of Ally or default interest under the LOC and the Revolver. The Debtors and Ally will agree upon a list of those contracts or other agreements that the Debtors will continue to perform through the Effective Date, and such list will be included in the Supplemental Term Sheet.

Stay of Litigation

The Debtors, the Creditors' Committee, and the Consenting Claimants, as applicable, agree that the following pleadings shall be adjourned *sine die*, and the Debtors, Creditors' Committee, and Consenting Claimants will not continue to pursue such pleadings during the term of the Plan Support Agreement: (i) motions seeking standing to pursue claims or Causes of Action against Ally or affiliates on behalf of the Debtors' estates, (ii) objections to the compensation of PricewaterhouseCoopers LLP, or other professionals, for services performed in connection with the foreclosure review under the Consent Order, (iii) pleadings seeking to classify the claims arising from the foreclosure review obligations

under the Consent Order as unsecured claims, and (iv) pleadings seeking to subordinate the claims of Investors pursuant to 11 U. S.C. § 5 10.

Plan Funding

The Plan will be funded with (a) net proceeds from the Debtors' asset sales; (b) the Ally Contribution; and (c) any other estate assets.

Allocation of the Ally contribution and Estate Assets

To be set forth in the Supplemental Term Sheet.

Settlement of Debtors' Rights to and Under Insurance Policies

In exchange for the Ally Contribution and final Bankruptcy Court approval of all of the releases contemplated herein, except as provided herein, the Debtors (i) agree to permit Ally exclusively to recover under all Directors & Officers and Errors & Omissions Policies with Policy Periods between November 2006 and the Effective Date which provide coverage to Ally or its Representatives as well as to the Debtors and/or their Representatives ("Settlement Policies"), (ii) relinquish in favor of Ally and its Representatives all coverage that might otherwise belong to the Debtors under such Settlement Policies, (iii) shall, at Ally's discretion, assign, and seek an Order of the Bankruptcy Court permitting the assignment, to Ally of any and all of the Debtors' rights under the Settlement Policies with respect to any claims made against the Debtors or their Representatives prior to or during the bankruptcy, including each of the claims to be set forth on a schedule annexed to the Supplemental Term Sheet, and (iv) shall cooperate fully with Ally in order to help maximize Ally's recovery under the Settlement Policies with respect to claims against the Debtors or their Representatives.

It is agreed that the Debtors shall retain their rights as insureds under the existing Ally general liability and workers' compensation insurance policies for bodily injury and property damage claims to the extent covered by those insurance policies. By the Effective Date, the Debtors shall be required to have purchased their own insurance policies (including general liability and workers' compensation insurance) to cover all risks of loss, damage or injury (including bodily injury and property damage) occurring on or after the Effective Date. For the avoidance of doubt, there is no obligation for Ally to provide insurance as part of this agreement.

Notwithstanding anything to the contrary herein, nothing in the Plan or Confirmation Order shall release, enjoin, or preclude any Representative of the Debtors from pursuing any rights a Representative of the Debtors may have 1) to indemnification or advancement from Ally solely for any claims that are not released by the Plan and the Confirmation Order; or 2) as an "insured" under any insurance coverage purchased by Ally or covering Representatives of the Debtors, or against any party (other than the Debtors) arising out of such policies of insurance, solely for any claims that are not released by the Plan and the Confirmation Order. For the avoidance of doubt, nothing in this Agreement expands or reduces any existing indemnification rights or rights as an "insured" for any Representative of the Debtors for claims that are not released by the Plan.

No rights of the Consenting Claimants are released under this Agreement in their capacity as liability insurance or reinsurance carriers for Ally or the Debtors, to the extent applicable.

In addition, nothing in the Plan or Confirmation Order shall impair any of the Debtors' or any borrower or former borrower claimants' rights or remedies under or with respect to insurance policies other than the Settlement Policies, including but not limited to those policies issued under the General Motors Combined Specialty Insurance Program 12/15/00 - 12/15/03.

With respect to the Settlement Policies, the Confirmation Order shall contain

language regarding the settlement of insurance that is reasonably acceptable to Ally, the Debtors, the Creditors' Committee and the Consenting Claimants.

Post-Effective Date Governance and Structure

The Supplemental Term Sheet will address: (i) the corporate structure of the post-Effective Date entity; (ii) the appointment of the liquidating Debtors' board of directors or creditor oversight committee; (iii) governance for the liquidating entity; (iv) issuance of post-Effective Date debt and equity interests, if any; (v) financial reporting requirements; (vi) transferability of debt or equity instruments; (vii) tax considerations; (viii) regulatory considerations; and (ix) all other provisions required to liquidate the Debtors' remaining assets.

Plan Structure, Classification and Treatment of Claims

Additionally, the Supplemental Term Sheet shall set forth the following provisions: (i) an allocation of the Ally Contribution and estates' assets; (ii) a settlement of the allowance, priority and allocation of the claims of the Investors that are Consenting Claimants, and the establishment of a securities claims trust to propose a settlement, allowance and allocation of other similarly situated Investors' claims; (iii) the establishment of a borrowers trust; (iv) a resolution of the allowance, priority and allocation of the RMBS Trust Claims and the RMBS Cure Claims; (v) a settlement of the allowance, priority and allocation of the Monoline Claims, including a settlement and release of FGIC's ResCap-related insurance indemnity obligations pursuant to the FGIC Settlement Agreement, as approved by the FGIC Rehabilitation Court; and (vi) the treatment of all claims and interests under the Plan.

Other Plan Provisions

The Plan shall provide for: (i) a compromise and settlement of intercreditor and interdebtor disputes to the extent set forth in the Supplemental Term Sheet; (ii) the establishment of a professional fee escrow account, the amount of which shall be acceptable to the Creditors' Committee and Consenting Claimants and shall be set forth in the disclosure statement; and (iii) the establishment of an administrative claims bar date.

Confidentiality

The Debtors, Ally, the Creditors' Committee, and the Consenting Claimants shall keep all of the terms and conditions of the Plan Support Agreement and the Term Sheets strictly confidential until the Supplemental Plan Term Sheet has been executed by all Parties as set forth herein. For the avoidance of doubt, the existence of this Plan Term Sheet, but not its economic terms, may be disclosed prior to execution of the Supplemental Plan Term Sheet. Nothing in this paragraph shall preclude any party from disclosing the terms and conditions of the Plan Support Agreement and the Term Sheets to an insurer of that party.

Seal of Examiner Report

The Examiner Report shall be sealed through and including the earlier of (a) the date the Bankruptcy Court approves the Plan Support Agreement, and (b) July 3, 2013, provided that if the Plan Support Agreement is terminated, the Examiner Report may be filed publicly the next Business Day after the effective date of such termination.

CONDITIONS PRECEDENT

Conditions Precedent to Confirmation

It will be a condition to confirmation of the Plan that the following conditions will have been satisfied or waived in accordance with the terms of the Plan:

- (a) Court approval of the Disclosure Statement in a form and substance reasonably acceptable to the Debtors, Ally, the Creditors' Committee and the Consenting Claimants, as containing adequate information with respect to the Plan within the meaning of section 1125 of the Bankruptcy Code.
- (b) The Plan shall be reasonably acceptable to Ally, the Debtors, the Creditors' Committee and the Consenting Claimants.
- (c) Court approval of the RMBS Settlement, as modified as set forth in the

Supplemental Term Sheet, pursuant to Bankruptcy Rule 9019.

- (d) The Third Party Releases, Debtor Releases and Exculpation provisions as set forth herein will not be modified in, or severed from, the Plan or Confirmation Order.

Conditions Precedent to the Effective Date

It will be a condition to the Effective Date that the following conditions will have been satisfied or waived in accordance with the terms of the Plan:

- (a) The Bankruptcy Court will have entered the Confirmation Order, which will grant final approval of the Plan, including all settlements therein, the Debtor Releases, the Third Party Releases, and exculpation of the Exculpated Parties.
- (b) The Confirmation Order will not have been stayed, modified, or vacated on appeal, and the time to appeal shall have passed.
- (c) Approval by the FGIC Rehabilitation Court of the Plan Support Agreement and the FGIC Settlement Agreement, including the settlement and release of all present and future claims against FGIC under or relating to the FGIC policies.
- (d) Court approval of the FGIC Settlement Agreement, including the settlement and release of all present and future claims against FGIC under or relating to the FGIC policies and the allowance of FGIC's claims against the Debtors, pursuant to a Bankruptcy Rule 9019 motion, which shall include a finding that the FGIC Settlement Agreement is in the best interests of the RMBS Trusts.
- (e) AFI will have funded the Ally Contribution on or before the Effective Date.
- (f) AFI Revolver Claims and AFI LOC Claims, and any additional Claims held by Ally, which claims will be set forth in the Supplemental Plan Term Sheet, will have been Allowed in full and approved by the Bankruptcy Court without subordination of any kind, and satisfied on or before the Effective Date in accordance with the terms of the Plan.
- (g) All material governmental and third party approvals and consents, including Bankruptcy Court approval and approvals AFI may be required to obtain, necessary in connection with the transactions contemplated by this Plan, will have been obtained and be in full force and effect, and all applicable waiting periods will have expired without any action being taken by any competent authority that would restrain, prevent or otherwise impose materially adverse conditions on such transactions.
- (h) All other actions, documents and agreements necessary to implement the Plan as of the Effective Date will have been delivered and all conditions precedent thereto.

EXHIBIT B

SUPPLEMENTAL TERM SHEET

**RESIDENTIAL CAPITAL, LLC AND
CERTAIN OF ITS DIRECT AND INDIRECT SUBSIDIARIES**

SUPPLEMENTAL TERM SHEET FOR PROPOSED JOINT CHAPTER 11 PLAN

This term sheet (the “Supplemental Term Sheet”) supplements and incorporates by reference the Term Sheet (the “Plan Term Sheet”) attached to the Plan Support Agreement dated as of May 13, 2013 by and among the Debtors, Ally, the Creditors’ Committee, and the Consenting Claimants (the “Plan Support Agreement”).

THIS SUPPLEMENTAL TERM SHEET IS NOT AN OFFER REGARDING ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OF A CHAPTER 11 PLAN. SUCH OFFER OR SOLICITATION ONLY WILL BE MADE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS AND/OR PROVISIONS OF THE BANKRUPTCY CODE. IT IS PROTECTED BY RULE 408 OF THE FEDERAL RULES OF EVIDENCE AND ANY OTHER APPLICABLE STATUTES OR DOCTRINES PROTECTING THE USE OR DISCLOSURE OF CONFIDENTIAL SETTLEMENT DISCUSSIONS.

FOR THE AVOIDANCE OF DOUBT, IN THE EVENT THE PLAN CONTEMPLATED BY THIS SUPPLEMENTAL TERM SHEET DOES NOT BECOME EFFECTIVE, NOTHING HEREIN SHALL BE CONSTRUED AS THE POSITION OF ANY PARTY WITH RESPECT TO THESE ISSUES AND DISPUTES, INCLUDING, WITHOUT LIMITATION, INTERCOMPANY CLAIMS, SUBSTANTIVE CONSOLIDATION, ALLOCATION OF ADMINISTRATIVE EXPENSES, TREATMENT OF PRIVATE SECURITIES CLAIMS, SUBROGATION CLAIMS, SECURED CLAIMS, MONOLINE CLAIMS, SENIOR UNSECURED NOTE CLAIMS, BORROWER CLAIMS OR RMBS TRUSTEE CLAIMS. THE TRANSACTIONS DESCRIBED HEREIN WILL BE SUBJECT TO THE COMPLETION OF DEFINITIVE DOCUMENTATION IN ACCORDANCE WITH, AND INCORPORATING, THE TERMS AND CONDITIONS SET FORTH IN THE PLAN TERM SHEET AND HEREIN AND THE CLOSING OF ANY TRANSACTION SHALL BE SUBJECT TO THE TERMS AND CONDITIONS SET FORTH IN SUCH DOCUMENTATION.

<i>Overview</i>	
Global Settlement	<p>In connection with confirmation of the Plan, the Debtors and Creditors’ Committee shall jointly seek approval of a global settlement (the “<u>Global Settlement</u>”) embodied in the Plan which provides for a compromise and resolution of certain intra-debtor and inter-creditor issues, including:</p> <ul style="list-style-type: none"> (i) the distribution of available proceeds from the Debtors’ estates including the Ally Contribution to creditors, consistent with the Allocation Percentages set forth on <u>Annex I</u>, reflecting the expected economic distributions (subject to the Adjustments described below) as set forth on <u>Annex I</u> (the “<u>Distribution Amounts</u>”); (ii) an allocation of administrative expenses among the ResCap Debtors, GMACM Debtors and the RFC Debtors as set forth on <u>Annex I</u>; (iii) a settlement of the amount and allocation of certain liabilities among the Debtors, including the RMBS Trust Claims (including approving the existing RMBS Settlement with modifications to include Additional Settling Trusts) and the Monoline Claims (including implementing the FGIC Settlement Agreement); (iv) the establishment of separate trusts for the Borrower Claims and Private Securities Claims; (v) resolution of the NJ Carpenters Claims; (vi) payment of the JSN Claims; (vii) the agreement of the GMACM Debtors and RFC Debtors to waive subrogation claims against the ResCap Debtors; (viii) the disallowance of all other intercompany claims; (ix) an agreement on the allocation of the JSN Deficiency Claims; and (x) the granting of Debtor Releases, Third Party Releases, Ally Releases, a Plan Injunction, and Exculpation, as set forth in the Plan Term Sheet.

Allocation of Estate Assets and Distributions	
Limited Consolidation for Distribution Purposes	<p>The Plan shall partially consolidate the Debtors for distribution purposes only into the following three groups of Debtor entities: (i) ResCap, GMAC Residential Holding Company, LLC, and GMAC-RFC Holding Company, LLC (the “<u>ResCap Debtors</u>”); (ii) each of the direct and indirect Debtor subsidiaries of GMAC Residential Holding Company, LLC (the “<u>GMACM Debtors</u>”); and (iii) each of the direct and indirect Debtor subsidiaries of GMAC-RFC Holding Company, LLC (the “<u>RFC Debtors</u>” and, together with the ResCap Debtors and the GMACM Debtors, the “<u>Consolidated Debtors</u>”). The partial consolidation set forth herein remains subject to change with the reasonable consent of the Debtors, the Creditors’ Committee, Ally and the Consenting Claimants, which, in each case, shall not be unreasonably withheld, provided that no change to the partial consolidation shall in any way impact the agreed-upon Distribution Amounts and Allocation Percentages set forth in <u>Annex I</u>. For the avoidance of doubt, the Plan does not contemplate the substantive consolidation of any of the Debtors.</p>
Establishment of the Liquidation Trust	<p>The Plan will provide for the establishment of a Liquidation Trust on the terms set forth in <u>Annex II</u>. The assets available for distribution to creditors shall consist of the assets of the Debtors’ estates, including the Ally Contribution (collectively, the “<u>Available Assets</u>”). The Available Assets shall be transferred to a single Liquidation Trust on the Effective Date, other than certain assets designated to remain with the Debtors. Notwithstanding anything to the contrary herein, the consideration provided by Ally may not be increased or decreased, directly or indirectly.</p>
Assets Available for Distribution to Unsecured Creditors	<p>The Available Assets available for distribution to unsecured creditors after payment in full of all secured, administrative, priority, and JSN Claims (the “<u>Available Unsecured Assets</u>”) shall be distributed as follows:</p> <p>The holders of allowed Private Securities Claims shall receive their allocated share of the Private Securities Claims Trust Assets, which shall consist of \$225.7 million, subject to the Adjustments (defined below).</p> <ul style="list-style-type: none"> • The holders of allowed Borrower Claims shall receive their allocated share of the Borrower Claims Trust Assets, which shall consist of \$57.6 million, or such other amount as is required under the Borrower Claims Trust Agreement. • The holders of allowed NJ Carpenters Claims shall receive their allocated share of the Available Unsecured Assets allocated to the NJ Carpenters Claims, which shall equal \$ 100 million in accordance with the terms of the settlement of their claims less costs of notice and administration to be advanced by the Debtors (the “<u>NJ Carpenters Claims Distribution</u>”). • The allowed Estate Unsecured Claims at the ResCap Debtors shall receive their pro rata share of the Available Unsecured Assets allocated to the ResCap Debtors, subject to the Adjustments, which total \$752.0 million (the “<u>ResCap Debtors’ Unsecured Distribution</u>”). • The allowed Estate Unsecured Claims at the GMACM Debtors shall receive their pro rata share of the Available Unsecured Assets allocated to the GMACM Debtors, subject to the Adjustments, which total \$600.0 million (the “<u>GMACM Debtors’ Unsecured Distribution</u>”). • The allowed Estate Unsecured Claims at the RFC Debtors shall receive their pro rata share of the Available Unsecured Assets allocated to the RFC Debtors, subject to the Adjustments, which total \$789.6 million (the “<u>RFC Debtors’ Unsecured Distribution</u>”).
Trust Units & Adjustments	<p>Holders of allowed unsecured claims and the Private Securities Claims Trust will receive units of beneficial interests in the Liquidation Trust (“<u>Trust Units</u>”), allocated in accordance with the treatment under the Plan and the Allocation Percentages set forth on Annex I.</p> <p>The amount of the distributions made in respect of the Trust Units will depend on (i) the cash and the monetized value of the non-cash assets held in the Liquidation Trust—which could be more or less than the current projection of \$2,367.4 million for the Available Unsecured Assets (excluding the NJ Carpenter Claims Distribution and the Borrower Claims Trust Assets), (ii) the expenses incurred by the Liquidation Trust, and (iii) the number of Trust Units that may be reserved for issuance following the Effective Date, as provided below (collectively the “<u>Adjustments</u>”).</p> <p>The number of Trust Units issued as of the Effective Date will be based upon the Distribution Amounts with</p>

	<p>respect to the RMBS Trust Claims, MBIA Monoline Claims, FGIC Monoline Claims, Senior Unsecured Notes Claims, Private Securities Claims, and the estimated Distribution Amounts of the Other Monoline Claims, and General Unsecured Claims. A portion of the Trust Units will be reserved for issuance in respect of Other Monoline Claims and General Unsecured Claims that may be allowed following the Effective Date. Distributions from the Liquidation Trust to the holders of Trust Units will be made pro rata based on the outstanding Trust Units, including any Trust Units held in the reserve.</p> <p>To the extent the Other Monoline Claims or General Unsecured Claims are allowed after the Effective Date, the holders of the allowed Other Monoline Claims or General Unsecured Claims will receive Trust Units from the reserve, together with the prior distributions made in respect of those Trust Units. The number of Trust Units released from the reserve in respect of General Unsecured Claims and Other Monoline Claims allowed after the Effective Date will be based on the estimated pro rata distributions available to such claimant under the Plan, in a ratio equal to the Trust Units issued per Distribution Amount on the Effective Date.</p> <p>To the extent it is determined that Other Monoline Claims or General Unsecured Claims will not be allowed after the Effective Date, Trust Units in the reserve will be cancelled and the prior distributions on these Trust Units will be available for distribution to holders of outstanding Trust Units.</p>
<p>Claims Reserves</p>	<p>In connection with confirmation of the Plan, the Debtors and the Creditors' Committee shall seek Bankruptcy Court approval of a reserve of Trust Units for contingent, disputed, and unliquidated claims at the ResCap Debtors, the GMACM Debtors, and the RFC Debtors (the "<u>Disputed Claims Reserves</u>"), so that the Liquidation Trust may make an initial distribution of the Available Unsecured Assets for allowed unsecured claims as soon as practical after the Effective Date.</p> <p>Subsequent distributions will be made on a periodic basis after disputed claims are resolved and as proceeds are received from the liquidation of non-cash assets and any estate causes of action. All initial and subsequent distributions to creditors will be made from the Liquidation Trust, which will be solely responsible for making such distributions, provided that any distributions on behalf of Trust beneficiaries will be made to the respective Trusts for further distribution to the Trust beneficiaries pursuant to the terms of the applicable Trust Agreement. Notwithstanding anything herein to the contrary, the aggregate distributions (excluding distributions resulting from insurance payments (if any)) to holders of General Unsecured Claims and Borrower Claims shall not exceed an amount equal to the Distribution Amount for such claims plus \$50 million.</p>
<p><i>Claim Settlements, Allowance, and Allocation</i></p>	
<p>Treatment of JSN Claims</p>	<p>The Plan will provide for the treatment of the JSN Claims as follows:</p> <ul style="list-style-type: none"> • The Plan will provide payment in full on the Effective Date of the allowed prepetition claims of the Junior Secured Noteholders (the "<u>JSN Claims</u>") or such other treatment as determined by the Plan Proponents and the Consenting Claimants consistent with the Bankruptcy Code (the "<u>JSN Payment</u>"). • The Plan will provide that the Junior Secured Noteholders are undersecured and not otherwise entitled to payment of any post-petition interest. The Creditors' Committee, the Debtors, and the Liquidation Trust reserve all arguments and rights to assert that the Junior Secured Noteholders are undersecured and not otherwise entitled to post-petition interest.
<p>Resolution of RMBS Trust Claims (both R+W Claims and RMBS Cure Claims)</p>	<p>The Plan shall incorporate a settlement that provides for the allowance, priority, and allocation of the RMBS Trust Claims through approval of the Debtors' prior agreement with the Institutional Investors, which covered 392 RMBS Trusts (the "<u>Original Settling Trusts</u>") and is documented in the two Third Amended and Restated Settlement Agreements filed with the Court on March 15, 2013 (the "<u>Original Settlement Agreements</u>"), which shall be modified as set forth below under the Plan (the "<u>RMBS Settlement</u>"): </p> <ol style="list-style-type: none"> 1. The RMBS Settlement will be expanded to permit the inclusion of any RMBS Trust having RMBS Trust Claims, as follows: First, once the Plan Support Agreement is approved, subject to Section 5.2(c) of the Plan Support Agreement, each RMBS Trust for which any RMBS Trustee acts as trustee or separate trustee, will be included in the RMBS Settlement. Second, the Plan will provide that any other RMBS Trusts will be included in and treated consistently with the RMBS Settlement (all such RMBS Trusts added to the RMBS Settlement are referred to as the

“Additional Settling Trusts”).

2. The RMBS Settlement, including but not limited to the provision for attorney’s fees, shall be incorporated into the Plan and approved by the entry of the Confirmation Order.
3. Each of the current objectors to the RMBS Settlement who are party to the Plan Support Agreement shall have their objections deemed settled by the entry of the Confirmation Order.
4. Upon execution of the Supplemental Term Sheet by a Monoline or Steering Committee Investor, all letters from said Monoline or Investor to the RMBS Trusts and RMBS Trustees that purport to direct them to take, or not to take, any action that would be inconsistent with the Plan Support Agreement, the Term Sheet, the Supplemental Term Sheet, the RMBS Settlement, the FGIC Settlement Agreement, and the Plan, will be deemed to be withdrawn. Subsequent to the filing of the Supplemental Term Sheet, any other investor providing written notice of acceptance of the Supplemental Term Sheet shall also be bound by this provision.
5. The RMBS Settlement shall provide that all RMBS Trust Claims of the Original Settling Trusts and the Additional Settling Trusts shall be fully and finally allowed as non-subordinated unsecured claims in the aggregate amount of \$7.051 billion for the Original Settling Trusts and in the aggregate amount of \$250 million for the Additional Settling Trusts (collectively, the “Allowed RMBS Trust Claims”) and allocated \$209.8 million to the GMACM Debtors and \$7,091.2 million to the RFC Debtors; *provided, however*, the allowance and allocation of such claims pursuant to this paragraph shall not affect the distributions to be made in accordance with the RMBS Trust Allocation Protocol (attached hereto as Annex III).
6. The RMBS Settlement shall provide for the waiver and release of RMBS Trust Claims against the ResCap Debtors on the Effective Date.
7. Solely with respect to the RMBS Trusts and the RMBS Trustees, as among each other and not for purposes of allowance or any other purpose under the Plan, any distributions on account of the RMBS Trust Claims shall be re-allocated among the RMBS Trusts in accordance with the RMBS Trust Allocation Protocol, so as to provide for (i) a priority distribution on account of RMBS Cure Claims in the amount of \$96 million out of the distributions on account of the Allowed RMBS Trust Claims; (ii) a different split of recoveries as between RFC-sponsored trusts and GMACM-sponsored trusts for the RMBS Trust Claims than the distributional split between Estate Unsecured Creditors at the RFC Debtors and GMACM Debtors, as a settlement of (a) disputed claims that RFC-sponsored trusts also have against GMACM, (b) disputes as to the proper allocation of that portion of estate assets going to the GMACM Debtors and the RFC Debtors as between the GMACM Debtors and the RFC Debtors, and (c) other potential disputes that the various RMBS Trusts could have with respect to the terms of the Plan. Furthermore, whether all Additional Settlement Trusts are entitled to participate in the distributions to be made pursuant to the RMBS Trust Allocation Protocol, and the determination as to the amount of such Additional Settlement Trusts’ R+W claims, shall be determined as provided in the RMBS Trust Allocation Protocol.
8. Insured RMBS Trusts (as defined below) shall not receive an Allowed RMBS Trust Claim, *provided, however*, that the Insured RMBS Trusts shall be entitled to distributions to the extent provided in the RMBS Trust Allocation Protocol.
9. The applicable portions of the FGIC Settlement Agreement, including but not limited to the mutual settlements, discharges and releases contemplated thereby, shall be incorporated into the Plan and approved by an order of the Bankruptcy Court granting the FGIC 9019 Motion (defined below). For the avoidance of doubt, subject to approval of the Bankruptcy Court and FGIC Rehabilitation Court, the FGIC Settlement Agreement may become binding and effective even if the Plan Support Agreement is not approved or the Plan does not become effective.
10. Subject to the provisions of Articles VI and VII of the FGIC Settlement Agreement, each of the Trustees, on its own behalf and on behalf of each of the respective Trusts (as such term is defined in the FGIC Settlement Agreement) for which it acts as trustee, hereby irrevocably and unconditionally releases and fully discharges the Debtors and their respective Representatives from all obligations, claims and liabilities of any kind or nature, and whether based in contract,

tort or otherwise, arising out of or relating to any of the Origination-Related Provisions (as defined in the *Revised Joint Omnibus Scheduling Order and Provisions for Other Relief Regarding (i) Debtors' Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of RMBS Trust Settlement Agreements, and (ii) the RMBS Trustees' Limited Objection to the Sale Motion* [Dkt. No. 945] in the Chapter 11 Cases) contained in the Governing Agreements for the Trusts, whether now existing or hereafter arising, and whether known or unknown, provided, however, that the foregoing shall not release any claims under the Governing Agreements for any past or future losses to holders of Securities not insured by the Policies (as defined in the FGIC Settlement Agreement). For the avoidance of doubt, the foregoing sentence shall not affect distributions under the RMBS Trust Allocation Protocol.

11. In addition to the distributions on the RMBS Trust Claims, the reasonable pre- and post-petition fees and expenses of the RMBS Trustees will be paid in full in Cash on a current basis with all amounts outstanding on the Effective Date of the Plan to be paid in full in Cash on that date, subject to the procedures set forth in prior orders of the Court, which procedures will also apply to HSBC.
12. The RMBS Trustees may be reimbursed for their reasonable fees and expenses associated with making distributions and taking other actions required under the Plan in accordance with the provisions of the pooling and servicing agreements, including but not limited to pooling and servicing agreements assumed by the Debtors and assigned to the purchaser/assignee of same.
13. In accordance with the Original Settlement Agreements as modified hereby, the Plan and RMBS Settlement shall provide for fees payable to counsel for the Institutional Investors, by direct allocation under the Plan and without conveyance to the RMBS Trustees, allowed unsecured claims and allowed cure claims in a total amount equal to 5.7% of the amounts allowed for the RMBS Trusts (the "Allowed Fee Claim"), against the relevant entities for each respective Trust pursuant to the Plan and the RMBS Trust Allocation Protocol, which amounts shall reduce the total amount of allowed unsecured claims and allowed cure claims for the RMBS Trusts. The Allowed Fee Claim shall be apportioned among counsel for the Steering Committee Consenting Claimants, on the one hand, and counsel for the Talcott Franklin Consenting Claimants, on the other, in conformity with the Original Settlement Agreements. The portion of the Allowed Fee Claim allocated to counsel for the Steering Committee Consenting Claimants shall be paid 4.75% to Gibbs & Bruns LLP and 0.95% to Ropes & Gray LLP. The portion of the Allowed Fee Claim allocated to counsel for the Talcott Franklin Consenting Claimants shall be paid 5.7% to be shared among Talcott Franklin P.C., Miller, Johnson, Snell & Cummiskey, P.L.C., and Carter Ledyard & Milburn LLP based on lodestar as calculated per agreement between co-counsel. Each share of the Allowed Fee Claim (and distributions thereon, including Trust Units) shall be documented in separate claims stipulations and shall be independently transferable.

Monoline Settlement

The Plan shall provide for the allowance, priority, and allocation of the Monoline Claims, as follows:

1. MBIA. The Monoline Claims held by MBIA shall be fully and finally allowed as non-subordinated unsecured claims of \$719.0 million against the ResCap Debtors, \$1,450.0 million against the GMACM Debtors, and \$1,450.0 million against the RFC Debtors.
2. FGIC. Subject to approval of the Bankruptcy Court and the FGIC Rehabilitation Court, the Monoline Claims held by FGIC shall be fully and finally allowed pursuant to Section 3.01 of the FGIC Settlement Agreement, as non-subordinated, general unsecured claims in the aggregate amount of \$596.5 million (the "FGIC Allowed Claims"), which amount (i) is equal to the sum of (x) \$343.2 million, the amount of claims FGIC has paid under the Policies that remain unreimbursed and (y) \$253.3 million, the sum of all of the Payment Amounts, and (ii) will be allocated among the ResCap Debtors, the GMACM Debtors and the RFC Debtors pro rata based on which of the Debtors would be obligated to reimburse FGIC for such payments under the Governing Agreements; provided, however that if the Plan Support Agreement is terminated in accordance with its terms, or if the Plan does not go effective, in addition to the FGIC Allowed Claims, FGIC reserves all rights to assert a general unsecured claim against each of the ResCap Debtors, the GMACM Debtors and the RFC Debtors as reflected in the proofs of claim filed by FGIC in the

Chapter 11 Cases, capped in each case at the amount of \$596.5 million, and all parties shall have the right to object thereto. The settlement and release of FGIC's ResCap-related insurance indemnity obligations pursuant to the FGIC Settlement Agreement shall be approved by the Bankruptcy Court, by separate 9019 motion (the "FGIC 9019 Motion"), and by the FGIC Rehabilitation Court. If the Plan is confirmed and goes effective, FGIC's claims shall be treated for plan distribution purposes as provided for in the Allocation Summary, set forth on Annex I, as allowed claims of \$337.5 million against the ResCap Debtors, \$181.5 million against the GMACM Debtors, and \$415.0 million against the RFC Debtors.

3. Other Monolines. The Claims held by Monolines other than MBIA and FGIC (the "Other Monoline Claims") shall be treated under the Plan as unsecured claims of the ResCap Debtors, the GMACM Debtors, or the RFC Debtors, as applicable, or as otherwise approved by the Plan Proponents and the Consenting Claimants.

Any RMBS Trust that has an insurance policy with a Monoline (referred to as an "Insured RMBS Trust") reserves the ability to enforce its rights, in the Bankruptcy Court or otherwise, against any Monoline (other than FGIC) that does not, in the future, perform in accordance with an insurance policy for the benefit of that RMBS Trust (the "Monoline Reservation").

Nothing herein shall be construed to impede the rights of the Debtors, Ally or their Representatives to coverage, including coverage for settlement of the Monoline Claims (other than FGIC), under insurance policies issued by a Monoline to the Debtors or Ally

Treatment of Securities Claims

The Plan shall provide for a global compromise and settlement of securities claims asserted against the Debtors and Ally.

1. The Plan shall provide for two classes of securities claims.
 - Class 1 shall comprise the class action claims (the "NJ Carpenters Claims") arising from the case entitled *New Jersey Carpenters Health Fund, et al. v. Residential Capital, LLC, et al.*, pending in the U.S. District Court for the Southern District of New York (Civ. No. 08-8781 (HB)) (the "Securities Class Action").
 - Class 2 shall comprise the Private Securities Claims.
2. The NJ Carpenters Claims shall be settled pursuant to the letter agreement dated on or about May 23, 2013, between the Debtors, the Creditors' Committee, counsel for the director and officer defendants, counsel for the lead plaintiffs and the class in the Securities Class Action, and any other parties thereto (the "Letter Agreement"), which contemplates a cash payment in the amount of \$100 million on account of the NJ Carpenters Claims, in full satisfaction, release, and discharge of their claims. Distributions pursuant to such settlement shall not be subject to the Adjustments.
3. The Confirmation Order shall enjoin the assertion of any third-party claims, contribution claims, and indemnification claims related to the Securities Class Action against the Settling Defendants (as defined in the Letter Agreement), and claims relating to the Private Securities Claims. The District Court in which the Securities Class Action is pending shall enter an order approving the settlement as set forth in the Letter Agreement and the definitive documents to be executed in connection therewith.
4. A trust shall be established for the benefit of the holders of the Private Securities Claims (the "Private Securities Claims Trust") to be funded with Trust Units (such interests, together with any cash received thereon, the "Private Securities Claims Trust Assets") described above.
5. The Private Securities Claims Trust shall be administered by a trustee (the "Private Securities Claims Trustee") who shall administer and distribute the allowed Private Securities Claims Trust Assets to holders of Private Securities Claims in accordance with the trust agreement to be executed by the Private Securities Claims Trustee (the "Private Securities Claims Trust Agreement").
6. The Private Securities Claims Trust Agreement, including the terms, methodology, criteria, and

procedures for distributing the Private Securities Claims Trust Assets to holders of allowed Private Securities Claims, and appropriate disputed claims reserves, in form and substance reasonably acceptable to the Settling Private Securities Claimants each in their individual capacity, the Debtors, Ally, and the Creditors' Committee, shall be approved in connection with confirmation of the Plan.

7. The Plan shall provide that the claims of the Settling Private Securities Claimants shall be fully and finally allowed as non-subordinated unsecured claims against the Private Securities Claims Trust, in the following amounts: AIG shall have an allowed claim of \$1.168 billion for voting purposes and \$723 million for Private Securities Claims Trust purposes, Allstate shall have an allowed claim of \$140 million for voting purposes and \$116 million for Private Securities Claims Trust purposes, MassMutual shall have an allowed claim of \$218 million for voting purposes and \$36 million for Private Securities Claims Trust purposes, and Prudential shall have an allowed claim of \$227 million for voting purposes and \$147 million for Private Securities Claims Trust purposes. The claims of the other Private Securities Claimants shall be resolved in a similar fashion. For the avoidance of doubt, (i) claims of Private Securities Claimants other than those listed above shall be resolved for settlement purposes in a manner consistent with the resolution of the claims of the Settling Private Securities Claimants, and (ii) in the event that the Plan is not confirmed, such settled allowed claim amounts will have no binding effect.
8. Each holder of a Private Securities Claim whose claims have not yet been allowed against the Private Securities Claims Trust will be required to complete and deliver to the Debtors with a copy to the Creditors' Committee and holders of allowed Private Securities Claims (including the Settling Private Securities Claimants), a proof of loss form, evidencing their claims against the Debtors and any non-Debtor third parties (subject to the appropriate confidentiality agreements). Any allowance or stipulation by the Debtors of the amounts of Claims against the Debtors set forth in the proof of loss form (or any other amount on account of such Claims) will be subject to Bankruptcy Court approval after notice and a hearing.
9. The Private Securities Claims Trust Agreement will establish separate tiers of claims within the Private Securities Claims Trust based upon the nature and status of the claims. The criteria for distinguishing among tiers is designed to estimate contingent and unliquidated Private Securities Claims, solely for purposes of settlement, allowance, and distributions from the Private Securities Claims Trust. In accordance with the Private Securities Claims Trust Agreement, the holder of a Private Securities Claim will be entitled to receive its allocable share of the Private Securities Claims Trust Assets attributable to the claim, with each tier of claims receiving a greater share per dollar relative to the next highest tier. Each Private Securities Claim holder's distribution will be determined in relation to claims in other tiers in accordance with an agreed upon formula. Following the Private Securities Claims Trustee's receipt of any distribution pursuant to the Plan, the Private Securities Claims Trustee will distribute an allocable share of the then-available Private Securities Claims Trust Assets attributable to each allowed Private Securities Claim in accordance with the Private Securities Claims Trust Agreement.
10. For purposes of the Plan, the Private Securities Claims Trust Assets shall be the sole source of recovery for Private Securities Claims.

Borrower Claims Trust

The Plan shall provide for the treatment of the Borrower Claims as follows:

1. The Plan will establish a Borrower Claims trust (the "Borrower Claims Trust") for the benefit of the holders of Borrower Claims at each of the Consolidated Debtors which shall be funded in an amount of \$57.6 million in Cash (the "Borrower Claims Trust Assets"), subject to adjustment as set forth herein.
2. The Debtors, the Creditors' Committee and counsel for the Kessler Class Claimants ("Kessler Counsel") will confer in good faith regarding allocation of recoveries under the Policies (defined below) relating to the Mitchell class action.
3. The Debtors will cooperate in good faith with the Consenting Claimants and the Creditors' Committee in reconciling Borrower Claims prior to the confirmation hearing. The Parties, including the Debtors, the Creditors' Committee, and the Consenting Claimants, will cooperate

in good faith to determine if any adjustments are necessary to adequately fund the Borrower Claims Trust. In the event there is an unresolved dispute among the Debtors, the Creditors' Committee and any Consenting Claimant regarding the amount necessary to fund the Borrower Claims Trust, such parties will establish a procedure to resolve the dispute in connection with confirmation, including utilization of claims estimation under section 502 of the Bankruptcy Code.

4. The Borrower Claims Trust will be administered by a trustee (the "Borrower Claims Trustee"), who shall administer and distribute the Borrower Claims Trust Assets for the benefit of holders of the Borrower Claims pursuant to a Borrower Claims trust agreement (the "Borrower Claims Trust Agreement"). Kessler Counsel will recommend one or more candidates for the position of Borrower Claims Trustee subject to consent of the Creditors' Committee and the Debtors, which consent shall not be unreasonably withheld. The Plan and the Borrower Claims Trust Agreement will provide that allowed Borrower Claims against the Borrower Claims Trust that would otherwise be asserted against one of the Consolidated Debtors shall receive a recovery comparable to recoveries of unsecured creditors at such Consolidated Debtor (excluding, in computing such recovery percentages, recoveries, if any, from the Policies (defined below)). The Cash to be paid to the Borrower Trust will be specified in the Borrower Trust Agreement and such Cash shall equal the Distribution Amount plus any additional amounts necessary to fund the Borrower Claim Trust to comply with the preceding sentence (the "Borrower Trust True-Up"). The Debtors shall keep the Creditors Committee and Kessler Counsel reasonably informed of the efforts to reconcile Borrower Claims to determine the Borrower Trust True-Up. On or before the date that is five (5) business days prior to the last day to object to the Disclosure Statement, the Debtors will (i) inform Kessler Counsel of the proposed approximate amount of the Borrower Trust True-Up, if any, (ii) provide to Kessler Counsel reasonable information and analyses (subject to appropriate confidentiality provisions), excluding information regarding the Kessler Claim and information deemed confidential by the Debtors, that was considered and evaluated in calculating Borrower Trust True-Up, and (iii) use Agreed Efforts to respond to the questions of Kessler Counsel with respect to the basis for and calculation of the Borrower Trust True-Up. Kessler Counsel may, from time to time, in its sole discretion, extend the date for notification of the Borrower Trust True-Up. The sole source of recovery for Borrower Claims shall be from the Borrower Claim Trust Assets and insurance proceeds (but only to the extent such proceeds become available) with respect to those claims that are covered by insurance, as described in paragraph 5 below (if any). Upon confirmation of the Plan, there shall be no recourse against the Debtors for any Borrower Claim irrespective of whether or not there is any insurance recovery.
5. The rights and obligations of the Borrower Claims Trust, including the rights in General Motors Combined Specialty Insurance Program 12/15/00 – 12/15/03 (the "Policies") and the processes by which any recovery under the Policies is pursued, paid for, assigned or allocated, will be set forth in a supplement to the Plan, which supplement must be satisfactory to Kessler Counsel, the Debtors and the Creditors' Committee.
6. The Borrower Claims Trust Agreement will, among other things, (i) provide participation and qualification criteria for the holders of Borrower Claims to receive their pro rata share of the Borrower Claims Trust Assets, and (ii) provide for the prosecution and settlement of objections to Borrower Claims including those that may have previously been filed by the Debtors or any other party, (iii) establish alternative dispute resolution procedures to resolve any disputed Borrower Claims, inclusive of any counterclaims or offsets in favor of the Debtors, and (iv) be in form and substance reasonably acceptable to the Kessler Class Claimants (acting in their individual capacity), the Debtors, Ally, and the Creditors' Committee.
7. The Plan may include a "Convenience Class" for Borrower Claims under the Plan, subject to the reasonable consent of the Creditors' Committee, the Debtors, Ally and Kessler Counsel.
8. As contemplated by the Plan Support Agreement, the obligations of the Kessler Class Claimants under the Plan Support Agreement and the Term Sheets are conditioned on (i) reaching agreement with the Debtors and the Creditors' Committee on or before June 10, 2013 with respect to the allowed amount of the Kessler Class Claim, (ii) reaching written agreement with the Debtors and the Creditors' Committee on or before June 24, 2013 with respect to other terms

of settlement to be embodied in a settlement agreement, (iii) obtaining preliminary Bankruptcy Court approval under Rules 9019 and 7023 of the proposed settlement agreement on or before the date of the hearing on the Disclosure Statement, and (iv) obtaining final approval under Rule 9019 and Rule 7023 of such settlement agreement as part of the Plan confirmation process. For the avoidance of doubt, there presently is no settlement agreement between the Kessler Class Claimants and the Debtors, and nothing in the Term Sheets obligates the Kessler Class Claimants and the Debtors to reach agreement on an allowed amount of the Kessler Class Claim.

9. To the extent the Kessler Class Claim is settled prior to confirmation, the Kessler Class Claim shall be certified as a class claim and deemed an allowed non-subordinated unsecured Borrower Claim in the agreed-upon claim amount. If a settlement is reached, the allowance of the Kessler Class Claim, including a provision for attorney's fees (which shall not be in addition to the Kessler Class Claim), shall be approved as part of the Plan confirmation process. If the Kessler Class Claim is not settled within the time frames set forth in the immediately preceding paragraph 8, the absence of such settlement will not prejudice the Kessler Class Claimants' right to prosecute, or the Debtors' or any other parties' right to oppose, the Kessler Class Claimants' Rule 7023 Motion or any related proceeding.
10. If any Borrower Claim constitutes, in whole or in part, a Consent Order Borrower Claim, such Borrower Claim amount shall be reduced to the extent paid pursuant to the Consent Order or any settlement of the Debtors' obligations thereunder, without further order of the Bankruptcy Court.
11. The Plan shall provide that, to the extent a Borrower recovers insurance proceeds on account of all or some of a Borrower Claim, the Borrower shall return a proportionate amount (such proportionate amount determined by dividing the recovered insurance proceeds by the allowed amount of the Borrower Claim) of any prior distributions from the Borrower Claims Trust Assets made on account of such Borrower Claim to the Borrower's Claim Trust.

Classification and Treatment of Claims

Administrative Claims

Voting Rights: Unclassified.

Treatment: Unless otherwise agreed to by the holder of an allowed Administrative Claim, or set forth in an order of the Bankruptcy Court, the applicable Debtor or the Liquidation Trust, as applicable, will pay each holder of an Allowed Administrative Claim (other than holders of Professional Claims and Claims for fees and expenses pursuant to section 1930 of chapter 123 of title 28 of the United States Code) the full unpaid amount of such Claim in Cash: (1) on the Effective Date, or as soon as practicable thereafter (or, if not then due, when such allowed Administrative Claim is due, or as soon as practicable thereafter); (2) if the Administrative Claim is allowed after the Effective Date, on the date such Administrative Claim is allowed, or as soon as practicable thereafter (or, if not then due, when such allowed Administrative Claim is due, or as soon as practicable thereafter); or (3) if the allowed Administrative Claim arises in the ordinary course of the Debtors' business, in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such transactions.

Priority Tax Claims

Voting Rights: Unclassified.

Treatment: Except to the extent that a holder of an allowed Priority Tax Claim agrees to a less favorable treatment or has been paid by any applicable Debtor prior to the Effective Date, the Debtors or the Liquidation Trust, as applicable, will pay such holder of an allowed Priority Tax Claim, in full and final satisfaction, settlement, release, and discharge of such allowed Priority Tax Claim, the full unpaid amount of such allowed Priority Tax Claim in Cash on, or as soon as practicable after, the latest of: (1) the Effective Date; (2) the date such allowed Priority Tax Claim becomes allowed; or (3) in installment payments over a period of time not to exceed five (5) years after the Petition Date, in accordance with Bankruptcy Code section 1129(a)(9)(C); provided that such election will be without prejudice to the Debtor's right to prepay such allowed Priority Tax Claim in full or in part without penalty.

Claims Against the ResCap Debtors

Class R-1 (Other Priority Claims)

Voting Rights: Unimpaired; deemed to accept and not entitled to vote on the Plan.

	<p><u>Treatment:</u> Except to the extent that a holder of an allowed Other Priority Claim agrees to a different treatment of such claim, in full and final satisfaction of the Other Priority Claims against the ResCap Debtors, on or as soon as practicable after the Effective Date, each holder of an Allowed Other Priority Claim in Class R-1 will be paid in full in Cash or otherwise receive treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code; provided, that Other Priority Claims that arise in the ordinary course of the Debtors' business and that are not due and payable on or before the Effective Date will be paid in the ordinary course of business in accordance with the terms thereof.</p>
Class R-2 (AFI Revolver Claims)	<p><u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan.</p> <p>Allowed Claim Amount: The AFI Revolver Claims against the ResCap Debtors will be allowed in the aggregate amount of not less than \$747,127,553.38, plus accrued and unpaid post-petition interest at the non-default rate.</p> <p><u>Treatment:</u> In full and final satisfaction of the AFI Revolver Claims against the ResCap Debtors, AFI Revolver Claims will be paid in full in Cash on or before the Effective Date and prior to any payment on account of JSN Claims.</p>
Class R-3 (Other Secured Claims)	<p><u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the Other Secured Claims against the ResCap Debtors, on or as soon as practicable after the Effective Date, each holder of an allowed Other Secured Claim in Class R-3 will (A) be paid in full in Cash, including any interest, at the non-default rate, required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (B) receive the collateral securing its allowed Other Secured Claim.</p>
Class R-4 (JSN Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the JSN Claims, on or as soon as practicable after the Effective Date, each holder of a JSN Claim in Class R-4 will receive its pro rata share of the JSN Payment.</p>
Class R-5 (Senior Unsecured Notes Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p>Allowed Claim Amount: The Senior Unsecured Notes Claims shall be allowed against the ResCap Debtors at \$1.003 billion.</p> <p><u>Treatment:</u> In full and final satisfaction of the Senior Unsecured Notes Claims against the ResCap Debtors, on or as soon as practicable after the Effective Date, Wilmington Trust, as indenture trustee to the Senior Unsecured Notes in Class R-5 shall receive its pro rata share of the ResCap Debtors' Unsecured Distribution.</p>
Class R-6 (Monoline Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> Subject to the treatment of the RMBS Trust Claims for the Insured RMBS Trusts, in full and final satisfaction of the Monoline Claims against the ResCap Debtors, on or as soon as practicable after the Effective Date, holders of allowed Monoline Claims in Class R-6 shall receive their pro rata share of the ResCap Debtors' Unsecured Distribution.</p>
Class R-7 (General Unsecured Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the General Unsecured Claims against the ResCap Debtors, as soon as practicable after the Effective Date, each holder of an allowed General Unsecured Claim in Class R-7 will receive Cash in an amount equal to its pro rata share of the ResCap Debtors' Unsecured Distribution.</p>
Class R-8 (Borrower Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the Borrower Claims against the ResCap Debtors, on or as soon as practicable after the Effective Date, holders of allowed Borrower Claims in Class R-8 shall receive their pro rata share of the Borrower Claims Trust Assets.</p>
Class R-9 (Private	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p>

Securities Claims)	<u>Treatment:</u> In full and final satisfaction of the Private Securities Claims against the ResCap Debtors, on or as soon as practicable after the Effective Date, holders of allowed Private Securities Claims in Class R-9 shall receive their allocated share of the Private Securities Claims Trust Assets.
Class R-10 (NJ Carpenters Claims)	<u>Voting Rights:</u> Impaired; entitled to vote on the Plan. <u>Treatment:</u> In full and final satisfaction of the NJ Carpenters Claims against the ResCap Debtors, on or as soon as practicable after the Effective Date, the lead plaintiffs, on behalf of holders of NJ Carpenters Claims in Class R-10 shall receive the NJ Carpenters Claims Distribution which will thereafter be distributed pursuant to the plan of allocation to be approved by and under the jurisdiction of the District Court.
Class R-11 (Intercompany Claims)	<u>Voting Rights:</u> Impaired; deemed to reject the Plan. <u>Treatment:</u> On the Effective Date, Intercompany Claims, including any subrogation claims and fraudulent conveyance claims related to the forgiveness of intercompany debt, will be waived, cancelled, and discharged on the Effective Date. Holders of Intercompany Claims will receive no recovery on account of their claims.
Class R-12 (Equity Interests)	<u>Voting Rights:</u> Impaired; deemed to reject the Plan. <u>Treatment:</u> Holders of equity interests in Class R-12 shall receive no recovery on account of such interests and shall be canceled on the Effective Date.
Claims Against the GMACM Debtors	
Class GS-1 (Other Priority Claims)	<u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan. <u>Treatment:</u> Except to the extent that a holder of an allowed Other Priority Claim agrees to a different treatment of such claim, in full and final satisfaction of the Other Priority Claims against the GMACM Debtors, on or as soon as practicable after the Effective Date, each holder of an allowed Other Priority Claim in Class GS-1 will be paid in full in Cash or otherwise receive treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code; provided, that Other Priority Claims that arise in the ordinary course of the Debtors' business and that are not due and payable on or before the Effective Date will be paid in the ordinary course of business in accordance with the terms thereof.
Class GS-2 (AFI Revolver Claims)	<u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan. Allowed Claim Amount: The AFI Revolver Claims against the GMACM Debtors will be allowed in the aggregate amount of not less than \$747,127,553.38, plus accrued and unpaid post-petition interest at the non-default rate. <u>Treatment:</u> In full and final satisfaction of the AFI Revolver Claims against the GMACM Debtors, the AFI Revolver Claims will be paid in full in Cash on or before the Effective Date and prior to any payment on account of JSN Claims.
Class GS-3 (AFI LOC Claims)	<u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan. Allowed Claim Amount: The AFI LOC Claims in Class GS-3 will be allowed in the aggregate amount of not less than \$380,000,000, plus accrued and unpaid post-petition interest at the non-default rate. <u>Treatment:</u> In full and final satisfaction of the AFI LOC Claims against the GMACM Debtors, the AFI LOC Claims will be paid in full in Cash on or before the Effective Date.
Class GS-4 (Other Secured Claims)	<u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan. <u>Treatment:</u> In full and final satisfaction of the Other Secured Claims against the GMACM Debtors, on or as soon as practicable after the Effective Date, each holder of an allowed Other Secured Claim in Class GS-4 will (A) be paid in full in Cash, including any interest, at the non-default rate, required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (B) receive the collateral securing its allowed Other Secured Claim.

Class GS-5 (JSN Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the JSN Claims, on or as soon as practicable after the Effective Date, each holder of a JSN Claim in Class GS-5 will receive its pro rata share of the JSN Payment.</p>
Class GS-6 (RMBS Trust Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> Subject to the terms of the RMBS Settlement, in full and final satisfaction of the RMBS Trust Claims against the GMACM Debtors, as soon as practicable after the Effective Date, each holder of an Allowed RMBS Trust Claim in Class GS-6 shall receive its pro rata share of the GMACM Debtors' Unsecured Distribution; provided, that each RMBS Trust reserves the ability to enforce its rights, in the Bankruptcy Court or otherwise, against any Monoline that does not, in the future, perform in accordance with an insurance policy for the benefit of that RMBS Trust, provided, further, however, such pro rata share shall be reallocated in accordance with the RMBS Trust Allocation Protocol.</p>
Class GS-7 (Monoline Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> Subject to the treatment of the RMBS Trust Claims for the Insured RMBS Trusts, in full and final satisfaction of the Monoline Claims against the GMACM Debtors, on or as soon as practicable after the Effective Date, holders of allowed Monoline Claims in Class GS-7 shall receive their pro rata share of the GMACM Debtors' Unsecured Distribution.</p>
Class GS-8 (General Unsecured Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the General Unsecured Claims against the GMACM Debtors, as soon as practicable after the Effective Date, holders of allowed General Unsecured Claims in Class GS-8 will receive an amount equal to their pro rata share of the GMACM Debtors' Unsecured Distribution.</p>
Class GS-9 (Borrower Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the Borrower Claims against the GMACM Debtors, on or as soon as practicable after the Effective Date, holders of allowed Borrower Claims in Class GS-9 shall receive their pro rata share of the Borrower Claims Trust Assets.</p>
Class GS-10 (Private Securities Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the Private Securities Claims against the GMACM Debtors, on or as soon as practicable after the Effective Date, holders of allowed Private Securities Claims in Class GS-10 shall receive their allocated share of the Private Securities Claims Trust Assets.</p>
Class GS- 11 (Intercompany Claims)	<p><u>Voting Rights:</u> Impaired; deemed to reject the Plan.</p> <p><u>Treatment:</u> On the Effective Date, Intercompany Claims in Class GS-11, including any subrogation claims and fraudulent conveyance claims related to the forgiveness of intercompany debt, will be waived, cancelled and discharged on the Effective Date. Holders of Intercompany Claims will receive no recovery on account of their claims.</p>
Class GS-12 (Equity Interests)	<p><u>Voting Rights:</u> Impaired; deemed to reject the Plan.</p> <p><u>Treatment:</u> Holders of equity interests in Class GS-12 shall receive no recovery on account of such interests and shall be canceled on the Effective Date.</p>
Claims against the RFC Debtors	
Class RS-1 (Other Priority Claims)	<p><u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan.</p> <p><u>Treatment:</u> Except to the extent that a holder of an allowed Other Priority Claim agrees to a different treatment of such claim, in full and final satisfaction of the Other Priority Claims against the RFC Debtors, on or as soon as practicable after the Effective Date, each holder of an allowed Other Priority Claim in Class</p>

	<p>RS-1 will be paid in full in Cash or otherwise receive treatment consistent with the provisions of section 1129(a)(9) of the Bankruptcy Code; provided, that Other Priority Claims that arise in the ordinary course of the Debtors' business and that are not due and payable on or before the Effective Date will be paid in the ordinary course of business in accordance with the terms thereof.</p>
Class RS-2 (AFI Revolver Claims)	<p><u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan.</p> <p>Allowed Claim Amount: The AFI Revolver Claims against the RFC Debtors will be allowed in the aggregate amount of not less than \$747,127,553.38, plus accrued and unpaid post-petition interest at the non-default rate.</p> <p><u>Treatment:</u> In full and final satisfaction of the AFI Revolver Claims against the RFC Debtors, the AFI Revolver Claims will be paid in full in Cash on or before the Effective Date and prior to any payment on account of JSN Claims.</p>
Class RS-3 (AFI LOC Claims)	<p><u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan.</p> <p>Allowed Claim Amount: The AFI LOC Claims in Class RS-3 will be allowed in the aggregate amount of not less than \$380,000,000, plus accrued and unpaid post-petition interest at the non-default rate.</p> <p><u>Treatment:</u> In full and final satisfaction of the AFI LOC Claims against the RFC Debtors, the AFI LOC Claims will be paid in full in Cash on or before the Effective Date.</p>
Class RS-4 (Other Secured Claims)	<p><u>Voting Rights:</u> Unimpaired; deemed to accept and not entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the Other Secured Claims against the RFC Debtors, on or as soon as practicable after the Effective Date, each holder of an allowed Other Secured Claim in Class RS-4 will (A) be paid in full in Cash, including any interest, at the non-default rate, required to be paid pursuant to section 506(b) of the Bankruptcy Code, or (B) receive the collateral securing its allowed Other Secured Claim.</p>
Class RS-5 (JSN Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the JSN Claims, on or as soon as practicable after the Effective Date, each holder of a JSN Claim against the RFC Debtors in Class RS-5 will receive its pro rata share of the JSN Payment.</p>
Class RS-6 (RMBS Trust Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> Subject to the terms of the RMBS Settlement, in full and final satisfaction of the RMBS Trust Claims against the RFC Debtors, as soon as practicable after the Effective Date, each holder of an Allowed RMBS Trust Claim in Class RS-6 shall receive its pro rata share of the RFC Debtors' Unsecured Distribution, provided, however, that each RMBS Trust reserves the ability to enforce its rights, in the Bankruptcy Court or otherwise, against any Monoline that does not, in the future, perform in accordance with an insurance policy for the benefit of that RMBS Trust, provided, further, however, such pro rata share shall be reallocated in accordance with the RMBS Trust Allocation Protocol.</p>
Class RS-7 (Monoline Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> Subject to the treatment of the RMBS Trust Claims for the Insured RMBS Trusts, in full and final satisfaction of the Monoline Claims against the RFC Debtors, on or as soon as reasonably practicable after the Effective Date, holders of allowed Monoline Claims in Class RS-7 shall receive their pro rata share of the RFC Debtors' Unsecured Distribution.</p>
Class RS-8 (General Unsecured Claims)	<p><u>Voting Rights:</u> Impaired; entitled to vote on the Plan.</p> <p><u>Treatment:</u> In full and final satisfaction of the General Unsecured Claims against the RFC Debtors, as soon as practicable after the Effective Date, holders of allowed General Unsecured Claims in Class RS-8 will receive an amount equal to their pro rata share of the RFC Debtors' Unsecured Distribution.</p>

Class RS-9 (Borrower Claims)	<p><i>Voting Rights:</i> Impaired; entitled to vote on the Plan.</p> <p><i>Treatment:</i> In full and final satisfaction of the Borrower Claims against the RFC Debtors, on or as soon as reasonably practicable after the Effective Date, holders of allowed Borrower Claims in Class RS-9 shall receive their pro rata share of the Borrower Claims Trust Assets.</p>
Class RS-10 (Private Securities Claims)	<p><i>Voting Rights:</i> Impaired; entitled to vote on the Plan.</p> <p><i>Treatment:</i> In full and final satisfaction of the Private Securities Claims against the RFC Debtors, on or as soon as practicable after the Effective Date, holders of allowed Private Securities Claims in Class RS-10 shall receive their allocated share of the Private Securities Claims Trust Assets.</p>
Class RS-11 (NJ Carpenters Claims)	<p><i>Voting Rights:</i> Impaired; entitled to vote on the Plan.</p> <p><i>Treatment:</i> In full and final satisfaction of the NJ Carpenters Claims against the RFC Debtors, on or as soon as practicable after the Effective Date, the lead plaintiffs, on behalf of holders of NJ Carpenters Claims in Class RS-11 shall receive the NJ Carpenters Claims Distribution which will thereafter be distributed pursuant to the plan of allocation to be approved by and under the jurisdiction of the District Court.</p>
Class RS-12 (Intercompany Claims)	<p><i>Voting Rights:</i> Impaired; deemed to reject the Plan.</p> <p><i>Treatment:</i> On the Effective Date, Intercompany Claims in Class RS-12, including any subrogation claims and fraudulent conveyance claims related to the forgiveness of intercompany debt, will be waived, cancelled and discharged on the Effective Date. Holders of Intercompany Claims will receive no recovery on account of their claims.</p>
Class RS-13 (Equity Interests)	<p><i>Voting Rights:</i> Impaired; deemed to reject the Plan.</p> <p><i>Treatment:</i> Holders of equity interests in Class RS-13 shall receive no recovery on account of such interests and shall be canceled on the Effective Date.</p>
Other Plan Terms	
Tolling of all Statutes of Limitation	<p>Notwithstanding anything to the contrary in the Plan Support Agreement, the Plan Support Agreement shall constitute Ally's agreement with each of the Debtors, the Creditors Committee and the Consenting Claimants that all statutes of limitation for any Causes of Actions against the Debtors or Ally relating to the Debtors (whether currently pending or tolled) that have not run prior to the date of entry into the Plan Support Agreement shall be tolled until 70-days following the termination of the Plan Support Agreement or the effective date of the Plan.</p>
List of Ally/Debtor Contracts	<p>The Debtors and Ally agree that the Debtors and Ally will continue performing under the contracts set forth in Annex IV, through the Effective Date, provided, however, that nothing herein will be deemed an assumption of these contracts or prejudice the rights of the Debtors or Ally under these contracts, any other contracts between the Debtors and Ally, the Debtors' secured credit facility with Ally, or applicable law.</p>
Administrative Claims Bar Date	<p>The Plan will establish a deadline for filing requests for payment of administrative expense claims, except with respect to professional fee claims and the fees and expense claims of the RMBS Trustees.</p>
Professional Fees and Expenses	<p>All estate professionals shall provide an estimated budget for professional fees through the Effective Date, and the Plan Proponents will establish an allocation of workload for the preparation of the Definitive Documents by July 3, 2013.</p> <p>The Plan will establish a professional fee escrow account (the "<u>Professional Fee Escrow Account</u>") which will be funded by the Debtors or the Liquidation Trust on the Effective Date for the purpose of paying allowed professional claims incurred through the Effective Date, provided that the Debtors' or the Liquidation Trust's liability for allowed professional claims will not be deemed limited to the funds available from the Professional Fee Escrow Account. The amount funded to the Professional Fee Escrow Account will be determined by each professional's estimated fees and expenses to be incurred through the Effective Date, subject to review by the Debtors, the Consenting Claimants and the Creditors Committee.</p>

Executory Contracts and Unexpired Leases	Executory contracts and unexpired leases shall be deemed rejected by the Debtors unless previously assumed by the Debtors or assumed by the Debtors in connection with confirmation of the Plan.
Adjournment of RMBS Litigation	<p>The Debtors, the Creditors' Committee, Ally, and the Consenting Claimants, as applicable, agree that the hearing on the <i>Debtors Motion Pursuant to Fed. R. Bankr. P. 9019 for Approval of the RMBS Settlement Agreements</i> [Dkt. No. 320] as amended and supplemented (the "<u>RMBS Settlement Motion</u>"), shall be adjourned until the earliest hearing dates available from the Court that are not less than 30 days after the Steering Committee Consenting Claimants or the Talcott Franklin Consenting Claimants terminates the Plan Support Agreement or the Plan Support Agreement is otherwise terminated, and that all pending objections to the RMBS Settlement shall be deemed held in abeyance pending the Effective Date and withdrawn with prejudice upon the Effective Date.</p> <p>The Plan shall contain a provision which shall constitute approval of the RMBS Settlement, including without limitation, modifications contemplated by the Plan Support Agreement, and the amendments and supplements to the RMBS Settlement Motion. The RMBS Settlement, as modified, shall be approved by the entry of the Confirmation Order.</p>
Claims Asserted Against the Debtors	Annex V includes a list of claims asserted against the Debtors in accordance with that section of the Plan Term Sheet titled "Settlement of Debtors' Rights to and Under Insurance Policies."

ANNEX I

Allocation Summary

(\$ in millions)	Distribution Amount	Allocation Percentages
Adjusted Total Distributable Value	\$2,525.0	
RMBS Trust Claims Recovery	672.3	28.4%
Monoline Claims Recovery	1,098.8	N/A
<i>MBIA Recovery</i>	796.3	33.6%
<i>FGIC Recovery</i>	206.5	8.7%
<i>Other Monoline Claims Recovery</i>	96.0	4.1%
Senior Unsecured Notes Claims Recovery	351.4	14.8%
General Unsecured Claims Recovery	19.2	0.8%
Private Securities Claims Trust Recovery	225.7	9.5%
Sub-Total Recoveries	\$2,367.4	100.0%
Borrowers Claims Trust Recovery	57.6	
New Jersey Carpenters Claims Recovery	100.0	
Total Recoveries	\$2,525.0	

The foregoing allocation summary is premised upon the following agreed-upon assumptions:

- Assets available for unsecured creditors (including the Ally Contribution of \$2, 100 million) will equal \$2,525 million, to be realized over time, after payment in full of the JSN Claims.
- The JSN Claims will be paid in full.
- The Plan will provide that the JSNs are undersecured and not otherwise entitled to post-petition interest.
- The Plan will implement a global compromise and settlement of multiple disputed issues, which will be considered by the Bankruptcy Court in connection with confirmation, including that:
 - Administrative expenses (other than the RMBS Cure Claims) will be allocated among the GMACM Debtors and RFC Debtors, as follows: \$98 1.1 million to the GMACM Debtors, and \$292.0 million to the RFC Debtors. No administrative expenses will be allocated to the ResCap Debtors.
 - Intercompany Claims will be disallowed and will not receive any recovery under the Plan.
 - The GMACM Debtors and the RFC Debtors will waive subrogation claims against the ResCap Debtors.
 - The Plan will implement a settlement of the amount and allocation of certain liabilities among the Debtors, including: (i) an allocation of the RMBS Trust Claims of \$209.8 million to the GMACM Debtors and \$7,091.2 million to the RFC Debtors, (iii) an allocation of the Monoline Claims held by FGIC of \$337.5 million to the ResCap Debtors, \$181.5 million to the GMACM Debtors and \$415.0 million to

the RFC Debtors, and (iii) allowance of the Monoline Claims held by MBIA in the amount of \$719.0 million against the ResCap Debtors, \$1,450.0 million against the GMACM Debtors and \$1,450.0 against the RFC Debtors. All RMBS Trust Claims against the ResCap Debtors will be waived under the Plan.

- An agreed allocation of the JSN Deficiency Claims.
- All recoveries are intended to be illustrative and may change materially based on, among other things, amount of claims against the estates, administrative expenses, and the ultimate realized value of non-cash assets.
- Notwithstanding the allocation of the RMBS Trust Claims among the Debtors pursuant to this Annex I, distributions to the RMBS Trusts shall be reallocated pursuant to the RMBS Trust Allocation Protocol.

ANNEX II

GOVERNANCE TERM SHEET

Structure	<p><u>The Liquidation Trust.</u> A Delaware statutory trust will be formed for the purpose of (i) monetizing the estates’ non-Cash assets and distributing Cash to holders of allowed claims; (ii) resolving disputed general unsecured claims and making distributions to claims that become allowed after the Effective Date; and (iii) facilitating the general wind-down of the debtors’ estates following the Effective Date, and managing expenses in connection with the foregoing.</p> <p><u>Trust Assets.</u> On the Effective Date, all assets of the Debtors’ estates, including all causes of action not waived, released or compromised in the Plan, will be transferred to the Liquidation Trust, other than certain assets designated to remain with the Debtors.</p>
Board of Trustees and Trust Management	<p><u>Board.</u> The Liquidation Trust will be managed by a board of trustees which will have overall responsibility for the conduct of the affairs of the Liquidation Trust, including among other things the retention, termination, oversight and compensation of Liquidation Trust management and professionals; the oversight of the liquidation of non-Cash Trust Assets; the resolution of disputed claims and the payment of distributions to holders of allowed claims. The Board will be comprised of five members, with MBIA, FGIC, the RMBS Trustees that are members of the Creditors’ Committee and the Steering Committee Consenting Claimants, jointly, Paulson, and the holders of Private Securities Claims each selecting a member, and such other Board members as agreed to by the Plan Proponents and the Consenting Claimants.</p> <p><u>Trust Management.</u> The Liquidation Trust will be managed by personnel with responsibilities as designated by the Board. Management personnel will be initially designated or approved by the Debtors, the Creditors’ Committee, and the Consenting Claimants and thereafter will serve at the discretion of the Board.</p> <p><u>Compensation.</u> The compensation of the members of the Board and Trust management will be initially determined by the Debtors, the Creditors’ Committee, and the Consenting Claimants and thereafter by the Board.</p> <p><u>Budget.</u> The Liquidation Trust will operate in accordance with an annual budget, which except for the initial Budget will be prepared by the Liquidation Trust management and approved by the Board. The initial Budget will be prepared by management of the Debtors prior to the Effective Date and will be approved by the Creditors’ Committee and the Consenting Claimants and filed as an exhibit or supplement to the Plan.</p> <p><u>Cost Reduction Initiatives:</u> The Debtors will cooperate with the Creditors’ Committee and Consenting Claimants to put in place procedures designed to reduce administrative expenses, including without limitation, professional fees, operating expenses, and other costs of administration, incurred or to be incurred, by the estates.</p>
Reporting	<p><u>Financial Statements/Reporting.</u> The Liquidation Trust will provide sufficient reporting and financial statements to the extent required to make Trust Units freely tradable.</p>
Interests in the Trust	<p><u>Trust Units.</u> Holders of allowed Trust and Estate Unsecured Claims will receive interests in the Liquidation Trust, in the form of Trust Units, entitling holders to participate in distributions from the Liquidation Trust in accordance with the Plan.</p> <p><u>Transferability, etc.</u> It is anticipated that the Trust Units will be transferable and tradable through DTC. In</p>

	the event necessary to permit trading of the Trust Units, the Liquidation Trust will register and file reports under applicable securities laws.
Other Provisions	<p><u>Disbursing Agent.</u> To the extent the Board deems advisable, the services of a disbursing agent may be retained by the Liquidation Trust.</p> <p><u>Termination.</u> The Trust will terminate as soon as practicable, but in no event later than the fifth anniversary of the Effective Date; provided that the Bankruptcy Court may extend the term of the Liquidation Trust for a finite period as necessary to complete the activities of the Liquidation Trust, provided the Liquidation Trust receives an opinion of counsel or a favorable ruling from the IRS that the extension would not adversely affect the status of the Liquidation Trust as a grantor trust.</p> <p><u>Authority.</u> Notwithstanding anything contained herein, the Liquidation Trust shall not have any authority regarding the Borrower Claims Trust and the Private Securities Claims Trust.</p> <p><u>Governance Controls.</u> The Liquidation Trust shall contain specific governance control mechanisms including supermajority/minority protections.</p>

ANNEX III

RMBS Trust Allocation Protocol

Based on current determinations of Duff & Phelps (“Duff”), financial advisor to certain of the RMBS Trustees, which determinations are based on financial information provided by the Debtors to Duff on May 22, 2013, subject to any Adjustment, \$75.3 million of the pro rata share of the RFC Debtors’ Unsecured Distribution distributed to Class RS-6 shall be combined with the entirety of pro rata share of the GMACM Debtors’ Unsecured Distribution distributed to Class GS-6, and the combined amount shall be referred to as the “GMACM Pool.” The pro rata share of the RFC Debtors’ Unsecured Distribution distributed to Class RS-6 after the reallocation to the GMACM Pool described above is referred to as the “RFC Pool” and the amounts so reallocated will be distributed to the RMBS Trusts, as follows:

First, the RMBS Cure Claim shall be paid in full, with 83% of the RMBS Cure Claim (of \$96 million) being paid from the GMACM Pool and 17% being paid from the RFC Pool. The amount of the RMBS Cure Claim of each RMBS trust that has a cure claim will be in the amounts as determined by Duff as previously disclosed to the Institutional Investors, subject to the agreed upon cap of \$96 million for all RMBS Cure Claims.

Second, based on Duff’s current determinations:

- (i) 8.7% of the RMBS R+W Claims of the Original Settlement Trusts will be paid from the GMACM Pool, and 91.3% of the RMBS R+W Claims of the Original Settlement Trusts will be paid from the RFC Pool; and
- (ii) 19.4% of the RMBS R+W Claims of the Additional Settlement Trusts will be paid from the GMACM Pool, and 80.6% of the RMBS R+W Claims of the Additional Settlement Trusts will be paid from the RFC Pool,

and in each case, the distribution within each Pool to each Original Settlement Trusts and the Additional Settlement Trusts shall be allocated in accordance with the determinations of each such RMBS Trusts R+W Claims in accordance with Exhibit B to the Settlement Agreement (attached hereto as Schedule A); provided however, the Insured RMBS Trusts that have made policy claims against their Monoline and have received full payment of such claims as of the Effective Date shall not receive any cash distribution hereunder for their RMBS Trust Claim, but will retain their rights under the Monoline Reservation; provided further, however, the Insured RMBS Trusts that have made policy claims against their Monoline but have not received full payment of such claims as of the Effective Date shall have their pro rata cash distribution calculated by Duff after reduction of their Allowed RMBS Trust Claims to the extent of payments, past and projected, or other consideration including commutation payments, furnished by their Monoline.

All of Duff’s determinations are subject to further review and refinement and the RMBS Trustees will continue to work in good faith and in consultation with the Institutional Investors to agree on the final determination of all of the foregoing determinations. In the event that, notwithstanding such efforts, there remains a dispute between the RMBS Trustees and the Institutional Investors regarding the foregoing, such dispute will be determined by the Court or by such other dispute resolution as mutually agreed upon by the RMBS Trustees and the Institutional Investors.

The RMBS Trustees will continue to work in good faith and in consultation with the Institutional Investors to determine the universe of Additional Settlement Trusts that are entitled to participate in the foregoing distributions and the amount of such Additional Settlement

Trusts' R+W claims. Such determination shall be based upon (a) the number and principal balances of loans for which a Debtor entity is responsible for representation and warranties and (b) Duff's determination in accordance with Exhibit B of the Settlement Agreement of the claims amounts attributable to each such Additional Settlement Trust. In connection with the foregoing, the RMBS Trustees will make good faith efforts to obtain, from reasonably available sources, documents evidencing the applicable Debtor entities' contractual obligations for such claims. In the event that, notwithstanding such efforts, there remains a dispute between the RMBS Trustees and the Institutional Investors regarding the foregoing, such dispute will be determined by the Court or by such other dispute resolution as mutually agreed upon by the RMBS Trustees and the Institutional Investors.

Schedule A to Annex III

Exhibit B to the Settlement Agreement

EXHIBIT B

ALLOCATION OF ALLOWED CLAIM

1. Each Settlement Trust's Allocated Claim shall be determined solely by the Trustees pursuant to the advice of a qualified financial advisor (the "Expert"), retained in the sole discretion of the Trustees of the Settlement Trusts and upon whose advice the Trustees may conclusively rely, using the methodology set forth below. To the extent that the collateral in any Settlement Trust is divided by the Governing Agreements into groups of loans ("Loan Groups") so that ordinarily only certain classes of investors benefit from the proceeds of particular Loan Groups, each of those Loan Groups shall be deemed to be separate Settlement Trusts for purposes of the methodology set forth below, and the Allocated Claim of any such Settlement Trust shall be the sum of the claim of all of its constituent Loan Groups. The Expert is to apply the following methodology:

(a) Each Settlement Trust's Allocated Claim shall be equal to the Total Claim Amount multiplied by that Settlement Trust's Claim Share.

(b) Each Settlement Trust's Claim Share shall be equal to: the product of that Settlement Trust's Estimated Losses and that Settlement Trust's Exception Rate; divided by the sum of each and every Settlement Trust's product of its Estimated Losses and its Exception Rate.

(i) The Estimated Losses of each Settlement Trust are the sum of the realized losses and the estimated projected losses, as determined by the Expert.

(ii) The Exception Rate, as observed in liquidated loans for realized losses and in active loans for projected losses, of each Settlement Trust is a fraction, the denominator of which is the number of loans in the Settlement Trust. The numerator of that fraction shall be determined by the Expert in the following manner: first, all the loans in all of the Settlement Trusts shall be stratified by vintage (e.g. 2006) and product type (e.g. Alt A); second, the Expert shall conduct a review of a sufficiently large sample of loans to determine a statistically significant estimate within each stratum for the ratio ("Stratum Ratio") of (1) the number of loans in that stratum for which there is a deviation from the applicable guidelines and other requirements in the representations and warranties contained in the Governing Agreements to (2) the total number of loans in that stratum; and third, upon doing so, determining a numerator for each Settlement Trust by making the following calculations: (I) for each stratum in a Settlement Trust, calculate the product of (x) the number of loans in such Settlement Trust in such stratum and (y) such stratum's Stratum Ratio, and (II) summing the products for each stratum calculated in clause (I).

2. All distributions from the Estate to an Accepting Trust on account of any Allocated Claim shall be treated as Subsequent Recoveries, as that term is defined in the Governing Agreement for that trust; provided that if the Governing Agreement for a particular Accepting Trust does not include the term "Subsequent Recovery," the distribution resulting from the Allocated Claim shall be

distributed as though it was unscheduled principal available for distribution on that distribution date; *provided, however*, that should the Bankruptcy Court determine that a different treatment is required to conform the distributions to the requirements of the Governing Agreements, that determination shall govern and shall not constitute a material change to this Settlement Agreement.

3. Notwithstanding any other provision of any Governing Agreement, the Debtors and all Servicers agree that neither the Master Servicer nor any Subservicer shall be entitled to receive any portion of any distribution resulting from any Allocated Claim for any purpose, including without limitation the satisfaction of any Servicing Advances, it being understood that the Master Servicer's other entitlements to payments, and to reimbursement or recovery, including of Advances and Servicing Advances, under the terms of the Governing Agreements shall not be affected by this Settlement Agreement except as expressly provided here. To the extent that as a result of the distribution resulting from an Allocated Claim in a particular Accepting Trust a principal payment would become payable to a class of REMIC residual interests, whether on the distribution of the amount resulting from the Allocated Claim or on any subsequent distribution date that is not the final distribution date under the Governing Agreement for such Accepting Trust, such payment shall be maintained in the distribution account and the relevant Trustee shall distribute it on the next distribution date according to the provisions of this section.

4. In addition, after any distribution resulting from an Allocated Claim pursuant to section 3 above, the relevant Trustee will allocate the amount of the distribution for that Accepting Trust in the reverse order of previously allocated Realized Losses, to increase the Class Certificate Balance, Component Balance, Component Principal Balance, or Note Principal Balance, as applicable, of each class of Certificates or Notes (or Components thereof) (other than any class of REMIC residual interests) to which Realized Losses have been previously allocated, but in each case by not more than the amount of Realized Losses previously allocated to that class of Certificates or Notes (or Components thereof) pursuant to the Governing Agreements. For the avoidance of doubt, for Accepting Trusts for which the Credit Support Depletion Date shall have occurred prior to the allocation of the amount of the Allocable Share in accordance with the immediately preceding sentence, in no event shall the foregoing allocation be deemed to reverse the occurrence of the Credit Support Depletion Date in such Accepting Trusts. Holders of such Certificates or Notes (or Components thereof) will not be entitled to any payment in respect of interest on the amount of such increases for any interest accrual period relating to the distribution date on which such increase occurs or any prior distribution date. Any such increase shall be applied pro rata to the Certificate Balance, Component Balance, Component Principal Balance, or Note Principal Balance of each Certificate or Note of each class. For the avoidance of doubt, this section 4 is intended only to increase Class Certificate Balances, Component Balances, Component Principal Balances, and Note Principal Balances, as provided for herein, and shall not affect any distributions resulting from Allocated Claims provided for in section 3 above.

5. Nothing in this Settlement Agreement amends or modifies in any way any provisions of any Governing Agreement. To the extent

any credit enhancer or financial guarantee insurer receives a distribution on account of the Allowed Claim, such distribution shall be credited at least dollar for dollar against the amount of any claim it files against the Debtor that does not arise under the Governing Agreements.

6. In no event shall the distribution to an Accepting Trust as a result of any Allocated Claim be deemed to reduce the collateral losses experienced by such Accepting Trust.

ANNEX IV

The agreements, as they may have been amended or modified, under which the Debtors and Ally will perform their obligations through the Effective Date, in each case subject to the terms and conditions of each agreement, consist of:

- The Intellectual Property Sublicense Agreement between Residential Capital, LLC and GMAC, Inc. (now known as Ally Financial Inc.) dated as of November 30, 2006;
- The Shared Services Agreement between Ally Financial Inc. and Residential Capital, LLC dated as of May 14, 2012, including all applicable Statements of Work thereunder;
- The Client Contract and Addendum between Ally Bank and GMAC Mortgage, LLC dated as of November 29, 2011;
- The Amended and Restated Master Mortgage Loan Purchase and Sale Agreement between Ally Bank and GMAC Mortgage, LLC dated as of May 1, 2012;
- *Stipulation and Order With Respect to (A) the Amended and Restated Master Mortgage Loan Purchase and Sale Agreement By and Between GMAC Mortgage, LLC and Ally Bank and (B) Client Contract Between GMAC Mortgage, LLC and Ally Bank* [ECF No. 2632];
- The Amended and Restated Servicing Agreement between Ally Bank and GMAC Mortgage, LLC dated as of May 7, 2012;
- *Stipulation and Order Reserving Rights With Respect to Debtors' Motion for Interim and Final Orders Under Bankruptcy Code Sections 105(a) and 363 Authorizing the Debtors to Continue to Perform Under the Ally Bank Servicing Agreement in the Ordinary Course of Business* [ECF No. 1420];
- The Amended and Restated Custodial Agreement between Ally Bank and Residential Capital, LLC to be executed, and all other custodial agreements between the Debtors and Ally Bank;
- The Pledge and Security Agreement among GMAC Mortgage, LLC, ResCap, Ally Bank, Ally Financial Inc., GMAC Mortgage Group, LLC, and Ally Investment Management LLC dated as of April 25, 2012;
- The Master Securities Forward Transaction Agreement between Ally Investment Management, LLC and GMAC Mortgage, LLC dated as of April 30, 2012;
- The Servicer Advance Receivables Factoring Agreement among Ally Commercial Finance LLC, Residential Funding Company, LLC, and GMAC Mortgage, LLC dated as of June 17, 2008; and
- All other agreements that have been approved by an order of the Bankruptcy Court during the Debtors' chapter 11 cases.

ANNEX V

A full list of claims asserted against the Debtors can be obtained by contacting:

Jordan Wishnew
Morrison & Foerster LLP
1290 Avenue of the Americas
New York, New York 10104
Phone: (212) 336-4328

EXHIBIT C

JOINDER TO THE PLAN SUPPORT AGREEMENT

JOINDER ACKNOWLEDGEMENT

This joinder (this “Joinder”) to the Plan Support Agreement, dated as of May 13, 2013 (the “Agreement”), by and among (i) Residential Capital, LLC (“ResCap”) and certain of its direct and indirect subsidiaries (collectively, the “Debtors”), (ii) Ally Financial Inc. on its own behalf and on behalf of the AFI Parties, (iii) the Official Committee of Unsecured Creditors as appointed by the Bankruptcy Court (the “Creditors’ Committee”) and (iv) the Consenting Claimants (as defined therein), is made by [_____] (the “Joining Party”) and is executed and delivered as of [_____] , 2013. Each capitalized term used herein but not otherwise defined shall have the meaning set forth in the Agreement.

1. Agreement to be Bound. The Joining Party hereby agrees to be bound by all of the terms of the Agreement, a copy of which is attached to this Joinder as Annex I (as the same has been or may be hereafter amended, restated or otherwise modified from time to time in accordance with the provisions hereof). The Joining Party shall hereafter be deemed to be a “Consenting Claimant” and a “Supporting Party” for all purposes under the Agreement.

2. Representations and Warranties. The Joining Party hereby represents that, as of the date hereof (a) it is either (i) the legal and/or beneficial owner of its Claims, if any, (ii) counsel for the putative class with respect to such Claims, if any, or (iii) the investment manager for the legal and beneficial owners of Claims, if any, subject to the Agreement as set forth on its signature page hereto or on an annex thereto, and (b) subject to sections 5.4 and 7.5 of the Agreement, it has full power to vote, dispose of, and compromise such Claims.

3. Governing Law. This Joinder is to be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed in such state, without giving effect to the choice of laws principles thereof.

4. Notice. All notices and other communications given or made pursuant to the Agreement shall be sent to:

To the Joining Party at:

[JOINING PARTY]

[ADDRESS]

Attn:

Facsimile: [FAX]

EMAIL:

Exhibit 12

Ally Financial Inc.

Ratio of Earnings to Fixed Charges

(\$ in millions)	Six months ended		Year ended December (in millions),				
	June 30,		2012 (a)	2011 (a)	2010 (a)	2009 (a)	2008 (a)
	2013 (a)						
Earnings							
Consolidated net income (loss) from continuing operations	\$ 160	\$	1,370	\$ (219)	\$ (334)	\$ (3,370)	\$ 5,535
Income tax (benefit) expense from continuing operations	(83)		(856)	42	97	12	(87)
Equity-method investee (earnings) losses	(7)		(6)	(7)	(8)	6	515
Minority interest expense	—		1	1	1	1	1
Consolidated income (loss) from continuing operations before income taxes, minority interest, and income or loss from equity investees	70		509	(183)	(244)	(3,351)	5,964
Fixed charges	1,780		4,031	4,668	4,880	4,786	5,724
Earnings available for fixed charges	\$ 1,850	\$	4,540	\$ 4,485	\$ 4,636	\$ 1,435	\$ 11,688
Fixed charges							
Interest, discount, and issuance expense on debt	\$ 1,773	\$	4,014	\$ 4,652	\$ 4,862	\$ 4,768	\$ 5,704
Portion of rentals representative of the interest factor	7		17	16	18	18	20
Total fixed charges	1,780		4,031	4,668	4,880	4,786	5,724
Preferred dividend requirements (b)	401		801	763	1,860	1,224	—
Total fixed charges and preferred dividend requirements	\$ 2,181	\$	4,832	\$ 5,431	\$ 6,740	\$ 6,010	\$ 5,724
Ratio of earnings to fixed charges (c)	1.04		1.13	0.96	0.95	0.30	2.04
Ratio of earnings to fixed charges and preferred dividend requirements (d)	0.85		0.94	0.83	0.69	0.24	2.04

- (a) During 2013, 2012, 2011, 2010, and 2009, we committed to dispose certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group. We report these businesses separately as discontinued operations in the Condensed Consolidated Financial Statements. Refer to Note 2 to the Condensed Consolidated Financial Statements for further discussion of our discontinued operations. All reported periods of the calculation of the ratio of earnings to fixed charges exclude discontinued operations.
- (b) Amount for 2010 includes a \$616 million reduction to retained earnings (accumulated deficit) related to a conversion of preferred stock and related amendment that occurred on December 30, 2010.
- (c) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2011, 2010 and 2009. Earnings for the the years ended December 31, 2011, 2010, and 2009 were inadequate to cover fixed charges. The deficient amounts for the ratio were \$183 million, \$244 million and \$3,351 million for the years ended December 31, 2011, 2010, and 2009, respectively.
- (d) The ratio indicates a less than one-to-one coverage for the three months ended June 30, 2013, and the years ended December 31, 2012, 2011, 2010, and 2009. Earnings for the three months ended June 30, 2013, and the years ended December 31, 2012, 2011, 2010, and 2009 were inadequate to cover total fixed charges and preferred dividend requirements. The deficient amounts for the ratio were \$331 million, for the three months ended June 30, 2013, and \$292 million, \$946 million, \$2,104 million, and \$4,575 million for the years ended December 31, 2012, 2011, 2010, and 2009, respectively.

Exhibit 31.1

Ally Financial Inc.

I, Michael A. Carpenter, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2013

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer

Exhibit 31.2

Ally Financial Inc.

I, Jeffrey J. Brown, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2013

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
*Senior Executive Vice President of
Finance and Corporate Planning*

Exhibit 32

Ally Financial Inc.

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

In connection with the Annual Report of Ally Financial Inc. (the Company) on Form 10-Q for the period ending June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer
August 2, 2013

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
*Senior Executive Vice President of
Finance and Corporate Planning*
August 2, 2013

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ally Financial Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.

Public
Exhibit
No. 6

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013, or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

38-0572512

*(I.R.S. Employer
Identification No.)*

**200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000**

*(Address of principal executive offices)
(Zip Code)*

(866) 710-4623

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing for the past 90 days.

Yes No

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At November 4, 2013, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

INDEX

Ally Financial Inc. • Form 10-Q

	Page
Part I — Financial Information	
Item 1.	<u>Financial Statements</u> <u>3</u>
	<u>Condensed Consolidated Statement of Comprehensive Income (unaudited) for the Three and Nine Months Ended September 30, 2013 and 2012</u> <u>3</u>
	<u>Condensed Consolidated Balance Sheet (unaudited) at September 30, 2013 and December 31, 2012</u> <u>5</u>
	<u>Condensed Consolidated Statement of Changes in Equity (unaudited) for the Nine Months Ended September 30, 2013 and 2012</u> <u>7</u>
	<u>Condensed Consolidated Statement of Cash Flows (unaudited) for the Nine Months Ended September 30, 2013 and 2012</u> <u>8</u>
	<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u> <u>10</u>
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> <u>78</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> <u>122</u>
Item 4.	<u>Controls and Procedures</u> <u>123</u>
Part II — Other Information <u>124</u>	
Item 1.	<u>Legal Proceedings</u> <u>124</u>
Item 1A.	<u>Risk Factors</u> <u>124</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> <u>125</u>
Item 3.	<u>Defaults Upon Senior Securities</u> <u>125</u>
Item 4.	<u>Mine Safety Disclosures</u> <u>125</u>
Item 5.	<u>Other Information</u> <u>125</u>
Item 6.	<u>Exhibits</u> <u>125</u>
	<u>Signatures</u> <u>126</u>
	<u>Index of Exhibits</u> <u>127</u>

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	\$ 1,119	\$ 1,141	\$ 3,393	\$ 3,374
Interest on loans held-for-sale	—	23	19	74
Interest on trading assets	—	—	—	10
Interest and dividends on available-for-sale investment securities	85	64	229	215
Interest-bearing cash	3	8	8	19
Operating leases	832	631	2,354	1,699
Total financing revenue and other interest income	2,039	1,867	6,003	5,391
Interest expense				
Interest on deposits	163	158	489	481
Interest on short-term borrowings	15	20	47	56
Interest on long-term debt	609	851	2,013	2,568
Total interest expense	787	1,029	2,549	3,105
Depreciation expense on operating lease assets	515	366	1,449	1,006
Net financing revenue	737	472	2,005	1,280
Other revenue				
Servicing fees	13	91	114	326
Servicing asset valuation and hedge activities, net	—	134	(213)	74
Total servicing income, net	13	225	(99)	400
Insurance premiums and service revenue earned	251	262	768	793
Gain on mortgage and automotive loans, net	15	142	52	248
Loss on extinguishment of debt	(42)	—	(42)	—
Other gain (loss) on investments, net	41	(23)	156	130
Other income, net of losses	93	169	324	523
Total other revenue	371	775	1,159	2,094
Total net revenue	1,108	1,247	3,164	3,374
Provision for loan losses	141	105	361	236
Noninterest expense				
Compensation and benefits expense	245	257	782	830
Insurance losses and loss adjustment expenses	85	90	346	337
Other operating expenses	432	498	1,393	1,504
Total noninterest expense	762	845	2,521	2,671
Income from continuing operations before income tax expense (benefit)	205	297	282	467
Income tax expense (benefit) from continuing operations	28	46	(55)	31
Net income from continuing operations	177	251	337	436
(Loss) income from discontinued operations, net of tax	(86)	133	(80)	(640)
Net income (loss)	91	384	257	(204)
Other comprehensive income (loss), net of tax	4	218	(494)	199
Comprehensive income (loss)	\$ 95	\$ 602	\$ (237)	\$ (5)

Statement continues on the next page.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
<i>(\$ in millions except per share data)</i>				
Net (loss) income attributable to common shareholders				
Net income from continuing operations	\$ 177	\$ 251	\$ 337	\$ 436
Preferred stock dividends — U.S. Department of Treasury	(134)	(134)	(401)	(401)
Preferred stock dividends	(67)	(67)	(200)	(200)
Net (loss) income from continuing operations attributable to common shareholders	(24)	50	(264)	(165)
(Loss) income from discontinued operations, net of tax	(86)	133	(80)	(640)
Net (loss) income attributable to common shareholders	\$ (110)	\$ 183	\$ (344)	\$ (805)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net (loss) income from continuing operations	\$ (18)	\$ 38	\$ (199)	\$ (124)
(Loss) income from discontinued operations, net of tax	(64)	100	(60)	(481)
Net (loss) income	\$ (82)	\$ 138	\$ (259)	\$ (605)
Diluted earnings per common share (a)				
Net (loss) income from continuing operations	\$ (18)	\$ 38	\$ (199)	\$ (124)
(Loss) income from discontinued operations, net of tax	(64)	100	(60)	(481)
Net (loss) income	\$ (82)	\$ 138	\$ (259)	\$ (605)

- (a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net (loss) income from continuing operations attributable to common shareholders for the three months and nine months ended September 30, 2013 and 2012, respectively, net (loss) income from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,063	\$ 1,073
Interest-bearing	5,486	6,440
Total cash and cash equivalents	6,549	7,513
Investment securities	17,967	14,178
Loans held-for-sale, net (\$63 and \$2,490 fair value-elected)	82	2,576
Finance receivables and loans, net		
Finance receivables and loans, net	95,281	99,055
Allowance for loan losses	(1,198)	(1,170)
Total finance receivables and loans, net	94,083	97,885
Investment in operating leases, net	17,254	13,550
Mortgage servicing rights	—	952
Premiums receivable and other insurance assets	1,649	1,609
Other assets	7,059	11,908
Assets of operations held-for-sale	5,913	32,176
Total assets	\$ 150,556	\$ 182,347
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 66	\$ 1,977
Interest-bearing	51,965	45,938
Total deposit liabilities	52,031	47,915
Short-term borrowings	6,015	7,461
Long-term debt	60,701	74,561
Interest payable	978	932
Unearned insurance premiums and service revenue	2,332	2,296
Accrued expenses and other liabilities	4,836	6,585
Liabilities of operations held-for-sale	4,602	22,699
Total liabilities	131,495	162,449
Equity		
Common stock and paid-in capital	19,669	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(7,365)	(7,021)
Accumulated other comprehensive (loss) income	(183)	311
Total equity	19,061	19,898
Total liabilities and equity	\$ 150,556	\$ 182,347

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net	\$ 28,308	\$ 31,510
Allowance for loan losses	(152)	(144)
Total finance receivables and loans, net	28,156	31,366
Investment in operating leases, net	5,316	6,060
Other assets	1,492	2,868
Assets of operations held-for-sale	149	12,139
Total assets	\$ 35,113	\$ 52,433
Liabilities		
Short-term borrowings	\$ 500	\$ 400
Long-term debt	24,169	26,461
Interest payable	1	1
Accrued expenses and other liabilities	12	16
Liabilities of operations held-for-sale	149	9,686
Total liabilities	\$ 24,831	\$ 36,564

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Condensed Consolidated Statement of Changes in Equity (unaudited)

Ally Financial Inc. • Form 10-Q

<i>(\$ in millions)</i>	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2012	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,415)	\$ 87	\$ 19,280
Net loss				(204)		(204)
Preferred stock dividends — U.S. Department of Treasury				(401)		(401)
Preferred stock dividends				(200)		(200)
Other comprehensive income, net of tax					199	199
Balance at September 30, 2012	\$ 19,668	\$ 5,685	\$ 1,255	\$ (8,220)	\$ 286	\$ 18,674
Balance at January 1, 2013	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,021)	\$ 311	\$ 19,898
Net income				257		257
Preferred stock dividends — U.S. Department of Treasury				(401)		(401)
Preferred stock dividends				(200)		(200)
Other comprehensive loss, net of tax					(494)	(494)
Increase in paid-in capital	1					1
Balance at September 30, 2013	\$ 19,669	\$ 5,685	\$ 1,255	\$ (7,365)	\$ (183)	\$ 19,061

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, (<i>\$ in millions</i>)	2013	2012
Operating activities		
Net income (loss)	\$ 257	\$ (204)
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	2,106	1,758
Changes in fair value of mortgage servicing rights	102	654
Provision for loan losses	431	285
Gain on sale of loans, net	(52)	(396)
Net gain on investment securities	(156)	(144)
Loss on extinguishment of debt	42	—
Originations and purchases of loans held-for-sale	(6,234)	(23,670)
Proceeds from sales and repayments of loans held-for-sale	8,647	25,295
Impairment and settlement related to Residential Capital, LLC	1,350	1,192
Gain on sale of subsidiaries, net	(932)	(28)
Net change in		
Trading assets	—	595
Deferred income taxes	(604)	(199)
Interest payable	51	168
Other assets	2,943	475
Other liabilities	(3,456)	(761)
Other, net	(130)	(175)
Net cash provided by operating activities	4,365	4,845
Investing activities		
Purchases of available-for-sale securities	(12,747)	(9,592)
Proceeds from sales of available-for-sale securities	4,721	6,774
Proceeds from maturities and repayment of available-for-sale securities	3,893	4,940
Net decrease (increase) in finance receivables and loans	2,744	(7,925)
Proceeds from sales of finance receivables and loans	—	2,329
Purchases of operating lease assets	(7,251)	(5,612)
Disposals of operating lease assets	2,080	1,303
Sale of mortgage servicing rights	911	—
Proceeds from sale of business units, net (a)	6,937	516
Net cash effect from deconsolidation of Residential Capital, LLC	—	(539)
Net change in restricted cash	2,297	92
Other, net	(55)	(17)
Net cash provided by (used in) investing activities	3,530	(7,731)

Statement continues on the next page.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, (<i>\$ in millions</i>)	2013	2012
Financing activities		
Net change in short-term borrowings	(936)	(1,673)
Net increase in deposits	4,057	4,647
Proceeds from issuance of long-term debt	13,347	27,520
Repayments of long-term debt	(26,725)	(22,908)
Dividends paid	(601)	(601)
Net cash (used in) provided by financing activities	(10,858)	6,985
Effect of exchange-rate changes on cash and cash equivalents	47	(1)
Net (decrease) increase in cash and cash equivalents	(2,916)	4,098
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	1,952	24
Cash and cash equivalents at beginning of year	7,513	13,035
Cash and cash equivalents at September 30,	\$ 6,549	\$ 17,157
Supplemental disclosures		
Cash paid for		
Interest	\$ 2,890	\$ 3,705
Income taxes	67	291
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	43	116

- (a) The amounts are net of cash and cash equivalents of \$1,418 million at September 30, 2013 and \$147 million at September 30, 2012 of business units at the time of disposition.
- (b) Cash flows of discontinued operations are reflected within operating, investing, and financing activities in the Condensed Consolidated Statement of Cash Flows. The cash balance of these operations is reported as assets of operations held-for-sale on the Condensed Consolidated Balance Sheet.

The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

1. Description of Business, Basis of Presentation, and Changes in Significant Accounting Policies

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is a leading, independent, diversified, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

The Condensed Consolidated Financial Statements at September 30, 2013, and for the three months and nine months ended September 30, 2013, and 2012, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission (SEC) as revised by the Current Report on Form 8-K filed with the SEC on July 9, 2013 (referred to herein as 2012 Annual Report).

Residential Capital, LLC

Our mortgage operations were historically a significant portion of our operations and were conducted primarily through our Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). As a result of the bankruptcy filing, effective May 14, 2012, we deconsolidated ResCap from our financial statements and recorded a charge of \$442 million for the impairment of Ally's investment in ResCap. During the first quarter of 2013, we discontinued performing certain mortgage activities, which were required as part of the bankruptcy process until the sale of certain assets occurred. As a result of us discontinuing these activities, the operations of ResCap were classified as discontinued. Refer to Note 2 for further information.

On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases (the Creditors' Committee), and certain creditors (collectively, the Consenting Claimants). The PSA, which was approved by the Bankruptcy Court on June 26, 2013, requires the parties to support a Chapter 11 plan in the Debtors' Chapter 11 cases (the Plan) that, among other things, settles and provides AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that reside with the Debtors (the Debtor Releases), and shall include full releases for all pending and potential claims held by third parties related to the Debtors that could be brought against AFI (the Third Party Releases).

On July 3, 2013, the Debtors filed the Plan and related disclosure statement (the Disclosure Statement), with the Bankruptcy Court. The Bankruptcy Court entered an order approving the Disclosure Statement on August 23, 2013, and the Plan confirmation hearing is currently scheduled to commence on November 19, 2013. The Plan fully incorporates the terms of the PSA, including the Debtor Releases, as well as the Third Party Releases. As of the date hereof, AFI has agreed to settlements (the Settlements) with each of the Federal Housing Finance Agency (the FHFA) and the Federal Deposit Insurance Corporation, as receiver for certain failed banks (the FDIC), which provide, among other things, that in exchange for a monetary payment, the FHFA's and FDIC's pending litigation against AFI will be dismissed, and the claims will no longer be included as exceptions to the Third Party Releases. Also, the Plan will be amended to add Freddie Mac, and the FHFA as conservator for Freddie Mac and Fannie Mae, as exclusions from the Third Party Releases only with respect to certain ordinary-course representation and warranty repurchase claims against Ally Bank, as a former mortgage seller and servicer. The Settlements are not conditioned on the Plan becoming effective. It is possible that additional exceptions to the Third Party Releases could be added in the future with AFI's consent. We recorded an additional pretax charge of \$170 million to discontinued operations (\$107 million net of tax) during the three months ended September 30, 2013, related to the Settlements. At September 30, 2013, we have accrued \$520 million related to the Settlements.

The Plan also provides, among other things, that, on the effective date of the Plan (the Effective Date), AFI will contribute to the Debtors' estates \$1.95 billion in cash or cash equivalents, and will further contribute \$150 million received by AFI for claims it pursues against its insurance carriers related to the claims released in connection with the Plan, with such amount guaranteed by AFI to be paid no later than September 30, 2014 (collectively, the AFI Contribution) in exchange for the releases of AFI included in the Plan. These amounts have been appropriately reflected within our accrued expenses and other liabilities. Refer to Note 15 for additional information. The AFI Contribution and other assets of the Debtors' estates will be distributed to creditors under the Plan.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

In addition, the Plan contemplates the payoff of AFI secured debt on or before the Effective Date. On June 13, 2013, the Debtors paid AFI approximately \$1.1 billion in full satisfaction of the AFI revolving credit facility and line of credit. The payment to AFI was approved by the Bankruptcy Court with an express reservation of rights, claims and remedies against AFI and a reciprocal reservation of rights, claims and remedies for AFI's benefit in the event the Plan does not become effective.

The Plan also provides that the Debtors will remain responsible for all costs and obligations imposed on the Debtors under (i) the consent judgment among the United States Department of Justice, the Attorneys General of certain states, ResCap, GMAC Mortgage, LLC (GMACM) and Ally Financial Inc. entered by the District Court for the District of Columbia on February 9, 2012, (ii) the consent order among ResCap, GMACM, Ally Financial Inc., Ally Bank, the Federal Reserve Board (FRB) and the FDIC, dated April 13, 2011 (the Consent Order) and (iii) the order of assessment among ResCap, GMACM, Ally Financial Inc. and the Board of Governors of the Federal Reserve System, excluding certain obligations that are being performed by Ocwen Financial Corporation (Ocwen). Notably, on July 26, 2013, the Bankruptcy Court approved an amendment to the Consent Order (the Consent Order Amendment), which, among other things, required the Debtors to escrow approximately \$230 million (the FRB Settlement Amount) in exchange for the FRB ceasing the foreclosure review mandated under the Consent Order (the FRB Foreclosure Review). As a result of the Consent Order Amendment, the Debtors are no longer responsible for the FRB Foreclosure Review, and the FRB Settlement Amount will be distributed to individual borrowers in full satisfaction of the Debtors' foreclosure review obligations.

Further, the Plan includes a settlement of insurance disputes between AFI and the Debtors under which the Debtors will relinquish in favor of AFI all of their rights to coverage under certain insurance policies. The PSA also requires that all litigation against AFI by the Debtors, the Creditors' Committee, and the Consenting Claimants be stayed so long as the PSA has not been terminated.

Under the terms of the Plan, the Effective Date must occur on or before the earlier of (i) 30 days after the Bankruptcy Court enters an order confirming the Plan (the Confirmation Order) or (ii) December 15, 2013. If this condition is not satisfied, the Plan allows AFI, the Debtors and/or the Creditors' Committee to file a motion to vacate the Confirmation Order, which if approved, could result in the Plan becoming null and void.

Under the Plan, there are several remaining conditions to be satisfied or waived before the Plan can be effective, including, the following: (i) the Confirmation Order must have been entered by the Bankruptcy Court and provide for, among other things, the Debtor Releases and Third Party Releases; (ii) the Confirmation Order must not have been stayed, modified, or vacated on appeal; (iii) AFI must have funded the AFI Contribution; and (iv) AFI's secured claims against the Debtors must have been fully satisfied.

Moreover, the PSA includes a number of events that could result in the PSA being terminated, including the following: (i) the Bankruptcy Court enters an order appointing a Chapter 11 trustee; (ii) any of the Debtors' Chapter 11 cases are dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; (iii) any court has entered a final, non-appealable judgment or order declaring any material portion of the PSA unenforceable; (iv) the releases set forth in the PSA are modified, amended, changed, severed or otherwise altered in the Plan or any other definitive document; and (v) the PSA ceases to be binding on AFI or the Creditors' Committee.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). Upon approving the PSA on June 26, 2013, the Bankruptcy Court unsealed the Examiner's investigative report. Under the terms of the PSA, the contents of the report may not be used by any party as a basis for terminating or modifying the PSA.

There can be no assurance that the conditions to effectiveness of the Plan will be satisfied or waived. The failure of the Plan to become effective could result in, among other consequences, the pursuit of an alternative form of reorganization or liquidation, which may be less favorable to AFI. Further, the termination of the PSA could result in, among other consequences, material modifications to the Plan, resulting in delay, significant expense and provisions that are less favorable to AFI. If AFI does not receive the releases described above, the Debtors and/or third party creditors are expected to assert substantial claims directly against AFI, which could have a material adverse impact on us.

Significant Accounting Policies

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. We exclude and record discretely the tax effect of unusual or infrequently occurring items, including, for example, changes in judgment about valuation allowances and effects of changes in tax law or rates. The provision for income taxes in tax jurisdictions with a projected full year or year-to-date loss for which a tax benefit cannot be realized is estimated using tax rates specific to that jurisdiction.

Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report regarding additional significant accounting policies.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Recently Adopted Accounting Standards

Balance Sheet - Disclosures about Offsetting Assets and Liabilities (ASU 2011-11 and ASU 2013-01)

As of January 1, 2013, we adopted Accounting Standards Update (ASU) 2011-11, which amends ASC 210, *Balance Sheet*. This ASU contains new disclosure requirements regarding the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. In addition, we adopted ASU 2013-01, which simply clarified the scope of ASU 2011-11. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 and ASU 2013-01 were required to be applied retrospectively. Since the guidance relates only to disclosure of information, the adoption did not have an impact to our consolidated financial condition or results of operations.

Comprehensive Income - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)

As of January 1, 2013, we adopted ASU 2013-02, which amends ASC 220, *Comprehensive Income*. The ASU contains new requirements related to the presentation and disclosure of items that are reclassified out of accumulated other comprehensive income. The new requirements provide financial statement users a more comprehensive view of items that are reclassified out of accumulated other comprehensive income. ASU 2013-02 was required to be applied prospectively. Since the guidance relates only to presentation and disclosure of information, the adoption did not have an impact to our consolidated financial condition or results of operations.

Derivatives and Hedging - Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (ASU 2013-10)

As of July 17, 2013, we adopted ASU 2013-10, which amends ASC 815, *Derivatives and Hedging*. The ASU established the Fed Funds Effective Swap Rate or Overnight Index Swap Rate (OIS) as an additional U.S. benchmark interest rate for hedge accounting purposes. Prior to the ASU's addition of the OIS as a benchmark rate, only interest rates on direct Treasury obligations and the LIBOR swap rate were considered to be such benchmarks. Amendments of the update also remove the restriction on using different benchmark rates for similar hedges. The amendments were effective prospectively when entering into new or redesignating existing hedging relationships on or after July 17, 2013. Since the new guidance simply allows for an additional hedge index to be utilized for hedge accounting purposes, the implementation of this guidance has not had a material effect on our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

Liabilities - Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (ASU 2013-04)

In February 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-04. This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. It further requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. ASU 2013-04 will be effective for us on January 1, 2014, with retrospective application required. The adoption of this guidance is not expected to have a material effect on our consolidated financial condition or results of operations.

Foreign Currency Matters - Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05)

In March 2013, the FASB issued ASU 2013-05. This ASU requires a reporting entity that ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity to release any related cumulative translation adjustment (CTA) into net income. The CTA should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For an equity method investment that is a foreign entity, a pro rata portion of the CTA should be released into net income upon a partial sale of such an investment. This ASU clarifies that the sale of an investment in a foreign entity includes both events that result in the loss of a controlling financial interest in a foreign entity, irrespective of any retained investment, and events that result in step acquisition under which an acquirer obtains control of an acquiree in which it held an equity interest immediately before the acquisition date. Under these circumstances, the CTA should be released into net income upon their occurrence. ASU 2013-05 will be effective for us prospectively on January 1, 2014. Management is currently assessing the potential impact of the application of this guidance. However, since the guidance is prospective and we are in the process of exiting most of our international businesses, it is not expected to have a material effect on our consolidated financial condition or results of operations.

Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11)

In July 2013, the FASB issued ASU 2013-11. This ASU generally requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The guidance further includes an exception that if a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available to settle any additional income taxes that would result from the disallowance of a tax position at the reporting date, or the tax law of the applicable jurisdiction, does not require the entity to use them and the entity does not intend to use the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. ASU 2013-11 will be effective for us prospectively on January 1, 2014. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application are permitted. The adoption of this guidance is not expected to have a material affect on our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

We classify operations as discontinued when operations and cash flows will be eliminated from our ongoing operations and we do not expect to retain any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, the operating results for these discontinued operations have been removed from continuing operations and presented separately as discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income. The Notes to the Condensed Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

Select Mortgage Operations

During the first quarter of 2013, the operations of ResCap were classified as discontinued. During the second quarter of 2012, we sold the Canadian mortgage operations of ResMor Trust.

Select Insurance Operations

During the second quarter of 2013, we sold our Mexican insurance business, ABA Seguros. During the first quarter of 2013, we completed the sale of our U.K.-based operations.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. During the second quarter of 2013, we completed the sale of our operations in Europe and the majority of Latin America. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium, France and the Netherlands, and Latin American operations in Mexico, Chile, and Colombia. On October 1, 2013, we completed the sale of the remaining Latin American operations in Brazil. Refer to Note 27 for further detail. We expect to complete the sale of the joint venture in China during 2013 or possibly 2014.

During the first quarter of 2013, we sold our Canadian automotive finance operations, Ally Credit Canada Limited and ResMor Trust. During the first quarter of 2012, we completed the sale of our Venezuela operations.

Select Corporate and Other Operations

During the fourth quarter of 2012, we ceased operations at our Commercial Finance Group's European division and classified it as discontinued.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Select Financial Information

Select financial information of discontinued operations is summarized below. The pretax income or loss, including direct costs to transact a sale, includes any impairment recognized to present the operations at the lower-of-cost or fair value. Fair value was based on the estimated sales price, which could differ from the ultimate sales price due to price volatility, changing interest rates, changing foreign-currency rates, and future economic conditions.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Select Mortgage operations				
Total net revenue	\$ —	\$ —	\$ —	\$ 440
Pretax loss including direct costs to transact a sale (a) (b)	(158)	(33)	(1,762)	(1,198)
Tax (benefit) expense (c)	(40)	(17)	(573)	7
Select Insurance operations				
Total net revenue	\$ —	\$ 157	\$ 190	\$ 462
Pretax income including direct costs to transact a sale (a)	5	13	319 (d)	48
Tax expense (benefit) (c)	3	6	(12)	24
Select Automotive Finance operations				
Total net revenue	\$ 119	\$ 347	\$ 544	\$ 1,119
Pretax income including direct costs to transact a sale (a)	58	185	752 (e)	611
Tax expense (benefit) (c)	28	47	(25)	105
Select Corporate and Other operations				
Total net revenue	\$ —	\$ 1	\$ —	\$ 10
Pretax income	—	5	1	37
Tax expense	—	1	—	2

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.

(b) Includes the results of ResCap. Refer to Note 1 for more information regarding the Debtors' bankruptcy.

(c) Includes certain income tax activity recognized by Corporate and Other.

(d) Includes recognized pretax gain of \$274 million in connection with the sale of our Mexican insurance business, ABA Seguros.

(e) Includes recognized pretax loss of \$371 million in connection with the sale of our European and the majority of our Latin American automotive finance operations and pretax gain of \$888 million in connection with the sale of our Canadian automotive finance operations, Ally Credit Canada Limited and ResMor Trust.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Held-for-sale Operations

The assets and liabilities of operations held-for-sale are summarized below.

September 30, 2013 (<i>\$ in millions</i>)	Select Automotive Finance operations (a)
Assets	
Cash and cash equivalents	
Noninterest-bearing	\$ 35
Interest-bearing	158
Total cash and cash equivalents	193
Finance receivables and loans, net	
Finance receivables and loans, net	4,308
Allowance for loan losses	(94)
Total finance receivables and loans, net	4,214
Other assets	1,506
Total assets	\$ 5,913
Liabilities	
Short-term borrowings	\$ 521
Long-term debt	3,455
Interest payable	117
Accrued expenses and other liabilities	509
Total liabilities	\$ 4,602

(a) Includes Brazil and our joint venture in China that are being sold to GM Financial.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

December 31, 2012 (\$ in millions)	Select Insurance operations (a)	Select Automotive Finance operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	\$ 8	\$ 100	\$ 108
Interest-bearing	119	1,918	2,037
Total cash and cash equivalents	127	2,018	2,145
Investment securities	576	424	1,000
Finance receivables and loans, net			
Finance receivables and loans, net	—	25,835	25,835
Allowance for loan losses	—	(208)	(208)
Total finance receivables and loans, net	—	25,627	25,627
Investment in operating leases, net	—	144	144
Premiums receivable and other insurance assets	277	—	277
Other assets	94	2,942	3,036
Impairment on assets of held-for-sale operations	(53)	—	(53)
Total assets	\$ 1,021	\$ 31,155	\$ 32,176
Liabilities			
Interest-bearing deposit liabilities	\$ —	\$ 3,907	\$ 3,907
Short-term borrowings	—	2,800	2,800
Long-term debt	—	13,514	13,514
Interest payable	—	177	177
Unearned insurance premiums and service revenue	506	—	506
Accrued expenses and other liabilities	297	1,498	1,795
Total liabilities	\$ 803	\$ 21,896	\$ 22,699

(a) Includes our U.K.-based operations and ABA Seguros.

(b) Includes our Canadian operations sold to Royal Bank of Canada and international entities being sold to GM Financial.

Recurring Fair Value

There were no assets or liabilities for our held-for-sale operations measured at fair value on a recurring basis as of September 30, 2013. The December 31, 2012 balances can be found on the Consolidated Financial Statements in our 2012 Annual Report. Refer to Note 22 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

3. Other Income, Net of Losses

Details of other income, net of losses, were as follows.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Late charges and other administrative fees	\$ 25	\$ 24	\$ 71	\$ 66
Fair value adjustment on derivatives (a)	21	(2)	31	(36)
Remarketing fees	20	15	59	47
Mortgage processing fees and other mortgage income	—	105	81	335
Other, net	27	27	82	111
Total other income, net of losses	\$ 93	\$ 169	\$ 324	\$ 523

(a) Refer to Note 20 for a description of derivative instruments and hedging activities.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

4. Other Operating Expenses

Details of other operating expenses were as follows.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Insurance commissions	\$ 93	\$ 93	\$ 278	\$ 286
Technology and communications	87	68	250	237
Professional services	38	43	140	113
Advertising and marketing	33	37	96	104
Lease and loan administration	29	89	141	200
Regulatory and licensing fees	25	30	87	94
Mortgage representation and warranty obligation, net (a)	22	30	103	171
Premises and equipment depreciation	20	20	61	56
Vehicle remarketing and repossession	15	11	42	39
Occupancy	12	12	34	38
Other	58	65	161	166
Total other operating expenses	\$ 432	\$ 498	\$ 1,393	\$ 1,504

(a) Refer to Note 26 for further details on representation and warranty obligation.

5. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, notes, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale securities were as follows:

(\$ in millions)	September 30, 2013				December 31, 2012			
	Amortized cost	Gross unrealized		Fair value	Amortized cost	Gross unrealized		Fair value
		gains	losses			gains	losses	
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 2,075	\$ 1	\$ (54)	\$ 2,022	\$ 2,212	\$ 3	\$ (1)	\$ 2,214
U.S. States and political subdivisions	178	1	—	179	—	—	—	—
Foreign government	299	4	(3)	300	295	8	—	303
Mortgage-backed residential (a)	11,444	78	(316)	11,206	6,779	130	(3)	6,906
Mortgage-backed commercial	20	—	—	20	—	—	—	—
Asset-backed	2,251	17	(3)	2,265	2,309	32	(1)	2,340
Corporate debt	1,047	20	(9)	1,058	1,209	57	(3)	1,263
Total debt securities	17,314	121	(385)	17,050	12,804	230	(8)	13,026
Equity securities	929	32	(44)	917	1,193	32	(73)	1,152
Total available-for-sale securities (b)	\$ 18,243	\$ 153	\$ (429)	\$ 17,967	\$ 13,997	\$ 262	\$ (81)	\$ 14,178

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$8,702 million and \$4,983 million at September 30, 2013, and December 31, 2012, respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$15 million and \$15 million at September 30, 2013, and December 31, 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

(\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
September 30, 2013										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 2,022	0.9%	\$ 588	0.1%	\$ 505	1.2%	\$ 929	1.3%	\$ —	—%
U.S. States and political subdivisions	179	3.4	—	—	—	—	86	2.6	93	4.2
Foreign government	300	3.5	5	6.1	111	3.8	179	3.3	5	4.1
Mortgage-backed residential	11,206	2.7	—	—	—	—	101	2.1	11,105	2.7
Mortgage-backed commercial	20	1.3	—	—	—	—	—	—	20	1.3
Asset-backed	2,265	1.9	—	—	1,580	1.9	540	1.9	145	2.5
Corporate debt	1,058	4.3	16	5.1	511	3.3	449	5.1	82	5.7
Total available-for-sale debt securities	\$ 17,050	2.5	\$ 609	0.2	\$ 2,707	2.1	\$ 2,284	2.4	\$ 11,450	2.7
Amortized cost of available-for-sale debt securities	\$ 17,314		\$ 609		\$ 2,694		\$ 2,323		\$ 11,688	
December 31, 2012										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 2,214	0.9%	\$ 422	—%	\$ 682	0.7%	\$ 1,110	1.4%	\$ —	—%
Foreign government	303	2.5	1	2.2	136	1.8	166	3.0	—	—
Mortgage-backed residential	6,906	2.7	—	—	—	—	35	4.3	6,871	2.7
Asset-backed	2,340	2.1	—	—	1,543	2.0	510	1.7	287	3.3
Corporate debt	1,263	5.1	9	3.2	560	4.0	596	6.0	98	5.8
Total available-for-sale debt securities	\$ 13,026	2.4	\$ 432	0.1	\$ 2,921	2.0	\$ 2,417	2.6	\$ 7,256	2.6
Amortized cost of available-for-sale debt securities	\$ 12,804		\$ 431		\$ 2,880		\$ 2,369		\$ 7,124	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

The balances of cash equivalents were \$3.2 billion and \$3.4 billion at September 30, 2013, and December 31, 2012, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Gross realized gains	\$ 59	\$ 52	\$ 196	\$ 217
Gross realized losses	(7)	(19)	(21)	(31)
Other-than-temporary impairment	(11)	(56)	(19)	(56)
Other gain (loss) on investments, net	\$ 41	\$ (23)	\$ 156	\$ 130

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents interest and dividends on available-for-sale securities.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Taxable interest	\$ 79	\$ 58	\$ 210	\$ 197
Taxable dividends	6	6	19	18
Interest and dividends on available-for-sale securities	\$ 85	\$ 64	\$ 229	\$ 215

Certain available-for-sale securities were sold at a loss in 2013 and 2012 as a result of market conditions. The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of September 30, 2013, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of September 30, 2013, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at September 30, 2013. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

(\$ in millions)	September 30, 2013				December 31, 2012			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	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	\$ 1,419	\$ (54)	\$ —	\$ —	\$ 244	\$ (1)	\$ —	\$ —
U.S. States and political subdivisions	32	—	—	—	—	—	—	—
Foreign government	113	(3)	—	—	11	—	—	—
Mortgage-backed	6,688	(316)	3	—	493	(2)	23	(1)
Asset-backed	438	(3)	1	—	143	(1)	1	—
Corporate debt	316	(9)	—	—	120	(2)	15	(1)
Total temporarily impaired debt securities	9,006	(385)	4	—	1,011	(6)	39	(2)
Temporarily impaired equity securities	380	(29)	90	(15)	380	(39)	218	(34)
Total temporarily impaired available-for-sale securities	\$ 9,386	\$ (414)	\$ 94	\$ (15)	\$ 1,391	\$ (45)	\$ 257	\$ (36)

6. Loans Held-for-Sale, Net

The composition of loans held-for-sale, net, was as follows.

(\$ in millions)	September 30, 2013	December 31, 2012
Consumer mortgage		
1st Mortgage (fair value elected)	\$ 63	\$ 2,490
Total consumer mortgage	63	2,490
Commercial and industrial		
Other	19	86
Total loans held-for-sale (a)	\$ 82	\$ 2,576

(a) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized discounts of \$56 million at September 30, 2013, and net unamortized premiums of \$26 million at December 31, 2012.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table summarizes held-for-sale mortgage loans reported at carrying value by higher-risk loan type.

(\$ in millions)	September 30, 2013	December 31, 2012
High original loan-to-value (greater than 100%) mortgage loans	\$ 1	\$ 378
Interest-only mortgage loans	1	10
Total higher-risk mortgage loans held-for-sale	\$ 2	\$ 388

7. Finance Receivables and Loans, Net

The composition of finance receivables and loans, net, reported at carrying value before allowance for loan losses was as follows.

(\$ in millions)	September 30, 2013	December 31, 2012
Consumer automobile (a)	\$ 56,450	\$ 53,715
Consumer mortgage		
1st Mortgage	6,343	7,173
Home equity	2,429	2,648
Total consumer mortgage	8,772	9,821
Commercial		
Commercial and industrial		
Automobile	25,691	30,270
Mortgage	—	—
Other	1,607	2,697
Commercial real estate		
Automobile	2,761	2,552
Mortgage	—	—
Total commercial	30,059	35,519
Total finance receivables and loans (b) (c)	\$ 95,281	\$ 99,055

- (a) Includes \$3 million of fair value adjustment for loans in hedge accounting relationships at September 30, 2013. Refer to Note 20 for additional information.
- (b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$695 million and \$895 million at September 30, 2013, and December 31, 2012, respectively.
- (c) Includes no international loans at September 30, 2013. Includes \$2 million of international consumer automobile loans and \$18 million of international commercial other loans at December 31, 2012.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

Three months ended September 30, 2013 (<i>\$ in millions</i>)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at July 1, 2013	\$ 610	\$ 431	\$ 142	\$ 1,183
Charge-offs	(168)	(16)	—	(184)
Recoveries	53	5	—	58
Net charge-offs	(115)	(11)	—	(126)
Provision for loan losses	156	(12)	(3)	141
Other	—	(1)	1	—
Allowance at September 30, 2013	\$ 651	\$ 407	\$ 140	\$ 1,198

Three months ended September 30, 2012 (<i>\$ in millions</i>)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at July 1, 2012	\$ 778	\$ 472	\$ 177	\$ 1,427
Charge-offs (a)	(158)	(33)	(3)	(194)
Recoveries (b)	62	2	5	69
Net charge-offs	(96)	(31)	2	(125)
Provision for loan losses	99	6	—	105
Other (c)	22	—	(6)	16
Allowance at September 30, 2012	\$ 803	\$ 447	\$ 173	\$ 1,423

(a) Includes international consumer automobile charge-offs of \$47 million.

(b) Includes international consumer automobile and international commercial recoveries of \$21 million and \$4 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of \$11 million.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, 2013 (\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	\$ 575	\$ 452	\$ 143	\$ 1,170
Charge-offs (a)	(443)	(71)	(3)	(517)
Recoveries	155	13	6	174
Net charge-offs	(288)	(58)	3	(343)
Provision for loan losses	355	14	(8)	361
Other	9	(1)	2	10
Allowance at September 30, 2013	\$ 651	\$ 407	\$ 140	\$ 1,198
Allowance for loan losses				
Individually evaluated for impairment	\$ 22	\$ 199	\$ 28	\$ 249
Collectively evaluated for impairment	629	208	112	949
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost				
Ending balance	56,450	8,772	30,059	95,281
Individually evaluated for impairment	269	916	251	1,436
Collectively evaluated for impairment	56,170	7,856	29,808	93,834
Loans acquired with deteriorated credit quality	11	—	—	11

(a) Includes international commercial charge-offs of \$1 million.

Nine months ended September 30, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 221	\$ 1,503
Charge-offs (a)	(424)	(119)	(8)	(551)
Recoveries (b)	184	8	39	231
Net charge-offs	(240)	(111)	31	(320)
Provision for loan losses	200	54	(18)	236
Other (c)	77	(12)	(61)	4
Allowance at September 30, 2012	\$ 803	\$ 447	\$ 173	\$ 1,423
Allowance for loan losses				
Individually evaluated for impairment	\$ 10	\$ 172	\$ 38	\$ 220
Collectively evaluated for impairment	789	275	135	1,199
Loans acquired with deteriorated credit quality	4	—	—	4
Finance receivables and loans at historical cost				
Ending balance	70,847	9,787	40,625	121,259
Individually evaluated for impairment	97	738	1,662	2,497
Collectively evaluated for impairment	70,710	9,049	38,963	118,722
Loans acquired with deteriorated credit quality	40	—	—	40

(a) Includes international consumer automobile and international commercial charge-offs of \$128 million and \$2 million, respectively.

(b) Includes international consumer automobile and international commercial recoveries of \$55 million and \$29 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of \$49 million.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents information about significant sales of finance receivables and loans recorded at historical cost and transfers of finance receivables and loans from held-for-investment to held-for-sale.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Consumer automobile	\$ —	\$ —	\$ —	\$ 1,960
Consumer mortgage	—	—	—	40
Commercial	2	10	47	10
Total sales and transfers	\$ 2	\$ 10	\$ 47	\$ 2,010

The following table presents an analysis of our past due finance receivables and loans, net, recorded at historical cost reported at carrying value before allowance for loan losses.

(\$ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
September 30, 2013						
Consumer automobile	\$ 1,024	\$ 231	\$ 153	\$ 1,408	\$ 55,042	\$ 56,450
Consumer mortgage						
1st Mortgage	64	22	123	209	6,134	6,343
Home equity	17	5	12	34	2,395	2,429
Total consumer mortgage	81	27	135	243	8,529	8,772
Commercial						
Commercial and industrial						
Automobile	14	11	15	40	25,651	25,691
Mortgage	—	—	—	—	—	—
Other	—	—	—	—	1,607	1,607
Commercial real estate						
Automobile	—	7	7	14	2,747	2,761
Mortgage	—	—	—	—	—	—
Total commercial	14	18	22	54	30,005	30,059
Total consumer and commercial	\$ 1,119	\$ 276	\$ 310	\$ 1,705	\$ 93,576	\$ 95,281
December 31, 2012						
Consumer automobile	\$ 920	\$ 213	\$ 138	\$ 1,271	\$ 52,444	\$ 53,715
Consumer mortgage						
1st Mortgage	66	37	156	259	6,914	7,173
Home equity	15	6	18	39	2,609	2,648
Total consumer mortgage	81	43	174	298	9,523	9,821
Commercial						
Commercial and industrial						
Automobile	—	—	16	16	30,254	30,270
Mortgage	—	—	—	—	—	—
Other	—	—	1	1	2,696	2,697
Commercial real estate						
Automobile	—	—	8	8	2,544	2,552
Mortgage	—	—	—	—	—	—
Total commercial	—	—	25	25	35,494	35,519
Total consumer and commercial	\$ 1,001	\$ 256	\$ 337	\$ 1,594	\$ 97,461	\$ 99,055

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents the carrying value before allowance for loan losses of our finance receivables and loans recorded at historical cost on nonaccrual status.

(\$ in millions)	September 30, 2013	December 31, 2012
Consumer automobile	\$ 306	\$ 260
Consumer mortgage		
1st Mortgage	197	342
Home equity	29	40
Total consumer mortgage	226	382
Commercial		
Commercial and industrial		
Automobile	140	146
Mortgage	—	—
Other	84	33
Commercial real estate		
Automobile	27	37
Mortgage	—	—
Total commercial	251	216
Total consumer and commercial finance receivables and loans	\$ 783	\$ 858

Management performs a quarterly analysis of the consumer automobile, consumer mortgage, and commercial portfolios using a range of credit quality indicators to assess the adequacy of the allowance based on historical and current trends. The tables below present the population of loans by quality indicators for our consumer automobile, consumer mortgage, and commercial portfolios.

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information.

(\$ in millions)	September 30, 2013			December 31, 2012		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	\$ 56,144	\$ 306	\$ 56,450	\$ 53,455	\$ 260	\$ 53,715
Consumer mortgage						
1st Mortgage	6,146	197	6,343	6,831	342	7,173
Home equity	2,400	29	2,429	2,608	40	2,648
Total consumer mortgage	\$ 8,546	\$ 226	\$ 8,772	\$ 9,439	\$ 382	\$ 9,821

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

(\$ in millions)	September 30, 2013			December 31, 2012		
	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	\$ 24,446	\$ 1,245	\$ 25,691	\$ 28,978	\$ 1,292	\$ 30,270
Mortgage	—	—	—	—	—	—
Other	1,312	295	1,607	2,417	280	2,697
Commercial real estate						
Automobile	2,676	85	2,761	2,440	112	2,552
Mortgage	—	—	—	—	—	—
Total commercial	\$ 28,434	\$ 1,625	\$ 30,059	\$ 33,835	\$ 1,684	\$ 35,519

(a) Includes loans classified as special mention, substandard, or doubtful. These classifications are based on regulatory definitions and generally represent loans within our portfolio that have a higher default risk or have already defaulted.

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents information about our impaired finance receivables and loans recorded at historical cost.

<i>(\$ in millions)</i>	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
September 30, 2013					
Consumer automobile	\$ 269	\$ 269	\$ —	\$ 269	\$ 22
Consumer mortgage					
1st Mortgage	779	772	124	648	145
Home equity	143	144	1	143	54
Total consumer mortgage	922	916	125	791	199
Commercial					
Commercial and industrial					
Automobile	140	140	49	91	15
Mortgage	—	—	—	—	—
Other	84	84	10	74	11
Commercial real estate					
Automobile	27	27	6	21	2
Mortgage	—	—	—	—	—
Total commercial	251	251	65	186	28
Total consumer and commercial finance receivables and loans	\$ 1,442	\$ 1,436	\$ 190	\$ 1,246	\$ 249
December 31, 2012					
Consumer automobile	\$ 260	\$ 260	\$ 90	\$ 170	\$ 16
Consumer mortgage					
1st Mortgage	811	725	123	602	137
Home equity	147	148	1	147	49
Total consumer mortgage	958	873	124	749	186
Commercial					
Commercial and industrial					
Automobile	146	146	54	92	7
Mortgage	—	—	—	—	—
Other	33	33	9	24	7
Commercial real estate					
Automobile	37	37	9	28	12
Mortgage	—	—	—	—	—
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	\$ 1,434	\$ 1,349	\$ 286	\$ 1,063	\$ 228

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following tables present average balance and interest income for our impaired finance receivables and loans.

Three months ended September 30, (\$ in millions)	2013		2012	
	Average balance	Interest income	Average balance	Interest income
Consumer automobile	\$ 275	\$ 5	\$ 97	\$ 2
Consumer mortgage				
1st Mortgage	778	6	628	10
Home equity	146	1	91	1
Total consumer mortgage	924	7	719	11
Commercial				
Commercial and industrial				
Automobile	163	2	229	4
Mortgage	—	—	—	—
Other	84	—	37	—
Commercial real estate				
Automobile	29	—	51	1
Mortgage	—	—	—	—
Total commercial	276	2	317	5
Total consumer and commercial finance receivables and loans	\$ 1,475	\$ 14	\$ 1,133	\$ 18

Nine months ended September 30, (\$ in millions)	2013		2012	
	Average balance	Interest income	Average balance	Interest income
Consumer automobile	\$ 274	\$ 14	\$ 91	\$ 7
Consumer mortgage				
1st Mortgage	764	18	574	21
Home equity	141	4	95	3
Total consumer mortgage	905	22	669	24
Commercial				
Commercial and industrial				
Automobile	160	5	212	9
Mortgage	—	—	6	—
Other	69	1	32	5
Commercial real estate				
Automobile	33	1	57	2
Mortgage	—	—	7	—
Total commercial	262	7	314	16
Total consumer and commercial finance receivables and loans	\$ 1,441	\$ 43	\$ 1,074	\$ 47

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we 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 historical cost and reported at carrying value before allowance for loan losses were \$1.3 billion and \$1.2 billion at September 30, 2013, and December 31, 2012, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents information related to finance receivables and loans recorded at historical cost modified in connection with a TDR during the period.

Three months ended September 30, (\$ in millions)	2013 (a)			2012		
	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	4,610	\$ 69	\$ 57	1,207	\$ 14	\$ 14
Consumer mortgage						
1st Mortgage	88	31	31	218	74	59
Home equity	33	2	1	85	5	5
Total consumer mortgage	121	33	32	303	79	64
Commercial						
Commercial and industrial						
Automobile	2	5	5	3	7	7
Mortgage	—	—	—	—	—	—
Other	1	27	27	—	—	—
Commercial real estate						
Automobile	1	7	7	1	2	2
Mortgage	—	—	—	—	—	—
Total commercial	4	39	39	4	9	9
Total consumer and commercial finance receivables and loans	4,735	\$ 141	\$ 128	1,514	\$ 102	\$ 87

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

Nine months ended September 30, (\$ in millions)	2013 (a)			2012		
	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	14,309	\$ 216	\$ 182	5,979	\$ 72	\$ 72
Consumer mortgage						
1st Mortgage	706	238	196	1,140	333	247
Home equity	147	8	7	312	18	17
Total consumer mortgage	853	246	203	1,452	351	264
Commercial						
Commercial and industrial						
Automobile	8	37	37	9	15	15
Mortgage	—	—	—	—	—	—
Other	4	80	78	—	—	—
Commercial real estate						
Automobile	5	20	20	5	11	10
Mortgage	—	—	—	—	—	—
Total commercial	17	137	135	14	26	25
Total consumer and commercial finance receivables and loans	15,179	\$ 599	\$ 520	7,445	\$ 449	\$ 361

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information) except for commercial finance receivables and loans where redefault is defined as 90 days past due.

Three months ended September 30, (\$ in millions)	2013 (a)			2012		
	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	1,562	\$ 19	\$ 9	145	\$ 2	\$ —
Consumer mortgage						
1st Mortgage	4	2	—	5	1	—
Home equity	—	—	—	12	1	1
Total consumer mortgage	4	2	—	17	2	1
Commercial						
Commercial and industrial						
Automobile	—	—	—	—	—	—
Commercial real estate						
Automobile	—	—	—	—	—	—
Total commercial	—	—	—	—	—	—
Total consumer and commercial finance receivables and loans	1,566	\$ 21	\$ 9	162	\$ 4	\$ 1

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

Nine months ended September 30, (\$ in millions)	2013 (a)			2012		
	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	4,309	\$ 53	\$ 26	514	\$ 5	\$ 2
Consumer mortgage						
1st Mortgage	14	4	—	17	4	1
Home equity	2	—	—	25	2	2
Total consumer mortgage	16	4	—	42	6	3
Commercial						
Commercial and industrial						
Automobile	—	—	—	4	3	—
Commercial real estate						
Automobile	—	—	—	1	2	—
Total commercial	—	—	—	5	5	—
Total consumer and commercial finance receivables and loans	4,325	\$ 57	\$ 26	561	\$ 16	\$ 5

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

At both September 30, 2013, and December 31, 2012, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a TDR were \$25 million.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Higher-Risk Mortgage Concentration Risk

The following table summarizes held-for-investment mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses by higher-risk loan type.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Interest-only mortgage loans (a)	\$ 1,600	\$ 2,063
Below-market rate (teaser) mortgages	168	192
Total higher-risk mortgage finance receivables and loans	\$ 1,768	\$ 2,255

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Vehicles and other equipment	\$ 20,510	\$ 16,009
Accumulated depreciation	(3,256)	(2,459)
Investment in operating leases, net	\$ 17,254	\$ 13,550

Depreciation expense on operating lease assets includes remarketing gains and losses recognized on the sale of operating lease assets. The following summarizes the components of depreciation expense on operating lease assets.

<i>(\$ in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 610	\$ 400	\$ 1,699	\$ 1,087
Remarketing gains, net	(95)	(34)	(250)	(81)
Depreciation expense on operating lease assets	\$ 515	\$ 366	\$ 1,449	\$ 1,006

9. Securitizations and Variable Interest Entities

Overview

We are involved in several types of securitization and financing transactions that utilize special-purpose entities (SPEs). An 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 SPEs involved in our securitization and other financing transactions are generally considered variable interest entities (VIEs). VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities.

Due to the deconsolidation of ResCap, our mortgage securitization activity and involvement with certain mortgage-related VIEs has substantially decreased. Refer to Note 1 for additional information related to ResCap. We no longer securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Government National Mortgage Association (Ginnie Mae), or through private-label mortgage securitizations. Accordingly, the discussion below represents our current involvement with variable interest entities as of September 30, 2013, except where otherwise stated or where comparative information is presented.

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, and commercial loans to a diverse customer base. We often securitize these loans (also referred to as financial assets) and leases through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations.

In executing a securitization transaction, we typically sell pools of leases and financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the leases and financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates, which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred leases and loans and entitle the investors to specified cash flows generated from

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

the underlying securitized assets. In addition to providing a source of liquidity and cost-efficient funding, securitizing these leases and financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, general collection activity on current and noncurrent accounts, loss mitigation efforts including repossession and sale of collateral, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and master servicing (i.e., servicing the beneficial interests that result from the securitization transactions).

In private-label securitizations, cash flows from the assets initially transferred into the securitization entity represent the sole source for payment of distributions on the beneficial interests issued by the securitization entity and for payments to the parties that perform services for the securitization entity, such as the servicer or the trustee. In certain securitization transactions, a liquidity facility may exist to provide temporary liquidity to the entity. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods.

We typically hold retained beneficial interests in our securitizations, which may represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals; and other residual interests. Certain of these retained interests provide credit enhancement to the trust as they may absorb credit losses or other cash shortfalls. Additionally, the securitization agreements may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven.

We generally hold certain conditional repurchase options specific to securitizations that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control occur. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have discretion regarding when or if we will exercise these options, but we would do so only when it is in our best interest.

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 26 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the nine months ended September 30, 2013 or 2012.

Consolidation of Variable Interest Entities

The determination of whether the assets and liabilities of the VIEs are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the VIE. We are deemed the primary beneficiary and therefore consolidate VIEs for which we have both (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

We are generally determined to be the primary beneficiary in VIEs established for our securitization activities when we have a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant beneficial interest in the VIE. The consolidated VIEs included in the Condensed Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 22 for discussion of the assets and liabilities for which the fair value option has been elected.

The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. We are generally not determined to be the primary beneficiary in VIEs established for our securitization activities when we either do not hold potentially significant variable interests or

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet appropriate sale accounting conditions. For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The pretax gains recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities for consumer mortgage - GSEs were \$0 and \$112 million for the three months and nine months ended September 30, 2013, respectively compared to \$19 million and \$71 million for the same periods in 2012, respectively. There were no pretax gains recognized for consumer automobile for the three months and nine months ended September 30, 2013, respectively compared to \$0 and \$6 million for the same periods in 2012, respectively.

We have involvement with various other on-balance sheet, immaterial VIEs. Most of these VIEs are used for additional liquidity whereby we sell certain financial assets into the VIE and issue beneficial interests to third parties for cash. We also provide long-term guarantee contracts to investors in certain nonconsolidated affordable housing entities and have extended a line of credit to provide liquidity and minimize our exposure under these contracts. Since we do not have control over the entities or the power to make decisions, we do not consolidate the entities and our involvement is limited to the guarantee and the line of credit.

Our involvement with consolidated and nonconsolidated VIEs in which we hold variable interests is presented below.

<i>(\$ in millions)</i>	Consolidated involvement with VIEs (a)	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs
September 30, 2013			
On-balance sheet variable interest entities			
Consumer automobile	\$ 19,144		
Commercial automobile	15,157		
Commercial other	812		
Off-balance sheet variable interest entities			
Consumer automobile	—	\$ 1,031	\$ 1,031 (b)
Commercial other	(26) (c)	— (d)	58
Total	\$ 35,087	\$ 1,031	\$ 1,089
December 31, 2012			
On-balance sheet variable interest entities			
Consumer automobile	\$ 28,566		
Commercial automobile	23,139		
Commercial other	728		
Off-balance sheet variable interest entities			
Consumer automobile	—	\$ 1,495	\$ 1,495 (b)
Consumer mortgage — other	—	— (d)	12 (e)
Commercial other	(28) (c)	— (d)	85
Total	\$ 52,405	\$ 1,495	\$ 1,592

- (a) Asset values represent the current unpaid principal balance of outstanding consumer and commercial finance receivables, loans, and leases within the VIEs.
- (b) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans is worthless. This required disclosure is not an indication of our expected loss.
- (c) Amounts classified as accrued expenses and other liabilities.
- (d) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE.
- (e) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Cash Flows with Off-balance Sheet Variable Interest Entities

The following table summarizes cash flows received and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the nine months ended September 30, 2013 and 2012. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Nine months ended September 30, (\$ in millions)	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
2013			
Cash proceeds from transfers completed during the period	\$ —	\$ 8,676	\$ —
Servicing fees	10	68	—
Representations and warranties obligations	—	(65)	—
Other cash flows	—	70	—
2012			
Cash proceeds from transfers completed during the period	\$ 1,978	\$ 23,779	\$ 5
Cash flows received on retained interests in securitization entities	—	—	71
Servicing fees	8	560	63
Purchases of previously transferred financial assets	—	(876)	(12)
Representations and warranties obligations	—	(105)	(7)
Other cash flows	—	(91)	255

Delinquencies and Net Credit Losses

The following tables represent on-balance sheet loans held-for-sale and finance receivables and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The tables presents quantitative information about delinquencies and net credit losses. Refer to Note 10 for further detail on total serviced assets.

(\$ in millions)	Total Amount		Amount 60 days or more past due	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
On-balance sheet loans				
Consumer automobile	\$ 56,450	\$ 53,715	\$ 384	\$ 351
Consumer mortgage	8,835	12,311	188	241
Commercial automobile	28,452	32,822	40	24
Commercial mortgage	—	—	—	—
Commercial other	1,626	2,783	—	1
Total on-balance sheet loans	95,363	101,631	612	617
Off-balance sheet securitization entities				
Consumer automobile	1,031	1,495	3	4
Consumer mortgage - GSEs (a)	—	119,384	—	1,892
Total off-balance sheet securitization entities	1,031	120,879	3	1,896
Whole-loan transactions (b)	3,589	6,756	82	129
Total	\$ 99,983	\$ 229,266	\$ 697	\$ 2,642

(a) Decrease due to the sales of agency MSR. Refer to Note 10 for additional information.

(b) Whole-loan transactions are not part of a securitization transaction, but represent consumer automobile and consumer mortgage pools of loans sold to third-party investors.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

(\$ in millions)	Net credit losses			
	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
On-balance sheet loans				
Consumer automobile	\$ 115	\$ 96	\$ 288	\$ 240
Consumer mortgage	11	2	58	12
Commercial automobile	—	2	—	1
Commercial mortgage	—	—	—	(1)
Commercial other	—	(4)	(3)	(31)
Total on-balance sheet loans	126	96	343	221
Off-balance sheet securitization entities				
Consumer automobile	1	1	3	1
Consumer mortgage - GSEs (a)	—	n/m	—	n/m
Total off-balance sheet securitization entities	1	1	3	1
Whole-loan transactions	3	1	8	11
Total	\$ 130	\$ 98	\$ 354	\$ 233

n/m = not meaningful

(a) Anticipated credit losses are not meaningful due to the GSE guarantees.

10. Servicing Activities**Mortgage Servicing Rights**

The following table summarizes past activity related to MSR, which were carried at fair value. Management estimated fair value using our transaction data and other market data or, in periods when there were limited MSR market transactions that were directly observable, internally developed discounted cash flow models (an income approach) were used to estimate the fair value. These internal valuation models estimated net cash flows based on internal operating assumptions that we believed would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believed approximate yields required by investors in this asset.

Three months ended September 30, (\$ in millions)	2013	2012
Estimated fair value at July 1,	\$ —	\$ 1,105
Additions	—	50
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	—	(192)
Other changes in fair value	—	(61)
Estimated fair value at September 30,	\$ —	\$ 902

Nine months ended September 30, (\$ in millions)	2013	2012 (a)
Estimated fair value at January 1,	\$ 952	\$ 2,519
Additions	60	167
Sales (b)	(911)	—
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(32)	(330)
Other changes in fair value	(69)	(324)
Deconsolidation of ResCap	—	(1,130)
Estimated fair value at September 30,	\$ —	\$ 902

(a) Includes activities of our discontinued operations.

(b) Includes the sales of agency MSR to Ocwen and Quicken Loans, Inc. (Quicken) on April 1, 2013 and April 16, 2013.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model included all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily included the accretion of the present value of the

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

discount related to forecasted cash flows and the economic runoff of the portfolio. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information regarding our significant assumptions and valuation techniques used in the valuation of mortgage servicing rights.

Risk Mitigation Activities

The primary risk of servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSR's. We previously economically hedged the impact of these risks with both derivative and nonderivative financial instruments. Refer to Note 20 for additional information regarding the derivative financial instruments used to economically hedge MSR's.

The components of servicing valuation and hedge activities, net, were as follows.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Change in estimated fair value of mortgage servicing rights	\$ —	\$ (253)	\$ (101)	\$ (538)
Change in fair value of derivative financial instruments	—	387	(112)	612
Servicing asset valuation and hedge activities, net	\$ —	\$ 134	\$ (213)	\$ 74

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Contractual servicing fees, net of guarantee fees and including subservicing	\$ —	\$ 59	\$ 61	\$ 223
Late fees	—	3	1	8
Ancillary fees	—	3	4	9
Total mortgage servicing fees	\$ —	\$ 65	\$ 66	\$ 240

Mortgage Servicing Advances

Historically, we serviced loans sold to third-party investors. The majority of Ally Bank's on-balance sheet mortgage loans are subserviced by Ocwen, pursuant to a servicing agreement. In connection with the servicing of our on-balance sheet mortgage loans, we make certain payments for property taxes and insurance premiums, and default and property maintenance payments before collecting them from individual borrowers. Servicing advances are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled \$11 million and \$82 million at September 30, 2013 and December 31, 2012, respectively. We maintained an allowance for uncollected primary servicing advances of \$0 and \$1 million at September 30, 2013 and December 31, 2012, respectively. Our potential obligation is influenced by the loan's performance and credit quality.

Mortgage Serviced Assets

Total serviced mortgage assets consist of primary servicing activities. These include loans owned by Ally Bank, where Ally Bank is the primary servicer, and included loans sold to third-party investors, where Ally Bank had retained primary servicing. Loans owned by Ally Bank are categorized as loans held-for-sale or finance receivables and loans, which are discussed in further detail in Note 6 and Note 7, respectively. The loans sold to third-party investors were sold through off-balance sheet GSE securitization transactions.

The unpaid principal balance of our serviced mortgage assets were as follows.

(\$ in millions)	September 30, 2013	December 31, 2012
On-balance sheet mortgage loans		
Held-for-sale and investment	\$ 7,798	\$ 10,938
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
GSEs	—	119,384
Whole-loan	—	2
Total primary serviced mortgage loans	\$ 7,798	\$ 130,324

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of \$13 million and \$48 million during the three months and nine months ended September 30, 2013, respectively, compared to \$26 million and \$86 million for the three months and nine months ended September 30, 2012, respectively.

Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
On-balance sheet automobile finance loans and leases		
Consumer automobile	\$ 56,450	\$ 53,715
Commercial automobile	28,452	32,822
Operating leases	17,254	13,550
Operations held-for-sale	4,308	25,979
Other	52	41
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	1,017	1,474
Whole-loan	3,466	6,541
Other (a)	5,437	—
Total serviced automobile finance loans and leases	\$ 116,436	\$ 134,122

(a) Consists of serviced assets sold in conjunction with the divestiture of our Canadian automotive finance operations.

11. Other Assets

The components of other assets were as follows.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Property and equipment at cost	\$ 691	\$ 693
Accumulated depreciation	(459)	(411)
Net property and equipment	232	282
Deferred tax assets	1,985	1,190
Restricted cash collections for securitization trusts (a)	1,292	2,983
Other accounts receivable	636	525
Cash reserve deposits held-for-securitization trusts (b)	400	442
Unamortized debt issuance costs	349	425
Fair value of derivative contracts in receivable position	300	2,298
Collateral placed with counterparties	222	1,290
Restricted cash and cash equivalents	212	889
Nonmarketable equity securities	184	303
Other assets	1,247	1,281
Total other assets	\$ 7,059	\$ 11,908

(a) Represents cash collections from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.

(b) Represents credit enhancement in the form of cash reserves for various securitization transactions.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

12. Deposit Liabilities

Deposit liabilities consisted of the following.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Deposits		
Noninterest-bearing deposits	\$ 66	\$ 1,977
Interest-bearing deposits		
Savings and money market checking accounts	19,648	13,871
Certificates of deposit	31,767	31,084
Dealer deposits	550	983
Total deposit liabilities	\$ 52,031	\$ 47,915

Historically, noninterest-bearing deposits primarily represented third-party escrows associated with our mortgage loan-servicing portfolio. See Note 10 for further detail relating to our MSR sales. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At September 30, 2013, and December 31, 2012, certificates of deposit included \$12.9 billion and \$12.0 billion, respectively, of certificates of deposit in denominations of \$100 thousand or more.

13. Short-term Borrowings

The following table presents the composition of our short-term borrowings portfolio.

<i>(\$ in millions)</i>	September 30, 2013			December 31, 2012		
	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	\$ 3,199	\$ —	\$ 3,199	\$ 3,094	\$ —	\$ 3,094
Bank loans and overdrafts	—	—	—	167	—	167
Federal Home Loan Bank	—	1,750	1,750	—	3,800	3,800
Securities sold under agreements to repurchase	—	566	566	—	—	—
Other (b)	—	500	500	—	400	400
Total short-term borrowings	\$ 3,199	\$ 2,816	\$ 6,015	\$ 3,261	\$ 4,200	\$ 7,461

(a) Refer to Note 14 for further details on assets restricted as collateral for payment of the related debt.

(b) Other relates to secured borrowings at our Commercial Finance Group at September 30, 2013 and December 31, 2012.

14. Long-term Debt

The following tables present the composition of our long-term debt portfolio.

<i>(\$ in millions)</i>	September 30, 2013			December 31, 2012		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	\$ 4,445	\$ 10,586	\$ 15,031	\$ 1,070	\$ 11,503	\$ 12,573
Due after one year (a)	24,291	20,784	45,075	31,486	29,408	60,894
Fair value adjustment	595	—	595	1,094	—	1,094
Total long-term debt	\$ 29,331	\$ 31,370	\$ 60,701	\$ 33,650	\$ 40,911	\$ 74,561

(a) Includes \$2.6 billion and \$2.6 billion of trust preferred securities at both September 30, 2013 and December 31, 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents the scheduled remaining maturity of long-term debt, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, (\$ in millions)	2013	2014	2015	2016	2017	2018 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	\$ 869	\$ 5,540	\$ 5,129	\$ 2,311	\$ 2,633	\$ 13,910	\$ 595	\$ 30,987
Original issue discount	(71)	(189)	(57)	(64)	(77)	(1,198)	—	(1,656)
Total unsecured	798	5,351	5,072	2,247	2,556	12,712	595	29,331
Secured								
Long-term debt	1,808	11,534	8,831	4,983	3,012	1,202	—	31,370
Total long-term debt	\$ 2,606	\$ 16,885	\$ 13,903	\$ 7,230	\$ 5,568	\$ 13,914	\$ 595	\$ 60,701

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.

(\$ in millions)	September 30, 2013		December 31, 2012	
	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities	\$ 290	\$ 290	\$ 1,911	\$ 1,911
Mortgage finance receivables and loans	8,852	8,852	9,866	9,866
Consumer automobile finance receivables	21,940	11,583	29,557	14,833
Commercial automobile finance receivables	17,474	17,474	19,606	19,606
Investment in operating leases, net	6,573	3,522	6,058	1,691
Other assets	943	155	999	272
Total assets restricted as collateral (b)	\$ 56,072	\$ 41,876	\$ 67,997	\$ 48,179
Secured debt (c)	\$ 34,186	\$ 22,609	\$ 45,111	\$ 29,162

(a) Ally Bank is a component of the total column.

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling \$11.7 billion and \$12.6 billion at September 30, 2013, and December 31, 2012, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling \$3.2 billion and \$1.9 billion at September 30, 2013, and December 31, 2012, respectively. These assets were composed of consumer automobile finance receivables and loans, net and investment securities. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes \$2.8 billion and \$4.2 billion of short-term borrowings at September 30, 2013, and December 31, 2012, respectively.

Trust Preferred Securities

On December 30, 2009, we entered into a Securities Purchase and Exchange Agreement with U.S. Department of Treasury (Treasury) and GMAC Capital Trust I, a Delaware statutory trust (the Trust), which is a finance subsidiary that is wholly owned by Ally. As part of the agreement, the Trust sold to Treasury 2,540,000 trust preferred securities (TRUPS) issued by the Trust with an aggregate liquidation preference of \$2.5 billion. Additionally, we issued and sold to Treasury a ten-year warrant to purchase up to 127,000 additional TRUPS with an aggregate liquidation preference of \$127 million, at an initial exercise price of \$0.01 per security, which Treasury immediately exercised in full.

On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series (Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Each Series 2 TRUPS security has a liquidation amount of \$25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate of 8.125% payable quarterly in arrears, beginning August 15, 2011, to but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal,

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Covenants and Other Requirements

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, and commercial payment rates. During the nine months ended September 30, 2013, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

From time to time, we may issue debt securities in private offerings, and we may be subject to registration rights agreements related to these issuances. Under these agreements, we generally agree to use reasonable efforts to cause the consummation of a registered exchange offer or to file a shelf registration statement within a prescribed period. If we failed to meet any such obligation, we may be required to pay additional penalty interest with respect to the covered debt during the period in which we fail to meet our contractual obligations.

Funding Facilities

We utilize both committed and other credit facilities. The amounts outstanding under our various funding facilities are included on our Condensed Consolidated Balance Sheet.

As of September 30, 2013, Ally Bank had exclusive access to \$3.5 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 committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At September 30, 2013, \$24.2 billion of our \$27.6 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, 2013, we had \$14.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

(\$ in billions)	Outstanding		Unused Capacity (a)		Total Capacity	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Bank funding						
Secured	\$ 1.7	\$ 3.8	\$ 1.8	\$ 4.7	\$ 3.5	\$ 8.5
Parent funding						
Unsecured (b)	—	0.1	—	—	—	0.1
Secured (c) (d) (e)	9.9	22.5	14.2	7.8	24.1	30.3
Total Parent funding	9.9	22.6	14.2	7.8	24.1	30.4
Shared capacity (f) (g)	—	1.1	—	3.0	—	4.1
Total committed facilities	\$ 11.6	\$ 27.5	\$ 16.0	\$ 15.5	\$ 27.6	\$ 43.0

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

(b) Total unsecured parent funding capacity represents committed funding for our discontinued international automobile financing business.

(c) Total secured parent funding capacity includes committed funding for our discontinued international automobile financing business of \$2.8 billion and \$12.0 billion as of September 30, 2013 and December 31, 2012, respectively, with outstanding debt of \$2.2 billion and \$9.6 billion, respectively.

(d) Total unused capacity includes \$0.8 billion and \$2.2 billion as of September 30, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(e) Includes the secured facilities of our Commercial Finance Group.

(f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

(g) Total shared facilities includes committed funding for our discontinued international automobile financing business of \$0.1 billion as of December 31, 2012, with outstanding debt of \$0.1 billion.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Other Funding Facilities

(\$ in billions)	Outstanding		Unused Capacity		Total Capacity	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Bank funding						
Secured						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.9	\$ 1.8	\$ 1.9	\$ 1.8
FHLB advances	2.8	4.8	2.9	0.4	5.7	5.2
Total bank funding	2.8	4.8	4.8	2.2	7.6	7.0
Parent funding						
Unsecured	1.3	2.1	—	0.4	1.3	2.5
Secured	—	0.1	—	0.1	—	0.2
Total parent funding (a)	1.3	2.2	—	0.5	1.3	2.7
Total other facilities	\$ 4.1	\$ 7.0	\$ 4.8	\$ 2.7	\$ 8.9	\$ 9.7

(a) Total parent funding capacity represents funding for our discontinued international automobile financing business.

15. Accrued Expenses and Other Liabilities

The components of accrued expenses and other liabilities were as follows.

(\$ in millions)	September 30, 2013	December 31, 2012
Accrual related to ResCap Settlement (a)	\$ 1,950	\$ 750
Accounts payable	513	565
Employee compensation and benefits	462	494
Reserves for insurance losses and loss adjustment expenses	299	341
Fair value of derivative contracts in payable position	228	2,468
Collateral received from counterparties	125	941
Other liabilities (b)	1,259	1,026
Total accrued expenses and other liabilities	\$ 4,836	\$ 6,585

(a) Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this accrual.

(b) Includes \$150 million and \$0 accrual for insurance proceeds to be contributed to the ResCap estate at September 30, 2013 and December 31, 2012, respectively. Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this accrual.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

16. Equity

The following table summarizes information about our Series F-2, Series A, and Series G preferred stock.

	September 30, 2013	December 31, 2012
Mandatorily convertible preferred stock held by U.S. Department of Treasury		
Series F-2 preferred stock (a)		
Carrying value (\$ in millions)	\$ 5,685	\$ 5,685
Par value (per share)	0.01	0.01
Liquidation preference (per share)	50	50
Number of shares authorized	228,750,000	228,750,000
Number of shares issued and outstanding	118,750,000	118,750,000
Dividend/coupon	9%	9%
Redemption/call feature	Perpetual (b)	Perpetual (b)
Preferred stock		
Series A preferred stock		
Carrying value (\$ in millions)	\$ 1,021	\$ 1,021
Par value (per share)	0.01	0.01
Liquidation preference (per share)	25	25
Number of shares authorized	160,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5%	8.5%
On and after May 15, 2016	Three month LIBOR + 6.243%	Three month LIBOR + 6.243%
Redemption/call feature	Perpetual (c)	Perpetual (c)
Series G preferred stock (d)		
Carrying value (\$ in millions)	\$ 234	\$ 234
Par value (per share)	0.01	0.01
Liquidation preference (per share)	1,000	1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	7%	7%
Redemption/call feature	Perpetual (e)	Perpetual (e)

- (a) Mandatorily convertible to common equity on December 30, 2016 at a conversion rate of 0.00432 common shares for each preferred share, which equates to a common share value of \$11,574.
- (b) Convertible prior to mandatory conversion date either with consent of Treasury or in the event the Federal Reserve compels a conversion.
- (c) Nonredeemable prior to May 15, 2016.
- (d) Pursuant to a registration rights agreement, we are required to maintain an effective shelf registration statement. In the event we fail to meet this obligation, we may be required to pay additional interest to the holders of the Series G Preferred Stock.
- (e) Redeemable beginning at December 31, 2011.

On August 19, 2013, we entered into investment agreements with certain accredited investors, to issue and sell in a private placement an aggregate of 166,667 shares of our common stock, \$0.01 par value per share, at an aggregate price of \$1 billion. The completion of the private placement is subject to certain conditions, including, among others, receipt of the non-objection of the Board of Governors of the Federal Reserve System to our resubmitted capital plan under the Comprehensive Capital Analysis and Review 2013, the repurchase by Ally of all of our outstanding shares of Series F-2 preferred stock, and the elimination or relinquishment of any right of the holder of Series F-2 preferred stock to receive additional shares of common stock in certain circumstances pursuant to Section 6(a)(i)(B) of the certificate of designations of the Series F-2 preferred stock. Further, the investment agreements may be terminated if the investments are not consummated by November 30, 2013.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

17. Accumulated Other Comprehensive Income (Loss)

The following table presents changes, net of tax, in each component of accumulated other comprehensive income (loss).

<i>(\$ in millions)</i>	Unrealized gains (losses) on investment securities	Translation adjustments and net investment hedges	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at December 31, 2012	\$ 76	\$ 368	\$ 2	\$ (135)	\$ 311
2013 net change	(323)	(216)	3	42	(494)
Balance at September 30, 2013	\$ (247)	\$ 152	\$ 5	\$ (93)	\$ (183)

The following tables present the before- and after-tax changes in each component of accumulated other comprehensive income (loss).

Three months ended September 30, 2013 <i>(\$ in millions)</i>	Before Tax	Tax Effect	After Tax
Unrealized gains on investment securities			
Net unrealized gains arising during the period	\$ 46	\$ 7	\$ 53
Less: Net realized gains reclassified to income from continuing operations	41 (a)	—	41
Net change	5	7	12
Translation adjustments			
Net unrealized gains arising during the period	5	(2)	3
Net investment hedges			
Net unrealized losses arising during the period	(14)	6	(8)
Cash flow hedges			
Net unrealized losses arising during the period	(4)	1	(3)
Other comprehensive loss (income)	\$ (8)	\$ 12	\$ 4

(a) Includes gains reclassified to other gain on investments, net in our Condensed Consolidated Statement of Comprehensive Income.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, 2013 (\$ in millions)	Before Tax	Tax Effect	After Tax
Unrealized losses on investment securities			
Net unrealized losses arising during the period	\$ (289)	\$ 128	\$ (161)
Less: Net realized gains reclassified to income from continuing operations	156 (a)	(2) (b)	154
Less: Net realized gains reclassified to income from discontinued operations, net of tax	10	(2)	8
Net change	(455)	132	(323)
Translation adjustments			
Net unrealized losses arising during the period	(98)	21	(77)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	345	2	347
Net change	(443)	19	(424)
Net investment hedges			
Net unrealized gains arising during the period	52	(19)	33
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(261)	86	(175)
Net change	313	(105)	208
Cash flow hedges			
Net unrealized losses arising during the period	(1)	—	(1)
Less: Net realized losses reclassified to income from continuing operations	(7) (c)	3 (b)	(4)
Net change	6	(3)	3
Defined benefit pension plans			
Net unrealized gains, prior service costs, and transition obligation arising during the period	2	—	2
Less: Net losses, prior service costs, and transition obligations reclassified to income from continuing operations	(2) (d)	—	(2)
Less: Net losses, prior service costs, and transition obligations reclassified to income from discontinued operations, net of tax	(49)	11	(38)
Net change	53	(11)	42
Other comprehensive loss	\$ (526)	\$ 32	\$ (494)

(a) Includes gains reclassified to other gain on investments, net in our Condensed Consolidated Statement of Comprehensive Income.

(b) Includes amounts reclassified to income tax (benefit) expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.

(c) Includes losses reclassified to interest on long-term debt in our Condensed Consolidated Statement of Comprehensive Income.

(d) Includes losses reclassified to compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income.

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.

(\$ in millions except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Net income from continuing operations	\$ 177	\$ 251	\$ 337	\$ 436
Preferred stock dividends — U.S. Department of Treasury	(134)	(134)	(401)	(401)
Preferred stock dividends	(67)	(67)	(200)	(200)
Net (loss) income from continuing operations attributable to common shareholders	(24)	50	(264)	(165)
(Loss) income from discontinued operations, net of tax	(86)	133	(80)	(640)
Net (loss) income attributable to common shareholders	\$ (110)	\$ 183	\$ (344)	\$ (805)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net (loss) income from continuing operations	\$ (18)	\$ 38	\$ (199)	\$ (124)
(Loss) income from discontinued operations, net of tax	(64)	100	(60)	(481)
Net (loss) income	\$ (82)	\$ 138	\$ (259)	\$ (605)
Diluted earnings per common share (a)				
Net (loss) income from continuing operations	\$ (18)	\$ 38	\$ (199)	\$ (124)
(Loss) income from discontinued operations, net of tax	(64)	100	(60)	(481)
Net (loss) income	\$ (82)	\$ 138	\$ (259)	\$ (605)

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulatively Convertible Preferred Stock into common shares and the net (loss) income from continuing operations attributable to common shareholders for the three months and nine months ended September 30, 2013 and 2012, respectively, net (loss) income from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulatively Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three months and nine months ended September 30, 2013 and 2012, respectively, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the three months and nine months ended September 30, 2013 and 2012, respectively.

19. Regulatory Capital and Other Regulatory Matters

As a bank holding company, we and our wholly owned state-chartered banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines issued by federal and state banking regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements or the results of operations and financial condition of Ally and Ally Bank. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (Total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio (Tier 1 capital to risk-weighted assets) of 4%.

The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted quarterly average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

The banking regulators have also developed a measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally's capital with the capital of other financial services companies. Also, bank holding companies with assets of \$50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

On October 29, 2010, Ally, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The effective date of the CLMA was August 24, 2010. The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank's leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance.

The following table summarizes our capital ratios.

(\$ in millions)	September 30, 2013		December 31, 2012		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 19,571	15.37%	\$ 20,232	13.13%	4.00%	6.00%
Ally Bank	14,926	17.90	14,136	16.26	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	\$ 20,887	16.40%	\$ 21,669	14.07%	8.00%	10.00%
Ally Bank	15,587	18.69	14,827	17.06	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (a)						
Ally Financial Inc.	\$ 19,571	13.16%	\$ 20,232	11.16%	3.00–4.00%	(b)
Ally Bank	14,926	16.33	14,136	15.30	15.00	(c) 5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	\$ 10,087	7.92%	\$ 10,749	6.98%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

(a) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.

(b) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

(c) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

At September 30, 2013, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

Basel Capital Accord

In July 2013, the U.S. federal banking agencies finalized rules implementing the Basel III regulatory capital framework and related Dodd-Frank Act changes. The final rules represent substantial revisions to the regulatory capital rules for banking organizations.

Highlights of the final rules include a revised definition of capital in order to implement the Basel III reforms as well as higher minimum capital ratios that will apply to most banking organizations. The final rules remove the use of credit ratings from both the standardized and advanced approaches, as required by the Dodd-Frank Act. In addition, the standards in the existing Basel I risk-based capital rules, which are referred to as the “general risk-based capital requirements,” have been revised to include a more risk sensitive risk-weighting approach. The phase-in period currently applicable to Ally as an advanced approaches banking organization begins in January 2014, while the phase-in period for other banking organizations begins in January 2015.

The final rules also amend the calculation of market risk capital, which only applies to banking organizations with significant trading assets and liabilities. We do not currently meet the minimum requirements for application of the Market Risk Rule; accordingly, this is not currently applicable to us.

Compliance with evolving capital requirements is a strategic priority for Ally. We expect to be in compliance with all applicable requirements within the established timeframes.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

20. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign-currency swaps, futures, forwards, options, and swaptions in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including automotive loan assets and debt. In addition, we use foreign exchange contracts to mitigate foreign-currency risk associated with foreign-currency-denominated debt, foreign exchange transactions, and our net investment in foreign subsidiaries. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign-currency risks related to the assets and liabilities.

Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable-rate and certain variable-rate instruments to a fixed rate. We monitor our mix of fixed- and variable-rate assets and liabilities. When it is cost-effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate assets and debt. Derivatives qualifying for hedge accounting consist of pay-fixed swaps designated as hedges of specific portfolios of fixed-rate retail automotive loan assets, as well as receive-fixed swaps designated as hedges of specific fixed-rate debt obligations. Other derivatives qualifying for hedge accounting consist of pay-fixed swaps designated as hedges of the expected future cash flows in the form of interest payments on certain outstanding variable-rate borrowings associated with Ally Bank's secured debt.

We enter into economic hedges to mitigate exposure for the following categories.

- **MSRs** — We completed the sale of our agency MSRs during the second quarter of 2013 and no longer hedge this activity. In the past, our MSRs were generally subject to loss in value when mortgage rates declined. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs. To mitigate the impact of this risk, we maintained a portfolio of financial instruments, primarily derivative instruments that increased in value when interest rates declined. The primary objective was to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes.

A multitude of derivative instruments were used to manage the interest rate risk related to MSRs. They included, but were not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of mortgage-backed securities (MBS), futures, interest rate swaps, interest rate floors, and interest rate caps.

- **Mortgage loan commitments and mortgage loans held-for-sale** — We have no mortgage loan commitments as of September 30, 2013 and, therefore, no longer hedge interest rate lock commitments (IRLC). In the past, we were exposed to interest rate risk from the time an IRLC was made until the time the mortgage loan was sold. We have an immaterial amount of mortgage loans held-for-sale that are exposed to interest rate risk. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to these items is to eliminate or greatly reduce any interest rate risk.

Forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities, have been the primary derivative instruments used to accomplish the risk management objective for mortgage loans and IRLCs. The value of the forward sales contracts moves in the opposite direction of the value of the IRLCs and mortgage loans held-for-sale.

- **Debt** — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowings associated with Ally Bank's secured credit facilities, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.
- **Net fixed versus variable interest rate exposure and equity investments** — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. The primary derivative instruments used to hedge the interest rate exposure of our fixed-rate automotive loans are short-dated, exchange-traded Eurodollar futures. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Exchange Risk

We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to foreign-currency financial instruments. Currency forwards and cross currency swaps are used to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed. Similar to our interest rate derivatives, the derivatives are generally entered into or traded concurrent with the debt issuance with the terms of the derivative matching the terms of the underlying debt.

We have reduced our foreign exchange exposure to net investments in foreign operations through the sales of discontinued international businesses, refer to Note 2 for further details on these sales. We enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments. Our remaining foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss). The hedges are recorded at fair value with the changes recorded to accumulated other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in accumulated other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

We have also used a centralized-lending program to manage liquidity for our subsidiary businesses, but as of September 30, 2013, this activity is immaterial. Historically, foreign-currency-denominated loan agreements were executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our remaining foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

Except for our remaining net investment hedges, we generally have not elected to treat any foreign-currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign-currency swaps are substantially offset by the foreign-currency revaluation gains and losses of the underlying assets and liabilities.

Counterparty Credit Risk

Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument.

To mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. If a credit risk-related event had been triggered the amount of additional collateral required to be posted by us would have been insignificant.

We placed cash and securities collateral totaling \$222 million and \$1.3 billion at September 30, 2013 and December 31, 2012, respectively, in accounts maintained by counterparties, \$18 million of which relates to non-derivative collateral at September 30, 2013 and December 31, 2012. We received cash collateral from counterparties totaling \$125 million and \$941 million at September 30, 2013 and December 31, 2012, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At September 30, 2013 and December 31, 2012, \$300 million and \$2.3 billion, respectively, of the derivative contracts in a receivable position were classified as other assets on the Condensed Consolidated Balance Sheet. At September 30, 2013 and December 31, 2012, \$228 million and \$2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

(\$ in millions)	September 30, 2013			December 31, 2012		
	Derivative contracts in a			Derivative contracts in a		
	receivable position (a)	payable position (b)	Notional amount	receivable position (a)	payable position (b)	Notional amount
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges (c)	\$ 144	\$ 102	\$ 12,864	\$ 411	\$ —	\$ 7,248
Cash flow accounting hedges	—	1	698	—	10	2,580
Total interest rate risk	144	103	13,562	411	10	9,828
Foreign exchange risk						
Net investment accounting hedges	—	47	1,507	35	53	8,693
Total derivatives qualifying for hedge accounting	144	150	15,069	446	63	18,521
Derivatives intended as economic hedges						
Interest rate risk						
MSRs	—	—	—	1,616	2,299	146,405
Mortgage loan commitments and mortgage loans held-for-sale	—	—	—	49	23	9,617
Debt	36	32	10,713	28	29	17,716
Net fixed versus variable interest rate exposure and equity investments (d)	63	45	44,106	154	27	41,514
Total interest rate risk	99	77	54,819	1,847	2,378	215,252
Foreign exchange risk	57	1	1,510	5	27	2,464
Total economic hedges	156	78	56,329	1,852	2,405	217,716
Total derivatives	\$ 300	\$ 228	\$ 71,398	\$ 2,298	\$ 2,468	\$ 236,237

(a) Includes accrued interest of \$74 million and \$175 million at September 30, 2013 and December 31, 2012, respectively.

(b) Includes accrued interest of \$4 million and \$144 million at September 30, 2013 and December 31, 2012, respectively.

(c) Includes receive-fixed swaps on fixed-rate debt obligations with \$144 million and \$411 million in a receivable position, \$98 million and \$0 in a payable position, and of a \$9 billion and \$7.2 billion notional amount at September 30, 2013 and December 31, 2012, respectively. Also includes pay-fixed swaps on portfolios of held-for-investment automotive loan assets with \$0 in a receivable position, \$4 million in a payable position, and of a \$3.9 billion notional amount at September 30, 2013. There were no outstanding positions at December 31, 2012.

(d) Primarily consists of exchange-traded Eurodollar futures with \$17 million and \$32 million in a receivable position, \$3 million and \$5 million in a payable position, and of a \$34.1 billion and \$24.2 billion notional amount at September 30, 2013 and December 31, 2012, respectively. Also includes equity options with \$4 million and \$1 million in a receivable position, \$5 million and \$8 million in a payable position, and of a \$567 million and \$554 million notional amount at September 30, 2013 and December 31, 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Statement of Comprehensive Income Presentation

The following table summarizes the location and amounts of gains and losses on derivative instruments reported in our Condensed Consolidated Statement of Comprehensive Income.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Derivatives qualifying for hedge accounting				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Interest and fees on finance receivables and loans (a)	\$ 3	\$ —	\$ 3	\$ —
Interest on long-term debt (b)	11	17	(302)	216
(Loss) gain recognized in earnings on hedged items (c)				
Interest rate contracts				
Interest and fees on finance receivables and loans	(3)	—	(3)	—
Interest on long-term debt	(15)	(33)	311	(241)
Total derivatives qualifying for hedge accounting	(4)	(16)	9	(25)
Economic derivatives				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Servicing asset valuation and hedge activities, net	—	387	(112)	612
Gain (loss) on mortgage and automotive loans, net	—	28	(37)	52
Other income, net of losses	20	(4)	26	(31)
Total interest rate contracts	20	411	(123)	633
Foreign exchange contracts (d)				
Interest on long-term debt	52	(38)	71	(39)
Other income, net of losses	(4)	(52)	25	(27)
Total foreign exchange contracts	48	(90)	96	(66)
Gain (loss) recognized in earnings on derivatives	\$ 64	\$ 305	\$ (18)	\$ 542

- (a) Amounts exclude losses related to interest for qualifying accounting hedges of portfolios of retail automotive loans held-for-investment of \$1 million for both the three months and nine months ended September 30, 2013. These losses are primarily offset by the fixed coupon receipts on the retail automotive loans held-for-investment.
- (b) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$33 million and \$29 million for the three months ended September 30, 2013 and 2012, respectively, and \$94 million and \$85 million for the nine months ended September 30, 2013 and 2012, respectively.
- (c) Amounts exclude gains related to amortization of deferred basis adjustments on the de-designated hedged item of \$112 million and \$57 million for the three months ended September 30, 2013 and 2012, respectively, and \$188 million and \$176 million for the nine months ended September 30, 2013 and 2012, respectively.
- (d) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Losses of \$47 million and gains of \$92 million were recognized for the three months ended September 30, 2013 and 2012, respectively. Losses of \$94 million and gains of \$67 million were recognized for the nine months ended September 30, 2013 and 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table summarizes derivative instruments used in cash flow and net investment hedge accounting relationships.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Cash flow hedges				
Interest rate contracts				
Gain (loss) reclassified from accumulated other comprehensive income to interest on long-term debt (a)	\$ —	\$ 1	\$ (7)	\$ 1
Loss recorded directly to interest on long-term debt	—	(1)	1	(6)
Total interest on long-term debt	\$ —	\$ —	\$ (6)	\$ (5)
(Loss) gain recognized in other comprehensive income	\$ (4)	\$ (6)	\$ 6	\$ (8)
Net investment hedges				
Foreign exchange contracts				
Loss reclassified from accumulated other comprehensive income (loss) to income (loss) from discontinued operations, net	\$ —	\$ —	\$ (261)	\$ (1)
Total other income, net of losses	\$ —	\$ —	\$ (261)	\$ (1)
(Loss) gain recognized in other comprehensive income (b)	\$ (14)	\$ (327)	\$ 313	\$ (281)

- (a) The amount represents losses reclassified from other comprehensive income (OCI) into earnings as a result of the discontinuance of hedge accounting because it is probable that the forecasted transaction will not occur.
- (b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were gains of \$9 million and \$317 million for the three months ended September 30, 2013 and 2012, respectively. There were losses of \$530 million and gains of \$269 million for the nine months ended September 30, 2013 and 2012, respectively.

21. Income Taxes

We recognized total income tax expense from continuing operations of \$28 million and an income tax benefit from continuing operations of \$55 million during the three months and nine months ended September 30, 2013, respectively, compared to income tax expense of \$46 million and \$31 million for the same periods in 2012. The decrease in income tax expense for the nine months ended September 30, 2013, compared to the same period in 2012, was primarily related to the benefit in 2013 from the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

As of each reporting date, we consider both positive and negative evidence that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for certain state net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we continue to provide a partial valuation allowance on the deferred tax assets relating to these carryforwards.

During the three months ended September 30, 2013, no significant transactions occurred that served to reduce the deferred tax asset related to our capital loss carryforwards. For the nine months ended September 30, 2013, net capital gains from completed sales of our international operations served to reduce the deferred tax asset related to our capital loss carryforwards by approximately \$298 million. This capital loss carryforward utilization resulted in a reversal of related valuation allowance. Furthermore, successful completion during 2013 or 2014 of additional sales of entities currently held-for-sale may result in additional capital gains that would allow us to realize additional capital loss carryforwards. Any related reversal of valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization.

We expect the unrecognized tax benefits disclosed in our 2012 Annual Report to change over the next 12 months if certain tax matters are ultimately settled with the applicable taxing jurisdiction as anticipated. The impact of these changes to previously recorded uncertain tax positions is expected to result in a tax benefit of approximately \$66 million.

22. Fair Value

Fair Value Measurements

For purposes of this disclosure, fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability. Additionally, entities are required to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e.,

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

- | | |
|-----------|---|
| Level 1 | Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market and the quoted prices cannot be adjusted by the entity. |
| Level 2 | Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation. |
| Transfers | Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the nine months ended September 30, 2013. |

Following are descriptions of the valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized.

- **Available-for-sale securities** — Available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- **Mortgage loans held-for-sale, net** — Our mortgage loans held-for-sale are accounted for at fair value because of fair value option elections. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility, product type, interest rate, and credit quality. Mortgage loans classified as Level 2 were mainly GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

Refer to the section within this note titled *Fair Value Option for Financial Assets* for further information about the fair value elections.

- **MSRs** — MSRs were classified as Level 3, management estimated fair value using our transaction data and other market data or, in periods when there were limited MSRs market transactions that were directly observable, internally developed discounted cash flow models (an income approach) were used to estimate the fair value. These internal valuation models estimated net cash flows based on internal operating assumptions that we believed would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believed approximate yields required by investors in this asset. Cash flows primarily included servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows were discounted using an option-adjusted spread-derived discount rate.
- **Interests retained in financial asset sales** — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
- **Derivative instruments** — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

We also execute over-the-counter derivative contracts, such as interest rate swaps, swaptions, forwards, caps, floors, and agency to-be-announced securities. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are used in the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

We had interest rate lock commitments accounted for as derivative instruments at Ally Bank that were classified as Level 3. We have also historically held certain derivative contracts that are structured specifically to meet a particular hedging objective. These

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

derivative contracts often were utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount was often indexed to the hedged item. As a result, we typically were required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. However, as of the quarter ended March 31, 2013, we no longer hold such positions within continuing operations due to the sales of our international automotive finance businesses.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We reduce credit risk on the majority of our derivatives by entering into legally enforceable agreements that enable the posting and receiving of collateral associated with the fair value of our derivative positions on an ongoing basis. In the event that we do not enter into legally enforceable agreements that enable the posting and receiving of collateral, we will consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA), if warranted. The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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.

September 30, 2013 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	\$ 893	\$ 1,129	\$ —	\$ 2,022
U.S. State and political subdivisions	—	179	—	179
Foreign government	5	295	—	300
Mortgage-backed residential	—	11,206	—	11,206
Mortgage-backed commercial	—	20	—	20
Asset-backed	—	2,265	—	2,265
Corporate debt securities	—	1,058	—	1,058
Total debt securities	898	16,152	—	17,050
Equity securities (a)	917	—	—	917
Total available-for-sale securities	1,815	16,152	—	17,967
Mortgage loans held-for-sale, net (b)	—	63	—	63
Mortgage servicing rights	—	—	—	—
Other assets				
Interests retained in financial asset sales	—	—	121	121
Derivative contracts in a receivable position				
Interest rate	61	182	—	243
Foreign currency	—	—	57	57
Total derivative contracts in a receivable position	61	182	57	300
Collateral placed with counterparties	—	74	—	74
Total assets	\$ 1,876	\$ 16,471	\$ 178	\$ 18,525
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	\$ (21)	\$ (159)	\$ —	\$ (180)
Foreign currency	—	(48)	—	(48)
Total derivative contracts in a payable position	(21)	(207)	—	(228)
Total liabilities	\$ (21)	\$ (207)	\$ —	\$ (228)

(a) Our investment in any one industry did not exceed 20%.

(b) Carried at fair value due to fair value option elections.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

December 31, 2012 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	\$ 697	\$ 1,517	\$ —	\$ 2,214
Foreign government	3	300	—	303
Mortgage-backed residential	—	6,906	—	6,906
Asset-backed	—	2,340	—	2,340
Corporate debt securities	—	1,263	—	1,263
Total debt securities	700	12,326	—	13,026
Equity securities (a)	1,152	—	—	1,152
Total available-for-sale securities	1,852	12,326	—	14,178
Mortgage loans held-for-sale, net (b)	—	2,490	—	2,490
Mortgage servicing rights	—	—	952	952
Other assets				
Interests retained in financial asset sales	—	—	154	154
Derivative contracts in a receivable position (c)				
Interest rate	40	2,170	48	2,258
Foreign currency	—	40	—	40
Total derivative contracts in a receivable position	40	2,210	48	2,298
Collateral placed with counterparties (d)	103	99	—	202
Total assets	\$ 1,995	\$ 17,125	\$ 1,154	\$ 20,274
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	\$ (13)	\$ (2,374)	\$ (1)	\$ (2,388)
Foreign currency	—	(78)	(2)	(80)
Total derivative contracts in a payable position	(13)	(2,452)	(3)	(2,468)
Total liabilities	\$ (13)	\$ (2,452)	\$ (3)	\$ (2,468)

(a) Our investment in any one industry did not exceed 21%.

(b) Carried at fair value due to fair value option elections.

(c) Includes derivatives classified as trading.

(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets and liabilities measured at fair value on a recurring basis.

September 30, 2013 (\$ in millions)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Other assets				
Interests retained in financial asset sales	\$ 121	Discounted cash flow	Discount rate	5.3-5.4%
			Commercial paper rate	0-0.1%

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following tables present the reconciliation for all Level 3 assets and liabilities measured at fair value on a recurring basis. We often economically hedge the fair value change of our assets or liabilities with derivatives and other financial instruments. The Level 3 items presented below may be hedged by derivatives and other financial instruments that are classified as Level 1 or Level 2. Thus, the following tables do not fully reflect the impact of our risk management activities.

Level 3 recurring fair value measurements										
(\$ in millions)	Fair value at July 1, 2013	Net realized/unrealized gains		Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2013	Net unrealized gains included in earnings still held at September 30, 2013	
		included in earnings	included in OCI							
Assets										
Other assets										
Interests retained in financial asset sales	\$ 124	\$ 8 (a)	\$ —	\$ —	\$ —	\$ —	\$ (11)	\$ 121	\$ —	
Derivative contracts, net										
Foreign currency	(9)	47 (b)	—	—	—	—	19	57	47 (b)	
Total derivative contracts in a receivable position, net	(9)	47	—	—	—	—	19	57	47	
Total assets	\$ 115	\$ 55	\$ —	\$ —	\$ —	\$ —	\$ 8	\$ 178	\$ 47	

(a) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

(b) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Level 3 recurring fair value measurements

(\$ in millions)	Net realized/unrealized gains (losses)				Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2012	Net unrealized (losses) gains included in earnings still held at September 30, 2012
	Fair value at July 1, 2012	included in earnings	included in OCI							
Assets										
Investment securities										
Available-for-sale debt securities										
Asset-backed	\$ 63	\$ 4 (a)	\$ 1	\$ —	\$ (11)	\$ —	\$ —	\$ 57	\$ —	
Mortgage servicing rights	1,105	(253) (b)	—	—	—	50	—	902	(253) (b)	
Other assets										
Interests retained in financial asset sales	193	11 (c)	—	—	—	—	(39)	165	—	
Derivative contracts, net (g)										
Interest rate	93	53 (d)	—	—	—	—	(2)	144	16 (d)	
Foreign currency	7	(27) (d)	—	—	—	—	—	(20)	(27) (d)	
Total derivative contracts in a receivable position, net	100	26	—	—	—	—	(2)	124	(11)	
Total assets	\$ 1,461	\$ (212)	\$ 1	\$ —	\$ (11)	\$ 50	\$ (41)	\$ 1,248	\$ (264)	

- (a) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest and dividends on available-for-sale investment securities in the Condensed Consolidated Statement of Comprehensive Income.
- (b) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (c) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (d) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Level 3 recurring fair value measurements

(\$ in millions)	Net realized/unrealized (losses) gains				Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2013	Net unrealized (losses) gains included in earnings still held at September 30, 2013
	Fair value at Jan. 1, 2013	included in earnings	included in OCI							
Assets										
Mortgage servicing rights	\$ 952	\$ (101) (a)	\$ —	\$ —	\$ (911)	\$ 60	\$ —	\$ —	\$ —	
Other assets										
Interests retained in financial asset sales	154	19 (b)	—	—	—	—	(52)	121	—	
Derivative contracts, net										
Interest rate	47	(51) (c)	—	—	—	—	4	—	— (c)	
Foreign currency	(2)	40 (c)	—	—	—	—	19	57	38 (c)	
Total derivative contracts in a receivable position, net	45	(11)	—	—	—	—	23	57	38	
Total assets	\$ 1,151	\$ (93)	\$ —	\$ —	\$ (911)	\$ 60	\$ (29)	\$ 178	\$ 38	

- (a) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.
- (b) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.
- (c) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Level 3 recurring fair value measurements

(\$ in millions)	Net realized/unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation (a)	Fair value at September 30, 2012	Net unrealized gains (losses) included in earnings still held at September 30, 2012	
	Fair value at Jan. 1, 2012	included in earnings								included in OCI
Assets										
Trading assets (excluding derivatives)										
Mortgage-backed residential securities	\$ 33	\$ 2 (b)	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ (31)	\$ —	\$ 4 (b)
Investment securities										
Available-for-sale debt securities										
Asset-backed	62	4	2	—	(11)	—	—	—	57	—
Mortgage loans held-for-sale, net (c)	30	—	—	12	—	—	(11)	(31)	—	—
Consumer mortgage finance receivables and loans, net (c)	835	121 (c)	—	—	(245) (d)	—	(124)	(587)	—	51 (c)
Mortgage servicing rights	2,519	(654) (e)	—	—	—	167	—	(1,130)	902	(654) (e)
Other assets										
Interests retained in financial asset sales	231	38 (f)	—	—	—	—	(104)	—	165	—
Derivative contracts, net (g)										
Interest rate	71	326 (h)	—	—	—	—	(252)	(1)	144	10 (h)
Foreign currency	16	(36) (h)	—	—	—	—	—	—	(20)	(49) (h)
Total derivative contracts in a receivable position, net	87	290	—	—	—	—	(252)	(1)	124	(39)
Total assets	\$ 3,797	\$ (199)	\$ 2	\$ 12	\$ (256)	\$ 167	\$ (495)	\$ (1,780)	\$ 1,248	\$ (638)
Liabilities										
Long-term debt										
On-balance sheet securitization debt (c)	\$ (830)	\$ (115) (c)	\$ —	\$ —	\$ —	\$ —	\$ 389	\$ 556	\$ —	\$ (62) (c)
Accrued expenses and other liabilities										
Loan repurchase liabilities (c)	(29)	—	—	(11)	—	—	10	30	—	—
Total liabilities	\$ (859)	\$ (115)	\$ —	\$ (11)	\$ —	\$ —	\$ 399	\$ 586	\$ —	\$ (62)

- (a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap during the three months ended June 30, 2012. Refer to Note 1 for additional information related to ResCap.
- (b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.
- (d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.
- (e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Nonrecurring Fair Value

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower-of-cost or fair value accounting or certain impairment measures. These items would constitute nonrecurring fair value measures.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following tables display the assets and liabilities measured at fair value on a nonrecurring basis.

September 30, 2013 (\$ in millions)	Nonrecurring fair value measurements				Lower-of- cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	Total loss included in earnings for the nine months ended
	Level 1	Level 2	Level 3	Total			
Assets							
Loans held-for-sale	\$ —	\$ —	\$ 19	\$ 19	\$ —	n/m (a)	n/m (a) (a)
Commercial finance receivables and loans, net (b)							
Automotive	—	—	95	95	(17)	n/m (a)	n/m (a)
Other	—	—	63	63	(11)	n/m (a)	n/m (a)
Total commercial finance receivables and loans, net	—	—	158	158	(28)	n/m (a)	n/m (a)
Other assets							
Reposessed and foreclosed assets (c)	—	—	7	7	(2)	n/m (a)	n/m (a)
Other	—	—	2	2	—	n/m (a)	n/m (a)
Total assets	\$ —	\$ —	\$ 186	\$ 186	\$ (30)	n/m (a)	n/m

n/m = not meaningful

- (a) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (b) Represents the portion of the portfolio specifically impaired during 2013. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (c) The allowance provided for reposessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

September 30, 2012 (\$ in millions)	Nonrecurring fair value measurements				Lower-of- cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	Total loss included in earnings for the nine months ended
	Level 1	Level 2	Level 3	Total			
Assets							
Commercial finance receivables and loans, net (a)							
Automotive	\$ —	\$ —	\$ 172	\$ 172	\$ (31)	n/m (b)	n/m (b)
Other	—	—	26	26	(7)	n/m (b)	n/m (b)
Total commercial finance receivables and loans, net	—	—	198	198	(38)	n/m (b)	n/m (b)
Other assets							
Reposessed and foreclosed assets (c)	—	—	7	7	(1)	n/m (b)	n/m (b)
Total assets	\$ —	\$ —	\$ 205	\$ 205	\$ (39)	n/m (b)	n/m

n/m = not meaningful

- (a) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) The allowance provided for reposessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets measured at fair value on a nonrecurring basis.

September 30, 2013 (\$ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	\$ 95	Fair value of collateral	Adjusted appraisal value	65.0-95.0%

Fair Value Option for Financial Assets

A description of the financial assets elected to be measured at fair value is as follows. Our intent in electing fair value measurement was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

- **Conforming and government-insured mortgage loans held-for-sale** — We elected the fair value option for conforming and government-insured mortgage loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were conforming and government-insured loans funded on or prior to July 31, 2009, and those repurchased or rerecognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and rerecognized conforming and government-insured loans were not elected because the election would not mitigate earning volatility. We repurchase or rerecognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carried the fair value-elected conforming and government-insured loans as loans held-for-sale, net, on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. Upfront fees and costs related to the fair value-elected loans were not deferred or capitalized. The fair value adjustment recorded for these loans was classified as gain (loss) on mortgage loans, net, in the Condensed Consolidated Statement of Comprehensive Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following tables summarize the fair value option elections and information regarding the amounts recorded as earnings for each fair value option-elected item.

	Changes included in the Condensed Consolidated Statement of Comprehensive Income		
	Interest on loans held-for- sale (a)	Gain on mortgage loans, net	Total included in earnings
Three months ended September 30, (<i>\$ in millions</i>)			
2013			
Assets			
Mortgage loans held-for-sale, net	\$ —	\$ 14	\$ 14
2012			
Assets			
Mortgage loans held-for-sale, net	\$ 18	\$ 33	\$ 51

(a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.

	Changes included in the Condensed Consolidated Statement of Comprehensive Income		
	Interest on loans held-for- sale (a)	Loss on mortgage loans, net	Total included in earnings
Nine months ended September 30, (<i>\$ in millions</i>)			
2013			
Assets			
Mortgage loans held-for-sale, net	\$ 19	\$ (35)	\$ (16)
2012			
Assets			
Mortgage loans held-for-sale, net	\$ 58	\$ (14)	\$ 44

(a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.

The following table provides the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans.

	September 30, 2013		December 31, 2012	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
(<i>\$ in millions</i>)				
Assets				
Mortgage loans held-for-sale, net				
Total loans	\$ 110	\$ 63	\$ 2,416	\$ 2,490
Nonaccrual loans	48	24	47	25
Loans 90+ days past due (b)	40	20	36	19

(a) Excludes accrued interest receivable.

(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled *Recurring Fair Value*. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at September 30, 2013 and December 31, 2012.

(\$ in millions)	Carrying value	Estimated fair value			
		Level 1	Level 2	Level 3	Total
September 30, 2013					
Financial assets					
Loans held-for-sale, net (a)	\$ 82	\$ —	\$ 63	\$ 19	\$ 82
Finance receivables and loans, net (a)	94,083	—	—	95,037	95,037
Nonmarketable equity investments	184	—	155	34	189
Financial liabilities					
Deposit liabilities	\$ 52,031	\$ —	\$ —	\$ 52,750	\$ 52,750
Short-term borrowings	6,015	—	—	6,015	6,015
Long-term debt (a)(b)	61,050	—	31,055	32,859	63,914
December 31, 2012					
Financial assets					
Loans held-for-sale, net (a)	\$ 2,576	\$ —	\$ 2,490	\$ 86	\$ 2,576
Finance receivables and loans, net (a)	97,885	—	—	98,907	98,907
Nonmarketable equity investments	303	—	272	34	306
Financial liabilities					
Deposit liabilities	\$ 47,915	\$ —	\$ —	\$ 48,752	\$ 48,752
Short-term borrowings	7,461	6	—	7,454	7,460
Long-term debt (a)(b)	74,882	—	36,018	42,533	78,551

- (a) Includes financial instruments carried at fair value due to fair value option elections. Refer to the previous section of this note titled *Fair Value Option for Financial Assets and Liabilities* for further information about the fair value elections.
- (b) The carrying value includes deferred interest for zero-coupon bonds of \$349 million and \$321 million at September 30, 2013, and December 31, 2012, respectively.

The following describes the methodologies and assumptions used to determine fair value for the significant classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market was not active and a transaction was not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not in forced liquidation or distressed sale.

- Loans held-for-sale, net** — Loans held-for-sale classified as Level 2 included all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also included any domestic loans where recently negotiated market prices for the loan pool existed with a counterparty (which approximated fair value) or quoted market prices for similar loans were available. Loans held-for-sale classified as Level 3 included all loans valued using internally developed valuation models because observable market prices were not available. The loans were priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilized prepayment, default, and discount rate assumptions. To the extent available, we utilized market observable inputs such as interest rates and market spreads. If market observable inputs were not available, we were required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.
- Finance receivables and loans, net** — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain automotive and other receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of commercial receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

For mortgage loans held-for-investment, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the section above titled *Loans held-for-sale, net*, for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

- **Deposit liabilities** — Deposit liabilities represent certain consumer and brokered bank deposits, mortgage escrow deposits, and dealer deposits. The fair value of deposits at Level 3 were estimated by discounting projected cash flows based on discount factors derived from the forward interest rate swap curve.
- **Debt** — Level 2 debt was valued using quoted market prices, when available, or other means for substantiation with observable inputs. Debt valued using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.

23. Offsetting Assets and Liabilities

Our qualifying master netting agreements are written, legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the agreement to the non-defaulting entity upon an event of default of the counterparty, including bankruptcy, insolvency, or similar proceeding, and (2) provide the non-defaulting entity the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to liquidate or set off collateral promptly upon an event of default of the counterparty. As it relates to derivative instruments, in certain instances we have the option to report derivatives that are subject to a qualifying master netting agreement on a net basis, we have elected to report these instruments as gross assets and liabilities on the Condensed Consolidated Balance Sheet.

To further mitigate the risk of counterparty default related to derivative instruments, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls, such that the net replacement cost of the non-defaulting party is covered in the event of counterparty default.

The composition of offsetting derivative instruments, financial assets, and financial liabilities was as follows.

September 30, 2013 (\$ in millions)	Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/ (Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		Net Amount
				Financial Instruments	Collateral (a)	
Assets						
Derivative assets in net asset positions	\$ 256	\$ —	\$ 256	\$ (83)	\$ (109)	\$ 64
Derivative assets in net liability positions	10	—	10	(10)	—	—
Derivative assets with no offsetting arrangements	34	—	34	—	—	34
Total assets	\$ 300	\$ —	\$ 300	\$ (93)	\$ (109)	\$ 98
Liabilities						
Derivative liabilities in net liability positions	\$ (125)	\$ —	\$ (125)	\$ 10	\$ 98	\$ (17)
Derivative liabilities in net asset positions	(82)	—	(82)	82	—	—
Derivative liabilities with no offsetting arrangements	(21)	—	(21)	—	—	(21)
Total derivative liabilities	(228)	—	(228)	92	98	(38)
Securities sold under agreements to repurchase	(566)	—	(566)	—	290	(276)
Total liabilities	\$ (794)	\$ —	\$ (794)	\$ 92	\$ 388	\$ (314)

(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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

December 31, 2012 (\$ in millions)	Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/ (Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		Net Amount
				Financial Instruments	Collateral (a)	
Assets						
Derivative assets in net asset positions	\$ 1,395	\$ —	\$ 1,395	\$ (503)	\$ (841)	\$ 51
Derivative assets in net liability positions	788	—	788	(788)	—	—
Derivative assets with no offsetting arrangements	115	—	115	—	—	115
Total assets	\$ 2,298	\$ —	\$ 2,298	\$ (1,291)	\$ (841)	\$ 166
Liabilities						
Derivative liabilities in net liability positions	\$ (1,929)	\$ —	\$ (1,929)	\$ 788	\$ 1,092	\$ (49)
Derivative liabilities in net asset positions	(503)	—	(503)	503	—	—
Derivative liabilities with no offsetting arrangements	(36)	—	(36)	—	—	(36)
Total liabilities	\$ (2,468)	\$ —	\$ (2,468)	\$ 1,291	\$ 1,092	\$ (85)

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

24. Segment and Geographic Information

Operating segments are defined as components of an enterprise that engage in business activity from which revenues are earned and expenses incurred for which discrete financial information is available that is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and in assessing performance.

We report our results of operations on a line-of-business basis through three operating segments - Automotive Finance operations, Insurance operations, and Mortgage operations, with the remaining activity reported in Corporate and Other. The operating segments are determined based on the products and services offered, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

Automotive Finance operations — Provides automotive financing services to consumers and automotive dealers. For consumers, we offer retail automotive financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

Insurance operations — Offers both consumer finance and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' vehicle inventories in the United States.

Mortgage operations — Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio. Our Mortgage operations also consist of noncore businesses that are winding down.

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments.

We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the LIBOR swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other.

The information presented in our reportable operating segments and geographic areas tables that follow are based in part on internal allocations, which involve management judgment.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Financial information for our reportable operating segments is summarized as follows.

Three months ended September 30, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2013					
Net financing revenue (loss)	\$ 800	\$ 16	\$ 13	\$ (92)	\$ 737
Other revenue (loss)	65	293	19	(6)	371
Total net revenue (loss)	865	309	32	(98)	1,108
Provision for loan losses	150	—	(12)	3	141
Total noninterest expense	376	226	48	112	762
Income (loss) from continuing operations before income tax expense (benefit)	\$ 339	\$ 83	\$ (4)	\$ (213)	\$ 205
Total assets	\$ 108,609	\$ 7,323	\$ 8,562	\$ 26,062	\$ 150,556
2012					
Net financing revenue (loss)	\$ 728	\$ 14	\$ 45	\$ (315)	\$ 472
Other revenue	75	233	446	21	775
Total net revenue (loss)	803	247	491	(294)	1,247
Provision for loan losses	101	—	5	(1)	105
Total noninterest expense	365	234	155	91	845
Income (loss) from continuing operations before income tax expense (benefit)	\$ 337	\$ 13	\$ 331	\$ (384)	\$ 297
Total assets	\$ 123,252	\$ 8,461	\$ 17,004	\$ 33,765	\$ 182,482

(a) Total assets for the Commercial Finance Group were \$1.6 billion and \$1.3 billion at September 30, 2013 and 2012, respectively.

(b) Net financing revenue after the provision for loan losses totaled \$0.6 billion and \$0.4 billion for the three months ended September 30, 2013 and 2012, respectively.

Nine months ended September 30, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2013					
Net financing revenue (loss)	\$ 2,350	\$ 43	\$ 62	\$ (450)	\$ 2,005
Other revenue (loss)	207	926	(6)	32	1,159
Total net revenue (loss)	2,557	969	56	(418)	3,164
Provision for loan losses	350	—	14	(3)	361
Total noninterest expense	1,143	780	293	305	2,521
Income (loss) from continuing operations before income tax expense (benefit)	\$ 1,064	\$ 189	\$ (251)	\$ (720)	\$ 282
Total assets	\$ 108,609	\$ 7,323	\$ 8,562	\$ 26,062	\$ 150,556
2012					
Net financing revenue (loss)	\$ 2,051	\$ 42	\$ 111	\$ (924)	\$ 1,280
Other revenue	264	871	903	56	2,094
Total net revenue (loss)	2,315	913	1,014	(868)	3,374
Provision for loan losses	194	—	53	(11)	236
Total noninterest expense	1,103	780	465	323	2,671
Income (loss) from continuing operations before income tax expense (benefit)	\$ 1,018	\$ 133	\$ 496	\$ (1,180)	\$ 467
Total assets	\$ 123,252	\$ 8,461	\$ 17,004	\$ 33,765	\$ 182,482

(a) Total assets for the Commercial Finance Group were \$1.6 billion and \$1.3 billion at September 30, 2013 and 2012, respectively.

(b) Net financing revenue after the provision for loan losses totaled \$1.6 billion and \$1.0 billion for the nine months ended September 30, 2013 and 2012, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Information concerning principal geographic areas were as follows.

Three months ended September 30, (<i>\$ in millions</i>)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013			
Canada	\$ 40	\$ 14	\$ 13
Europe (d)	2	1	4
Latin America	—	12	26
Asia-Pacific	—	—	35
Total foreign	42	27	78
Total domestic (e)	1,066	178	13
Total	\$ 1,108	\$ 205	\$ 91
2012			
Canada	\$ 54	\$ 1	\$ 62
Europe (d)	(10)	(11)	9
Latin America	2	(3)	62
Asia-Pacific	1	1	21
Total foreign	47	(12)	154
Total domestic (e)	1,200	309	230
Total	\$ 1,247	\$ 297	\$ 384

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.

(b) The domestic amounts include original discount amortization of \$67 million and \$79 million for the three months ended September 30, 2013 and 2012, respectively.

(c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.

(d) Amounts include eliminations between our foreign operations.

(e) Amounts include eliminations between our domestic and foreign operations.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, (\$ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013			
Canada	\$ 136	\$ 42	\$ 1,256
Europe (d)	(8)	(18)	(82)
Latin America	—	7	300
Asia-Pacific	1	(2)	89
Total foreign	129	29	1,563
Total domestic (e)	3,035	253	(1,306)
Total	\$ 3,164	\$ 282	\$ 257
2012			
Canada	\$ 174	\$ 32	\$ 227
Europe (d)	(24)	(11)	124
Latin America	4	(10)	171
Asia-Pacific	3	2	71
Total foreign	157	13	593
Total domestic (e)	3,217	454	(797)
Total	\$ 3,374	\$ 467	\$ (204)

- (a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.
- (b) The domestic amounts include original discount amortization of \$191 million and \$291 million for the nine months ended September 30, 2013 and 2012, respectively.
- (c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.
- (d) Amounts include eliminations between our foreign operations.
- (e) Amounts include eliminations between our domestic and foreign operations.

25. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of September 30, 2013, the Guarantors include Ally US LLC and IB Finance Holding Company, LLC (IB Finance), each of which fully and unconditionally guarantee the senior notes on a joint and several basis.

The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company-only basis), (ii) the Guarantors, (iii) the nonguarantor subsidiaries (all other subsidiaries), and (iv) an elimination column for adjustments to arrive at (v) the information for the parent company, the Guarantors, and nonguarantors on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's and the Guarantors' investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, the Guarantors, and nonguarantors.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statements of Comprehensive Income

Three months ended September 30, 2013 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 243	\$ —	\$ 876	\$ —	\$ 1,119
Interest and fees on finance receivables and loans — intercompany	12	—	21	(33)	—
Interest and dividends on available-for-sale investment securities	—	—	85	—	85
Interest-bearing cash	1	—	2	—	3
Interest-bearing cash — intercompany	—	—	2	(2)	—
Operating leases	141	—	691	—	832
Total financing revenue and other interest income	397	—	1,677	(35)	2,039
Interest expense					
Interest on deposits	5	—	158	—	163
Interest on short-term borrowings	11	—	4	—	15
Interest on long-term debt	469	—	140	—	609
Interest on intercompany debt	23	—	12	(35)	—
Total interest expense	508	—	314	(35)	787
Depreciation expense on operating lease assets	103	—	412	—	515
Net financing (loss) revenue	(214)	—	951	—	737
Dividends from subsidiaries					
Nonbank subsidiaries	54	—	—	(54)	—
Other revenue					
Servicing fees	36	—	(23)	—	13
Servicing asset valuation and hedge activities, net	—	—	—	—	—
Total servicing income, net	36	—	(23)	—	13
Insurance premiums and service revenue earned	—	—	251	—	251
Gain on mortgage and automotive loans, net	—	—	15	—	15
Loss on extinguishment of debt	(42)	—	—	—	(42)
Other gain on investments, net	—	—	41	—	41
Other income, net of losses	51	—	350	(308)	93
Total other revenue	45	—	634	(308)	371
Total net (loss) revenue	(115)	—	1,585	(362)	1,108
Provision for loan losses	69	—	72	—	141
Noninterest expense					
Compensation and benefits expense	153	—	205	(113)	245
Insurance losses and loss adjustment expenses	—	—	85	—	85
Other operating expenses	119	—	508	(195)	432
Total noninterest expense	272	—	798	(308)	762
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries					
	(456)	—	715	(54)	205
Income tax (benefit) expense from continuing operations	(189)	—	217	—	28
Net (loss) income from continuing operations	(267)	—	498	(54)	177
Income (loss) from discontinued operations, net of tax	152	15	(253)	—	(86)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	235	235	—	(470)	—
Nonbank subsidiaries	(29)	5	—	24	—
Net income	91	255	245	(500)	91
Other comprehensive income (loss), net of tax	4	(34)	24	10	4
Comprehensive income	\$ 95	\$ 221	\$ 269	\$ (490)	\$ 95

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Three months ended September 30, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 228	\$ —	\$ 913	\$ —	\$ 1,141
Interest and fees on finance receivables and loans — intercompany	23	—	4	(27)	—
Interest on loans held-for-sale	4	—	19	—	23
Interest and dividends on available-for-sale investment securities	—	—	64	—	64
Interest-bearing cash	7	—	1	—	8
Interest-bearing cash - intercompany	—	—	5	(5)	—
Operating leases	50	—	581	—	631
Total financing revenue and other interest income	312	—	1,587	(32)	1,867
Interest expense					
Interest on deposits	14	—	144	—	158
Interest on short-term borrowings	15	—	5	—	20
Interest on long-term debt	680	—	175	(4)	851
Interest on intercompany debt	1	—	27	(28)	—
Total interest expense	710	—	351	(32)	1,029
Depreciation expense on operating lease assets	29	—	337	—	366
Net financing (loss) revenue	(427)	—	899	—	472
Dividends from subsidiaries					
Nonbank subsidiaries	99	—	—	(99)	—
Other revenue					
Servicing fees	46	—	45	—	91
Servicing asset valuation and hedge activities, net	—	—	134	—	134
Total servicing income, net	46	—	179	—	225
Insurance premiums and service revenue earned	—	—	262	—	262
Gain on mortgage and automotive loans, net	2	—	140	—	142
Other loss on investments, net	—	—	(23)	—	(23)
Other income, net of losses	48	120	305	(304)	169
Total other revenue	96	120	863	(304)	775
Total net (loss) revenue	(232)	120	1,762	(403)	1,247
Provision for loan losses	55	—	50	—	105
Noninterest expense					
Compensation and benefits expense	175	121	83	(122)	257
Insurance losses and loss adjustment expenses	—	—	90	—	90
Other operating expenses	95	1	585	(183)	498
Total noninterest expense	270	122	758	(305)	845
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(557)	(2)	954	(98)	297
Income tax (benefit) expense from continuing operations	(304)	—	350	—	46
Net (loss) income from continuing operations	(253)	(2)	604	(98)	251
(Loss) income from discontinued operations, net of tax	(8)	—	141	—	133
Undistributed income of subsidiaries					
Bank subsidiary	231	231	—	(462)	—
Nonbank subsidiaries	414	62	—	(476)	—
Net income	384	291	745	(1,036)	384
Other comprehensive income, net of tax	218	241	539	(780)	218
Comprehensive income	\$ 602	\$ 532	\$ 1,284	\$ (1,816)	\$ 602

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, 2013 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 674	\$ —	\$ 2,719	\$ —	\$ 3,393
Interest and fees on finance receivables and loans — intercompany	49	—	46	(95)	—
Interest on loans held-for-sale	—	—	19	—	19
Interest and dividends on available-for-sale investment securities	—	—	229	—	229
Interest-bearing cash	3	—	5	—	8
Interest-bearing cash — intercompany	—	—	6	(6)	—
Operating leases	355	—	1,999	—	2,354
Total financing revenue and other interest income	1,081	—	5,023	(101)	6,003
Interest expense					
Interest on deposits	20	—	469	—	489
Interest on short-term borrowings	35	—	12	—	47
Interest on long-term debt	1,593	—	425	(5)	2,013
Interest on intercompany debt	43	—	52	(95)	—
Total interest expense	1,691	—	958	(100)	2,549
Depreciation expense on operating lease assets	267	—	1,182	—	1,449
Net financing (loss) revenue	(877)	—	2,883	(1)	2,005
Dividends from subsidiaries					
Nonbank subsidiaries	5,217	3,659	—	(8,876)	—
Other revenue					
Servicing fees	118	—	(4)	—	114
Servicing asset valuation and hedge activities, net	—	—	(213)	—	(213)
Total servicing income, net	118	—	(217)	—	(99)
Insurance premiums and service revenue earned	—	—	768	—	768
Gain on mortgage and automotive loans, net	—	—	52	—	52
Loss on extinguishment of debt	(42)	—	—	—	(42)
Other gain on investments, net	—	—	156	—	156
Other income, net of losses	128	—	1,116	(920)	324
Total other revenue	204	—	1,875	(920)	1,159
Total net revenue	4,544	3,659	4,758	(9,797)	3,164
Provision for loan losses	298	—	63	—	361
Noninterest expense					
Compensation and benefits expense	505	—	622	(345)	782
Insurance losses and loss adjustment expenses	—	—	346	—	346
Other operating expenses	276	—	1,692	(575)	1,393
Total noninterest expense	781	—	2,660	(920)	2,521
Income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries	3,465	3,659	2,035	(8,877)	282
Income tax (benefit) expense from continuing operations	(749)	—	694	—	(55)
Net income from continuing operations	4,214	3,659	1,341	(8,877)	337
(Loss) income from discontinued operations, net of tax	(1,355)	(19)	1,293	1	(80)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	668	668	—	(1,336)	—
Nonbank subsidiaries	(3,270)	(2,395)	—	5,665	—
Net income	257	1,913	2,634	(4,547)	257
Other comprehensive loss, net of tax	(494)	(753)	(830)	1,583	(494)
Comprehensive (loss) income	\$ (237)	\$ 1,160	\$ 1,804	\$ (2,964)	\$ (237)

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 679	\$ —	\$ 2,695	\$ —	\$ 3,374
Interest and fees on finance receivables and loans — intercompany	80	—	17	(97)	—
Interest on loans held-for-sale	15	—	59	—	74
Interest on trading assets	—	—	10	—	10
Interest and dividends on available-for-sale investment securities	—	—	215	—	215
Interest-bearing cash	14	—	5	—	19
Interest-bearing cash - intercompany	—	—	14	(14)	—
Operating leases	137	—	1,562	—	1,699
Total financing revenue and other interest income	925	—	4,577	(111)	5,391
Interest expense					
Interest on deposits	47	—	434	—	481
Interest on short-term borrowings	48	—	8	—	56
Interest on long-term debt	2,067	—	513	(12)	2,568
Interest on intercompany debt	—	1	94	(95)	—
Total interest expense	2,162	1	1,049	(107)	3,105
Depreciation expense on operating lease assets	60	—	946	—	1,006
Net financing (loss) revenue	(1,297)	(1)	2,582	(4)	1,280
Dividends from subsidiaries					
Nonbank subsidiaries	419	—	—	(419)	—
Other revenue					
Servicing fees	148	—	178	—	326
Servicing asset valuation and hedge activities, net	—	—	74	—	74
Total servicing income, net	148	—	252	—	400
Insurance premiums and service revenue earned	—	—	793	—	793
(Loss) gain on mortgage and automotive loans, net	(2)	—	250	—	248
Other gain on investments, net	—	—	130	—	130
Other income, net of losses	144	374	909	(904)	523
Total other revenue	290	374	2,334	(904)	2,094
Total net (loss) revenue	(588)	373	4,916	(1,327)	3,374
Provision for loan losses	113	—	123	—	236
Noninterest expense					
Compensation and benefits expense	570	374	262	(376)	830
Insurance losses and loss adjustment expenses	—	—	337	—	337
Other operating expenses	986	1	1,046	(529)	1,504
Total noninterest expense	1,556	375	1,645	(905)	2,671
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(2,257)	(2)	3,148	(422)	467
Income tax (benefit) expense from continuing operations	(852)	—	883	—	31
Net (loss) income from continuing operations	(1,405)	(2)	2,265	(422)	436
Income (loss) from discontinued operations, net of tax	11	6	(655)	(2)	(640)
Undistributed income of subsidiaries					
Bank subsidiary	729	729	—	(1,458)	—
Nonbank subsidiaries	461	261	—	(722)	—
Net (loss) income	(204)	994	1,610	(2,604)	(204)
Other comprehensive income, net of tax	199	212	502	(714)	199
Comprehensive (loss) income	\$ (5)	\$ 1,206	\$ 2,112	\$ (3,318)	\$ (5)

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Balance Sheet

September 30, 2013 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 695	\$ 29	\$ 339	\$ —	\$ 1,063
Noninterest-bearing — intercompany	76	—	—	(76)	—
Interest-bearing	2,251	—	3,235	—	5,486
Interest-bearing — intercompany	—	—	408	(408)	—
Total cash and cash equivalents	3,022	29	3,982	(484)	6,549
Investment securities	—	—	17,967	—	17,967
Loans held-for-sale, net	—	—	82	—	82
Finance receivables and loans, net					
Finance receivables and loans, net	17,118	—	78,163	—	95,281
Intercompany loans to					
Bank subsidiary	900	—	—	(900)	—
Nonbank subsidiaries	3,866	—	1,797	(5,663)	—
Allowance for loan losses	(303)	—	(895)	—	(1,198)
Total finance receivables and loans, net	21,581	—	79,065	(6,563)	94,083
Investment in operating leases, net	3,112	—	14,142	—	17,254
Intercompany receivables from					
Bank subsidiary	164	—	—	(164)	—
Nonbank subsidiaries	365	—	616	(981)	—
Investment in subsidiaries					
Bank subsidiary	14,740	14,740	—	(29,480)	—
Nonbank subsidiaries	11,235	115	—	(11,350)	—
Premiums receivable and other insurance assets	—	—	1,666	(17)	1,649
Other assets	3,247	—	4,182	(370)	7,059
Assets of operations held-for-sale	656	—	5,257	—	5,913
Total assets	\$ 58,122	\$ 14,884	\$ 126,959	\$ (49,409)	\$ 150,556
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 66	\$ —	\$ 66
Noninterest-bearing — intercompany	—	—	76	(76)	—
Interest-bearing	550	—	51,415	—	51,965
Total deposit liabilities	550	—	51,557	(76)	52,031
Short-term borrowings	3,200	—	2,815	—	6,015
Long-term debt	27,986	—	32,715	—	60,701
Intercompany debt to					
Nonbank subsidiaries	2,205	—	4,766	(6,971)	—
Intercompany payables to					
Bank subsidiary	303	—	—	(303)	—
Nonbank subsidiaries	636	—	223	(859)	—
Interest payable	717	—	261	—	978
Unearned insurance premiums and service revenue	—	—	2,332	—	2,332
Accrued expenses and other liabilities	3,464	85	1,657	(370)	4,836
Liabilities of operations held-for-sale	—	—	4,602	—	4,602
Total liabilities	39,061	85	100,928	(8,579)	131,495
Total equity	19,061	14,799	26,031	(40,830)	19,061
Total liabilities and equity	\$ 58,122	\$ 14,884	\$ 126,959	\$ (49,409)	\$ 150,556

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

December 31, 2012 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 729	\$ —	\$ 344	\$ —	\$ 1,073
Noninterest-bearing — intercompany	39	—	—	(39)	—
Interest-bearing	3,204	—	3,236	—	6,440
Interest-bearing — intercompany	—	—	452	(452)	—
Total cash and cash equivalents	3,972	—	4,032	(491)	7,513
Investment securities	—	—	14,178	—	14,178
Loans held-for-sale, net	—	—	2,576	—	2,576
Finance receivables and loans, net					
Finance receivables and loans, net	12,486	—	86,569	—	99,055
Intercompany loans to					
Bank subsidiary	1,600	—	—	(1,600)	—
Nonbank subsidiaries	3,514	—	672	(4,186)	—
Allowance for loan losses	(170)	—	(1,000)	—	(1,170)
Total finance receivables and loans, net	17,430	—	86,241	(5,786)	97,885
Investment in operating leases, net	2,003	—	11,547	—	13,550
Intercompany receivables from					
Bank subsidiary	677	—	—	(677)	—
Nonbank subsidiaries	315	334	378	(1,027)	—
Investment in subsidiaries					
Bank subsidiary	14,288	14,288	—	(28,576)	—
Nonbank subsidiaries	19,180	3,723	—	(22,903)	—
Mortgage servicing rights	—	—	952	—	952
Premiums receivable and other insurance assets	—	—	1,609	—	1,609
Other assets	2,514	—	9,968	(574)	11,908
Assets of operations held-for-sale	855	762	30,582	(23)	32,176
Total assets	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 1,977	\$ —	\$ 1,977
Noninterest-bearing — intercompany	—	—	39	(39)	—
Interest-bearing	983	—	44,955	—	45,938
Total deposit liabilities	983	—	46,971	(39)	47,915
Short-term borrowings	3,094	—	4,367	—	7,461
Long-term debt	32,342	—	42,219	—	74,561
Intercompany debt to					
Nonbank subsidiaries	530	—	5,708	(6,238)	—
Intercompany payables to					
Bank subsidiary	752	—	—	(752)	—
Nonbank subsidiaries	674	—	278	(952)	—
Interest payable	748	—	184	—	932
Unearned insurance premiums and service revenue	—	—	2,296	—	2,296
Accrued expenses and other liabilities	2,187	451	4,517	(570)	6,585
Liabilities of operations held-for-sale	26	725	21,948	—	22,699
Total liabilities	41,336	1,176	128,488	(8,551)	162,449
Total equity	19,898	17,931	33,575	(51,506)	19,898
Total liabilities and equity	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Condensed Consolidating Statement of Cash Flows

Nine months ended September 30, 2013 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 5,198	\$ 3,514	\$ 4,528	\$ (8,875)	\$ 4,365
Investing activities					
Purchases of available-for-sale securities	—	—	(12,747)	—	(12,747)
Proceeds from sales of available-for-sale securities	—	—	4,721	—	4,721
Proceeds from maturities and repayments of available-for-sale securities	—	—	3,893	—	3,893
Net (increase) decrease in finance receivables and loans	(3,527)	79	6,192	—	2,744
Net decrease (increase) in loans — intercompany	347	251	(1,376)	778	—
Net increase in operating lease assets	(1,111)	—	(4,060)	—	(5,171)
Capital contributions to subsidiaries	(176)	—	—	176	—
Returns of contributed capital	769	150	—	(919)	—
Sales of mortgage servicing rights	—	—	911	—	911
Proceeds from sale of business units, net	1,123	554	5,260	—	6,937
Net change in restricted cash	—	(26)	2,323	—	2,297
Other, net	(200)	—	145	—	(55)
Net cash (used in) provided by investing activities	(2,775)	1,008	5,262	35	3,530
Financing activities					
Net change in short-term borrowings — third party	105	36	(1,077)	—	(936)
Net (decrease) increase in deposits	(433)	—	4,527	(37)	4,057
Proceeds from issuance of long-term debt — third party	2,213	—	11,134	—	13,347
Repayments of long-term debt — third party	(6,331)	(70)	(20,324)	—	(26,725)
Net change in debt — intercompany	1,674	(271)	(669)	(734)	—
Dividends paid — third party	(601)	—	—	—	(601)
Dividends paid and returns of contributed capital — intercompany	—	(4,217)	(5,577)	9,794	—
Capital contributions from parent	—	29	147	(176)	—
Net cash used in financing activities	(3,373)	(4,493)	(11,839)	8,847	(10,858)
Effect of exchange-rate changes on cash and cash equivalents	—	—	47	—	47
Net (decrease) increase in cash and cash equivalents	(950)	29	(2,002)	7	(2,916)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	1,952	—	1,952
Cash and cash equivalents at beginning of year	3,972	—	4,032	(491)	7,513
Cash and cash equivalents at September 30	\$ 3,022	\$ 29	\$ 3,982	\$ (484)	\$ 6,549

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash (used in) provided by operating activities	\$ (104)	\$ 34	\$ 5,339	\$ (424)	\$ 4,845
Investing activities					
Purchases of available-for-sale securities	—	—	(9,592)	—	(9,592)
Proceeds from sales of available-for-sale securities	—	—	6,774	—	6,774
Proceeds from maturities and repayments of available-for-sale securities	—	—	4,940	—	4,940
Net (increase) decrease in finance receivables and loans	(1,857)	84	(6,152)	—	(7,925)
Proceeds from sales of finance receivables and loans	352	—	1,977	—	2,329
Net decrease in loans — intercompany	1,989	227	281	(2,497)	—
Net increase in operating lease assets	(928)	—	(3,381)	—	(4,309)
Capital contributions to subsidiaries	(56)	—	—	56	—
Returns of contributed capital	1,926	—	—	(1,926)	—
Net cash effect from deconsolidation of ResCap	—	—	(539)	—	(539)
Proceeds from sale of business units, net	29	—	487	—	516
Net change in restricted cash	—	(20)	112	—	92
Other, net	(155)	—	138	—	(17)
Net cash provided by (used in) investing activities	1,300	291	(4,955)	(4,367)	(7,731)
Financing activities					
Net change in short-term borrowings — third party	336	1	(2,010)	—	(1,673)
Net (decrease) increase in deposits	(436)	—	5,116	(33)	4,647
Proceeds from issuance of long-term debt — third party	3,092	—	24,428	—	27,520
Repayments of long-term debt — third party	(3,392)	(46)	(19,470)	—	(22,908)
Net change in debt — intercompany	474	(281)	(2,216)	2,023	—
Dividends paid — third party	(601)	—	—	—	(601)
Dividends paid and returns of contributed capital — intercompany	—	(11)	(2,339)	2,350	—
Capital contributions from parent	—	—	56	(56)	—
Net cash (used in) provided by financing activities	(527)	(337)	3,565	4,284	6,985
Effect of exchange-rate changes on cash and cash equivalents	(53)	—	52	—	(1)
Net increase (decrease) in cash and cash equivalents	616	(12)	4,001	(507)	4,098
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	24	—	24
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035
Cash and cash equivalents at September 30	\$ 6,877	\$ 2	\$ 11,301	\$ (1,023)	\$ 17,157

26. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk. For additional information on contingencies and other risks arising from such transactions, refer to Note 29 to the Consolidated Financial Statements in our 2012 Annual Report.

Mortgage-Related Matters

ResCap Bankruptcy Filing

Our mortgage operations were historically a significant portion of our operations and were conducted primarily through our Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly-owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases, and certain other creditors. On June 26, 2013, the Bankruptcy Court entered an order approving the PSA. On July 3, 2013, the Debtors filed the bankruptcy plan (the Plan) and related disclosure statement (the Disclosure Statement) with the Bankruptcy Court. The Bankruptcy Court entered an order approving the Disclosure Statement on August 23, 2013, and the Plan confirmation hearing is currently scheduled to commence on November 19, 2013. For further information with respect to the bankruptcy, refer to Note 1.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Mortgage Settlements and Consent Order

On February 9, 2012, we announced that we had reached an agreement with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (the Mortgage Settlement). Further, as a result of an examination conducted by the FRB and FDIC, on April 13, 2011, we entered into a consent order (the Consent Order) with the FRB and the FDIC, that required, among other things, GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (the FRB Foreclosure Review).

As described in Note 1, on July 26, 2013, the Bankruptcy Court approved an amendment to the Consent Order (the Consent Order Amendment) which, among other things, required the Debtors to escrow approximately \$230 million (the FRB Settlement Amount) in exchange for the FRB ceasing the foreclosure review mandated under the Consent Order (the FRB Foreclosure Review). As a result of the Consent Order Amendment, the Debtors are no longer responsible for the FRB Foreclosure Review, and the FRB Settlement Amount will be distributed to individual borrowers in full satisfaction of the Debtors' foreclosure review obligations.

In addition, the PSA described above provides that the Debtors will remain responsible for all costs and obligations imposed on the Debtors under the Mortgage Settlement and Consent Order. For further information, refer to Note 1. If the Bankruptcy Court does not confirm the Plan, it is possible that Ally could become liable for certain financial and performance obligations under the Mortgage Settlement and Consent Order.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims.

Mortgage-backed Securities Litigation

Ally Financial Inc. and certain of its subsidiaries are named as defendants in various cases relating to ResCap mortgage-backed securities and certain other mortgage-related matters (collectively, the Mortgage Cases). The PSA requires the parties to support a Chapter 11 plan in the Debtors' Chapter 11 cases that will, among other things, settle and provide AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that reside with the Debtors, and all pending and potential claims held by third parties (the Third Party Releases) related to the Debtors that could be brought against AFI, including the Mortgage Cases. The Plan fully incorporates the terms of the PSA, including the Debtor Releases, as well as the Third Party Releases. As of the date hereof, AFI has agreed to settlements with each of the Federal Housing Finance Agency (the FHFA) and the Federal Deposit Insurance Corporation, as receiver for certain failed banks (the FDIC), which provide, among other things, that in exchange for a monetary payment, the FHFA's and FDIC's pending litigation against AFI will be dismissed, and the claims will no longer be included as exceptions to the Third Party Releases. Refer to Note 1 for further information.

Regulatory Matters

We have responded to subpoenas and document requests from the SEC, seeking information covering a wide range of mortgage-related matters, including, among other things, various aspects surrounding securitizations of residential mortgages. We also have responded to subpoenas received from the U.S. Department of Justice, which include broad requests for documentation and other information in connection with its investigation of potential fraud and other potential legal violations related to mortgage backed securities, as well as the origination and/or underwriting of mortgage loans.

In addition, the Consumer Financial Protection Bureau (CFPB) is currently investigating credit practices of certain participants in the automotive finance industry. In connection with these investigations, the staff of the CFPB has recently advised us that they believe we have an obligation to prevent independent automotive dealers with which we do business from engaging in certain retail financing practices that the CFPB staff believes violate the anti-discrimination provisions of the Equal Credit Opportunity Act, and that we have failed to fulfill this obligation. We understand that the CFPB has similarly advised other automobile finance companies. We are currently in discussions with the CFPB with respect to these matters. It is possible that this could result in material adverse consequences including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in our business practices, or other actions. However, we are unable to estimate any potential financial or other impact at this time that could result from these investigations, should any occur.

Loan Repurchases and Obligations Related to Loan Sales

Representation and Warranty Obligation Reserve Methodology

The representation and warranty reserve was \$44 million at September 30, 2013 with respect to our sold and serviced loans for which we have retained representation and warranty obligation. The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income.

On April 16, 2013, we completed the sales of agency MSR to Ocwen and Quicken. The sale to Ocwen included the transfer of the origination representation and warranty liabilities (but not those related to servicing) on any and all claims following the sale of the MSRs through an indemnification agreement. However, Ally Bank retained all representation and warranty liability related to loans previously liquidated with a loss (e.g. GSEs completed a foreclosure) as well as the liability on outstanding claims at the time of the sale. The MSR sale to Quicken did not include the transfer of representation and warranty liabilities. The repurchase reserve at September 30, 2013 reflects expected losses associated with the contractual obligation retained.

The following table summarizes the changes in our reserve for representation and warranty obligations.

Three months ended September 30, (\$ in millions)	2013	2012
Balance at July 1,	\$ 25	\$ 124
Provision for mortgage representation and warranty expenses		
Loan sales	—	3
Change in estimate — continuing operations	22	30
Total additions	22	33
Resolved claims (a)	(3)	(30)
Recoveries	—	—
Balance at September 30,	\$ 44	\$ 127

(a) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

Nine months ended September 30, (\$ in millions)	2013 (a)	2012 (b)
Balance at January 1,	\$ 105	\$ 825
Provision for mortgage representation and warranty expenses		
Loan sales	5	11
Change in estimate — continuing operations	103	67
Total additions	108	78
Resolved claims (c)	(44)	(117)
Recoveries	2	6
Other (d)	(127)	(665)
Balance at September 30,	\$ 44	\$ 127

(a) The liabilities are held by Ally Bank and a majority of the previous liability was eliminated as a result of the deconsolidation of ResCap. Refer to Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

(b) Includes activities of our discontinued operations.

(c) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

(d) Activity for 2013 includes the impact of the sale of MSRs to Ocwen. Activity for 2012 includes the impact of the deconsolidation of ResCap.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the loss becomes probable and the amount can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

27. Subsequent Events

Declaration of Quarterly Dividend Payments

On October 1, 2013, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. A quarterly dividend payment was declared on our Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, of \$1.125 per share, or a total of \$134 million, and is payable to the U.S. Department of Treasury. A quarterly dividend payment was also declared on our Fixed Rate Cumulative Perpetual Preferred Stock, Series G, of \$17.50 per share, or a total of \$45 million, and is payable to shareholders of record as of November 1, 2013. Additionally, a dividend payment was declared on our Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A, of \$0.53 per share, or a total of \$22 million, and is payable to shareholders of record as of November 1, 2013. The dividends are payable on November 15, 2013.

Remaining Latin American Operations Sale

On October 1, 2013, we completed the sale of our remaining Latin American Operations, which included our operations in Brazil, to General Motors Financial Company, Inc., a wholly-owned subsidiary of General Motors Co. We received approximately \$611 million in total consideration for the business at closing, which is subject to certain post-closing adjustments based on the actual net asset value of the business and certain other items.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations, our Condensed Consolidated Financial Statements, and the Notes to Condensed Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

The following table presents selected statement of income data.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Total financing revenue and other interest income	\$ 2,039	\$ 1,867	\$ 6,003	\$ 5,391
Interest expense	787	1,029	2,549	3,105
Depreciation expense on operating lease assets	515	366	1,449	1,006
Net financing revenue	737	472	2,005	1,280
Total other revenue	371	775	1,159	2,094
Total net revenue	1,108	1,247	3,164	3,374
Provision for loan losses	141	105	361	236
Total noninterest expense	762	845	2,521	2,671
Income from continuing operations before income tax expense (benefit)	205	297	282	467
Income tax expense (benefit) from continuing operations	28	46	(55)	31
Net income from continuing operations	177	251	337	436
(Loss) income from discontinued operations, net of tax	(86)	133	(80)	(640)
Net income (loss)	\$ 91	\$ 384	\$ 257	\$ (204)
Basic and diluted earnings per common share:				
Net (loss) income from continuing operations	\$ (18)	\$ 38	\$ (199)	\$ (124)
Net (loss) income	(82)	138	(259)	(605)
Non-GAAP financial measures (a):				
Net income (loss)	\$ 91	\$ 384	\$ 257	\$ (204)
Add: Original issue discount amortization expense (b)	64	76	182	280
Add: Income tax expense (benefit) from continuing operations	28	46	(55)	31
Less: (Loss) income from discontinued operations, net of tax	(86)	133	(80)	(640)
Core pretax income (a)	\$ 269	\$ 373	\$ 464	\$ 747

- (a) Core pretax income is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income is an important measure that management uses to assess the performance of our operations. We believe that core pretax income is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.
- (b) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table presents selected balance sheet and ratio data.

(\$ in millions)	At and for the three months ended September 30,		At and for the nine months ended September 30,	
	2013	2012	2013	2012
Selected period-end balance sheet data:				
Total assets	\$ 150,556	\$ 182,482	\$ 150,556	\$ 182,482
Long-term debt	\$ 60,701	\$ 93,028	\$ 60,701	\$ 93,028
Preferred stock	\$ 6,940	\$ 6,940	\$ 6,940	\$ 6,940
Total equity	\$ 19,061	\$ 18,674	\$ 19,061	\$ 18,674
Financial ratios				
Efficiency ratio (a)	68.77%	67.76%	79.68%	79.16 %
Core efficiency ratio (a)	65.02%	63.87%	75.34%	73.10 %
Return on assets				
Net income from continuing operations	0.47%	0.55%	0.28%	0.32 %
Net income (loss)	0.24%	0.84%	0.22%	(0.15)%
Core pretax income	0.71%	0.81%	0.39%	0.54 %
Return on equity				
Net income from continuing operations	3.69%	5.39%	2.30%	3.07 %
Net income (loss)	1.90%	8.25%	1.75%	(1.43)%
Core pretax income	5.60%	8.01%	3.16%	5.26 %
Equity to assets				
Net interest spread (b)	1.84%	1.12%	1.68%	1.06 %
Net interest spread excluding original issue discount (b)	2.09%	1.41%	1.91%	1.42 %
Net yield on interest-earning assets (c)	2.15%	1.38%	1.97%	1.29 %
Net yield on interest-earning assets excluding original issue discount (c)	2.34%	1.60%	2.15%	1.58 %
Regulatory capital ratios				
Tier 1 capital (to risk-weighted assets) (d)	15.37%	13.58%	15.37%	13.58 %
Total risk-based capital (to risk-weighted assets) (e)	16.40%	14.57%	16.40%	14.57 %
Tier 1 leverage (to adjusted quarterly average assets) (f)	13.16%	11.24%	13.16%	11.24 %
Total equity	\$ 19,061	\$ 18,674	\$ 19,061	\$ 18,674
Goodwill and certain other intangibles	(188)	(497)	(188)	(497)
Unrealized gains and other adjustments	(1,846)	(308)	(1,846)	(308)
Trust preferred securities	2,544	2,543	2,544	2,543
Tier 1 capital (d)	19,571	20,412	19,571	20,412
Preferred stock	(6,940)	(6,940)	(6,940)	(6,940)
Trust preferred securities	(2,544)	(2,543)	(2,544)	(2,543)
Tier 1 common capital (non-GAAP) (g)	\$ 10,087	\$ 10,929	\$ 10,087	\$ 10,929
Risk-weighted assets (h)	\$ 127,348	\$ 150,302	\$ 127,348	\$ 150,302
Tier 1 common (to risk-weighted assets) (g)	7.92%	7.27%	7.92%	7.27 %

- (a) The efficiency ratio equals total noninterest expense divided by total net revenue. The core efficiency ratio equals total noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.
- (b) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
- (c) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
- (d) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
- (e) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
- (f) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
- (g) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
- (h) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Overview

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Discontinued Operations

During 2013 and 2012, we committed to dispose of certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and have classified these operations as discontinued. For all periods presented, the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for more details. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

Remaining sales transactions for our Automotive Finance discontinued operations are expected to close in 2013 and possibly 2014. We believe that when all of the sales are completed, we will realize a cumulative net gain on the sale.

Primary Lines of Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. The following table summarizes the operating results excluding discontinued operations of each line of business. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Total net revenue (loss)						
Dealer Financial Services						
Automotive Finance operations	\$ 865	\$ 803	8	\$ 2,557	\$ 2,315	10
Insurance operations	309	247	25	969	913	6
Mortgage operations	32	491	(93)	56	1,014	(94)
Corporate and Other	(98)	(294)	67	(418)	(868)	52
Total	\$ 1,108	\$ 1,247	(11)	\$ 3,164	\$ 3,374	(6)
Income (loss) from continuing operations before income tax expense (benefit)						
Dealer Financial Services						
Automotive Finance operations	\$ 339	\$ 337	1	\$ 1,064	\$ 1,018	5
Insurance operations	83	13	n/m	189	133	42
Mortgage operations	(4)	331	(101)	(251)	496	(151)
Corporate and Other	(213)	(384)	45	(720)	(1,180)	39
Total	\$ 205	\$ 297	(31)	\$ 282	\$ 467	(40)

n/m = not meaningful

- Our Dealer Financial Services operations offer a wide range of financial services and products to retail automotive consumers and automotive dealerships. Our Dealer Financial Services consist of two separate reportable segments — Automotive Finance and Insurance operations. Our automotive finance services include providing retail installment sales financing, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services.

Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and Guaranteed Automobile Protection (GAP) products. We also underwrite selected commercial insurance coverage, which primarily insures dealers' vehicle inventories.

- Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio. Our Mortgage operations also consist of noncore businesses that are winding down. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. On April 16, 2013, we completed the sales of agency MSR to Ocwen Financial Corp. (Ocwen) and Quicken Loans, Inc. (Quicken). Also on April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

- Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

On August 19, 2013, we entered into investment agreements, with certain accredited investors, to issue and sell in a private placement an aggregate of 166,667 shares of our common stock, \$0.01 par value per share, at an aggregate price of \$1 billion. The completion of the private placement is subject to certain conditions, including, among others, receipt of the non-objection of the Board of Governors of the Federal Reserve System to our re-submitted capital plan under the Comprehensive Capital Analysis and Review 2013, the repurchase by Ally of all of our outstanding shares of Series F-2 preferred stock, and the elimination or relinquishment of any right of the holder of Series F-2 preferred stock to receive additional shares of common stock in certain circumstances pursuant to Section 6(a)(i)(B) of the certificate of designations of the Series F-2 preferred stock. Further, the investment agreements may be terminated if the investments are not consummated by November 30, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the operating segment sections of the MD&A that follows for a more complete discussion of operating results by line of business.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Total financing revenue and other interest income	\$ 2,039	\$ 1,867	9	\$ 6,003	\$ 5,391	11
Interest expense	787	1,029	24	2,549	3,105	18
Depreciation expense on operating lease assets	515	366	(41)	1,449	1,006	(44)
Net financing revenue	737	472	56	2,005	1,280	57
Other revenue						
Net servicing income (loss)	13	225	(94)	(99)	400	n/m
Insurance premiums and service revenue earned	251	262	(4)	768	793	(3)
Gain on mortgage and automotive loans, net	15	142	(89)	52	248	(79)
Loss on extinguishment of debt	(42)	—	(100)	(42)	—	(100)
Other gain (loss) on investments, net	41	(23)	n/m	156	130	20
Other income, net of losses	93	169	(45)	324	523	(38)
Total other revenue	371	775	(52)	1,159	2,094	(45)
Total net revenue	1,108	1,247	(11)	3,164	3,374	(6)
Provision for loan losses	141	105	(34)	361	236	(53)
Noninterest expense						
Compensation and benefits expense	245	257	5	782	830	6
Insurance losses and loss adjustment expenses	85	90	6	346	337	(3)
Other operating expenses	432	498	13	1,393	1,504	7
Total noninterest expense	762	845	10	2,521	2,671	6
Income from continuing operations before income tax expense (benefit)	205	297	(31)	282	467	(40)
Income tax expense (benefit) from continuing operations	28	46	39	(55)	31	n/m
Net income from continuing operations	\$ 177	\$ 251	(29)	\$ 337	\$ 436	(23)

n/m = not meaningful

We earned net income from continuing operations of \$177 million and \$337 million for the three months and nine months ended September 30, 2013, respectively, compared to \$251 million and \$436 million for the three months and nine months ended September 30, 2012, respectively. Net income from continuing operations for the three months and nine months ended September 30, 2013 was unfavorably impacted by our Mortgage operations, primarily due to the exit of all non-strategic mortgage-related activities, including consumer mortgage-lending production associated with government-sponsored refinancing programs, our warehouse lending operations, and our agency MSRs portfolio. The decreases were partially offset by lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization, lower funding costs, and favorable income tax expense (benefit) from continuing operations.

Total financing revenue and other interest income increased \$172 million and \$612 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The increases resulted primarily from an increase in operating lease revenue and consumer financing revenue for our Automotive Finance operations driven primarily by an increase in consumer asset levels as a result of strong GM lease originations. Additionally, we continued to prudently expand our nonprime origination volume across a broad credit spectrum, effecting margin expansion. This increase was partially offset by lower mortgage loan production as a result of the wind-down of our consumer held-for-sale portfolio, run-off of our held-for-investment portfolio, and the shutdown of our warehouse lending operations.

Interest expense decreased 24% and 18% for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, primarily due to lower funding costs as a result of continued deposit growth and the refinancing of higher-cost legacy debt, and a decrease in OID amortization expense. OID amortization expense decreased \$12 million and \$100 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, due to bond maturities and normal monthly amortization.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Depreciation expense on operating lease assets increased 41% and 44% for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

We earned net servicing income of \$13 million and incurred a net servicing loss of \$99 million for the three months and nine months ended September 30, 2013, respectively, compared to net servicing income of \$225 million and \$400 million for the same periods in 2012. The decreases were primarily due to the completed sales of our agency MSR portfolio to Ocwen and Quicken in the second quarter of 2013.

Gain on mortgage and automotive loans decreased \$127 million and \$196 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily related to lower consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs as a result of our decision to substantially exit mortgage-related activities. Furthermore, while we continue to evaluate opportunistic use of whole-loan sales as a source of funding in our Automotive Finance operations, we have not executed any whole-loan sales during the three months and nine months ended September 30, 2013 and have primarily focused on securitization and deposit-based funding sources.

Loss on extinguishment of debt increased \$42 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012 due to the accelerated recognition of issuance expenses related to calls of redeemable debt.

Other gain on investments, net, was \$41 million and \$156 million for the three months and nine months ended September 30, 2013, respectively, compared to losses of \$23 million and gains of \$130 million for the same periods in 2012. The increases were primarily due to market conditions, resulting in lower recognition of other-than-temporary impairment, and increased sales of investments.

Other income, net of losses, decreased 45% and 38% for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs, partially offset by a fair value adjustment on derivatives related to the wind-down of our MSR portfolio.

The provision for loan losses was \$141 million and \$361 million, respectively, for the three months and nine months ended September 30, 2013, compared to \$105 million and \$236 million for the same periods in 2012. The increases for the three months and nine months ended September 30, 2013 were primarily due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. consumer automotive portfolio.

Total noninterest expense decreased 10% and 6% for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to lower consumer mortgage-lending production through our direct lending channel and the broker fee associated with those government-sponsored refinancing programs, and lower representation and warranty expense. Lower representation and warranty expense was primarily due to the establishment of our representation and warranty liability during the second quarter of 2012 resulting from the deconsolidation of ResCap; however, this was partially offset by an increase in representation and warranty expense driven by an increase in repurchase claim activity during the three months ended September 30, 2013.

We recognized consolidated income tax expense from continuing operations of \$28 million and an income tax benefit from continuing operations of \$55 million for the three months and nine months ended September 30, 2013, respectively, compared to income tax expense of \$46 million and \$31 million for the same periods in 2012. The decrease in income tax expense for the nine months ended September 30, 2013 was primarily related to the benefit in 2013 from the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

In calculating the continuing operations provision for income taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income on an interim basis. Refer to *Critical Accounting Estimates* within MD&A and Note 1 to the Condensed Consolidated Financial Statements for further details.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Dealer Financial Services

Results for Dealer Financial Services are presented by reportable segment, which includes our Automotive Finance and Insurance operations.

Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our Automotive Finance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Consumer	\$ 763	\$ 719	6	\$ 2,242	\$ 2,088	7
Commercial	246	283	(13)	795	858	(7)
Loans held-for-sale	—	4	(100)	—	15	(100)
Operating leases	832	631	32	2,354	1,699	39
Other interest income	5	12	(58)	18	42	(57)
Total financing revenue and other interest income	1,846	1,649	12	5,409	4,702	15
Interest expense	531	555	4	1,610	1,645	2
Depreciation expense on operating lease assets	515	366	(41)	1,449	1,006	(44)
Net financing revenue	800	728	10	2,350	2,051	15
Other revenue						
Servicing fees	13	26	(50)	48	86	(44)
Gain on automotive loans, net	—	2	(100)	—	41	(100)
Other income	52	47	11	159	137	16
Total other revenue	65	75	(13)	207	264	(22)
Total net revenue	865	803	8	2,557	2,315	10
Provision for loan losses	150	101	(49)	350	194	(80)
Noninterest expense						
Compensation and benefits expense	110	99	(11)	327	304	(8)
Other operating expenses	266	266	—	816	799	(2)
Total noninterest expense	376	365	(3)	1,143	1,103	(4)
Income from continuing operations before income tax expense (benefit)	\$ 339	\$ 337	1	\$ 1,064	\$ 1,018	5
Total assets	\$ 108,609	\$ 123,252	(12)	\$ 108,609	\$ 123,252	(12)

Our Automotive Finance operations earned income from continuing operations before income tax expense of \$339 million and \$1.1 billion for the three months and nine months ended September 30, 2013, respectively, compared to \$337 million and \$1.0 billion for the three months and nine months ended September 30, 2012, respectively. Results for the three months and nine months ended September 30, 2013 were favorably impacted by higher consumer and operating lease revenues driven by growth in the consumer loan and operating lease portfolios, offset mostly by lower commercial and other revenue, higher depreciation expense on operating lease assets related to growth in the lease portfolio, and higher provision for loan losses primarily driven by the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum.

Consumer financing revenue increased \$44 million and \$154 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, due to an increase in consumer asset levels primarily related to continued strong loan origination volume primarily due to an increase in GM new vehicle originations resulting from stronger lease volume relative to the pay-down of the existing portfolio, as well as a lack of use of whole-loan sales as a funding source in recent periods. However, our penetration levels for new retail automotive loans with GM are lower than those of 2012, and our originations of Chrysler subvented retail financing and leases with residual and rate support have ceased, but we continue to participate in standard rate lease and retail products in the Chrysler channel. The increase in consumer revenue from loan origination volume was partially offset by slightly lower yields as a result of the competitive market environment for automotive financing.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Commercial financing revenue decreased 13% and 7% for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, primarily due to lower yields as a result of competitive markets for automotive commercial financing coupled with lower commercial loan balances as a result of the reduction in the wholesale dealer floorplan portfolio.

Operating lease revenue increased 32% and 39% for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong origination volume primarily driven by an increase in GM marketing incentives.

Depreciation expense on operating lease assets increased 41% and 44% for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

Servicing fee income decreased 50% and 44% for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, due to lower levels of off-balance sheet retail serviced assets.

Gains from the sale of automotive loans were \$0 for both the three months and nine months ended September 30, 2013, compared to \$2 million and \$41 million for the same periods in 2012. While we continue to evaluate opportunistic use of whole-loan sales as a source of funding, we have primarily focused on securitization and deposit-based funding sources in 2013.

Other income increased \$5 million and \$22 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The increase for the nine months ended September 30, 2013 was primarily due to a one-time fee earned from a vendor that did not occur during the nine months ended September 30, 2012.

The provision for loan losses was \$150 million and \$350 million for the three months and nine months ended September 30, 2013, respectively, compared to \$101 million and \$194 million for the same periods in 2012. The increases for the three months and nine months ended September 30, 2013 were primarily due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. consumer automotive portfolio.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Automotive Financing Volume

Consumer Automotive Financing Volume

The following tables summarize our new and used vehicle consumer financing volume, including lease, and our share of consumer sales in the United States.

Three months ended September 30, (units in thousands)	Consumer automotive financing volume		% Share of consumer sales	
	2013	2012	2013	2012
GM new vehicles	167	144	28	29
Chrysler new vehicles	38	81	10	25
Other non-GM / Chrysler new vehicles	20	21		
Used vehicles	131	114		
Total consumer automotive financing volume	356	360		

Nine months ended September 30, (units in thousands)	Consumer automotive financing volume		% Share of consumer sales	
	2013	2012	2013	2012
GM new vehicles	479	443	29	30
Chrysler new vehicles	167	247	16	27
Other non-GM / Chrysler new vehicles	60	65		
Used vehicles	382	380		
Total consumer automotive financing volume	1,088	1,135		

Consumer automotive financing volume decreased slightly during the three months and nine months ended September 30, 2013, compared to the same periods in 2012, primarily due to a decrease in Chrysler new subvented vehicle originations as a result of the expiration of our operating agreement on April 30, 2013. The decreases were partially offset by an increase in used volume and GM new vehicle originations resulting from stronger lease volume.

The following tables present the total U.S. consumer origination dollars and percentage mix by product type.

Three months ended September 30, (\$ in millions)	Consumer automotive financing originations		% Share of originations	
	2013	2012	2013	2012
GM new vehicles				
New retail standard	\$ 1,692	\$ 1,595	18	17
New retail subvented	1,050	900	11	9
Lease	2,527	1,949	26	20
Total GM new vehicle originations	5,269	4,444		
Chrysler new vehicles				
New retail standard	790	1,143	8	12
New retail subvented	—	478	—	5
Lease	275	611	3	6
Total Chrysler new vehicle originations	1,065	2,232		
Other new retail vehicles	620	555	6	6
Other lease	42	23	1	1
Used vehicles	2,591	2,324	27	24
Total consumer automotive financing originations	\$ 9,587	\$ 9,578		

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, (\$ in millions)	Consumer automotive financing originations		% Share of originations	
	2013	2012	2013	2012
GM new vehicles				
New retail standard	\$ 4,796	\$ 4,732	16	16
New retail subvented	3,596	4,556	12	15
Lease	6,561	4,423	23	15
Total GM new vehicle originations	14,953	13,711		
Chrysler new vehicles				
New retail standard	2,788	3,367	9	11
New retail subvented	390	1,692	1	5
Lease	1,651	1,764	6	6
Total Chrysler new vehicle originations	4,829	6,823		
Other new retail vehicles	1,722	1,722	6	6
Other lease	110	69	1	1
Used vehicles	7,539	7,522	26	25
Total consumer automotive financing originations	\$ 29,153	\$ 29,847		

During the three months and nine months ended September 30, 2013, respectively, total GM new vehicle originations increased, compared to the same periods in 2012, due to stronger lease volume, partially offset by lower new retail subvented volume. Chrysler new retail contracts decreased primarily as a result of lower retail penetration at Chrysler due to our shift in focus towards non-subvented business as a result of the expiration of our operating agreement on April 30, 2013. Other used and lease originations were higher due to the continued strategic focus within the non-GM/non-Chrysler market.

For further discussion of manufacturing marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission (SEC) as revised by the Current Report on Form 8-K filed with the SEC on July 9, 2013 (referred to herein as 2012 Annual Report), Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

Commercial Wholesale Financing Volume

The following tables summarize the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles and share of dealer inventory in the United States.

Three months ended September 30, (\$ in millions)	Average balance		% Share of dealer inventory	
	2013	2012	2013	2012
GM new vehicles (a)	\$ 14,545	\$ 15,279	67	70
Chrysler new vehicles (a)	6,166	6,447	49	57
Other non-GM / Chrysler new vehicles	2,530	2,214		
Used vehicles	2,947	2,946		
Total commercial wholesale finance receivables	\$ 26,188	\$ 26,886		

(a) Share of dealer inventory based on a 4 month average of dealer inventory (excludes in-transit units).

Nine months ended September 30, (\$ in millions)	Average balance		% Share of dealer inventory	
	2013	2012	2013	2012
GM new vehicles (a)	\$ 15,418	\$ 14,912	67	71
Chrysler new vehicles (a)	6,681	6,508	52	60
Other non-GM / Chrysler new vehicles	2,562	2,184		
Used vehicles	3,003	2,963		
Total commercial wholesale finance receivables	\$ 27,664	\$ 26,567		

(a) Share of dealer inventory based on a 10 month average of dealer inventory (excludes in-transit units).

Commercial wholesale financing average volume decreased during the three months ended September 30, 2013, and increased during the nine months ended September 30, 2013, compared to the same periods in 2012. Wholesale penetration with GM and Chrysler decreased

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

during the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, as a result of increased competition in the wholesale marketplace. The decrease in wholesale penetration during the nine months ended September 30, 2013 was more than offset by an increase in commercial wholesale financing average volume, primarily due to growing dealer inventories required to support increasing automotive industry sales.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Insurance Operations

Results of Operations

The following table summarizes the operating results of our Insurance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Insurance premiums and other income						
Insurance premiums and service revenue earned	\$ 251	\$ 262	(4)	\$ 768	\$ 793	(3)
Investment income	55	(21)	n/m	190	90	111
Other income	3	6	(50)	11	30	(63)
Total insurance premiums and other income	309	247	25	969	913	6
Expense						
Insurance losses and loss adjustment expenses	85	90	6	346	337	(3)
Acquisition and underwriting expense						
Compensation and benefits expense	15	13	(15)	46	45	(2)
Insurance commissions expense	93	93	—	278	286	3
Other expenses	33	38	13	110	112	2
Total acquisition and underwriting expense	141	144	2	434	443	2
Total expense	226	234	3	780	780	—
Income from continuing operations before income tax expense (benefit)	\$ 83	\$ 13	n/m	\$ 189	\$ 133	42
Total assets	\$ 7,323	\$ 8,461	(13)	\$ 7,323	\$ 8,461	(13)
Insurance premiums and service revenue written	\$ 267	\$ 286	(7)	\$ 773	\$ 822	(6)
Combined ratio (a)	89.6%	88.7%		100.8%	96.4%	

n/m = not meaningful

(a) Management uses a combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned.

Our Insurance operations earned income from continuing operations before income tax expense of \$83 million and \$189 million for the three months and nine months ended September 30, 2013, respectively, compared to \$13 million and \$133 million for the three months and nine months ended September 30, 2012, respectively. The increases were primarily due to higher realized investment gains partially offset by a reduction in insurance premiums and service revenue earned.

Insurance premiums and service revenue earned was \$251 million and \$768 million for the three months and nine months ended September 30, 2013, respectively, compared to \$262 million and \$793 million for the same periods in 2012. The decreases were primarily due to declining U.S. vehicle service contracts written in prior years when the automotive market was depressed.

Investment income increased \$76 million and \$100 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The increases were primarily due to higher realized investment gains and lower recognition of other-than-temporary impairment.

Insurance losses and loss adjustment expenses totaled \$85 million and \$346 million for the three months and nine months ended September 30, 2013, respectively, compared to \$90 million and \$337 million for the same periods in 2012. The decrease for the three months ended September 30, 2013 was primarily due to the sale of the Canadian personal lines business, which stopped writing business on November 1, 2012. The increase for the nine months ended September 30, 2013 was driven primarily by higher losses on our dealer inventory insurance products due to early spring hailstorms.

The combined ratio increased to 100.8% for the nine months ended September 30, 2013 compared to 96.4% for the same period in 2012 primarily due to an increase in weather-related losses.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table shows premium and service revenue written by insurance product.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Vehicle service contracts				
New retail	\$ 114	\$ 106	\$ 328	\$ 309
Used retail	137	129	395	394
Reinsurance	(39)	(30)	(106)	(89)
Total vehicle service contracts	212	205	617	614
Wholesale	42	42	115	93
Other finance and insurance (a)	13	39	41	115
Total	\$ 267	\$ 286	\$ 773	\$ 822

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products. The wind-down of Canadian personal lines totaled \$17 million and \$55 million for the three months and nine months ended September 30, 2012, respectively.

Insurance premiums and service revenue written was \$267 million and \$773 million for the three months and nine months ended September 30, 2013, respectively, compared to \$286 million and \$822 million for the same periods in 2012. Insurance premiums and service revenue written decreased due to the sale of the Canadian personal lines business. Exclusive of Canadian personal lines, written premium decreased \$2 million for the three months ended September 30, 2013 and increased \$6 million for the nine months ended September 30, 2013 due to the growth in Wholesale Motors Inventory business. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during 2013 will be recognized as income in future periods.

Cash and Investments

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

The following table summarizes the composition of the cash and investment portfolio held at fair value by our Insurance operations.

(\$ in millions)	September 30, 2013	December 31, 2012
Cash		
Noninterest-bearing cash	\$ 238	\$ 129
Interest-bearing cash	420	488
Total cash	658	617
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,153	1,090
U.S. States and political subdivisions	179	—
Foreign government	300	303
Mortgage-backed	1,145	714
Asset-backed	27	8
Corporate debt	1,058	1,264
Total debt securities	3,862	3,379
Equity securities	913	1,148
Total available-for-sale securities	4,775	4,527
Total cash and securities	\$ 5,433	\$ 5,144

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Mortgage Operations

Results of Operations

The following table summarizes the operating results for our Mortgage operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue						
Total financing revenue and other interest income	\$ 83	\$ 159	(48)	\$ 298	\$ 471	(37)
Interest expense	70	114	39	236	360	34
Net financing revenue	13	45	(71)	62	111	(44)
Servicing fees	—	65	(100)	66	240	(73)
Servicing asset valuation and hedge activities, net	—	134	(100)	(213)	74	n/m
Total servicing income, net	—	199	(100)	(147)	314	(147)
Gain on mortgage loans, net	15	140	(89)	52	244	(79)
Other income, net of losses	4	107	(96)	89	345	(74)
Total other revenue (loss)	19	446	(96)	(6)	903	(101)
Total net revenue	32	491	(93)	56	1,014	(94)
Provision for loan losses	(12)	5	n/m	14	53	74
Noninterest expense						
Compensation and benefits expense	7	25	72	35	67	48
Representation and warranty expense	22	30	27	103	171	40
Other operating expenses	19	100	81	155	227	32
Total noninterest expense	48	155	69	293	465	37
(Loss) income from continuing operations before income tax expense (benefit)	\$ (4)	\$ 331	(101)	\$ (251)	\$ 496	(151)
Total assets	\$ 8,562	\$ 17,004	(50)	\$ 8,562	\$ 17,004	(50)

n/m = not meaningful

Our Mortgage operations incurred a loss from continuing operations before income tax expense of \$4 million and \$251 million for the three months and nine months ended September 30, 2013, respectively, compared to income from continuing operations before income tax expense of \$331 million and \$496 million for the three months and nine months ended September 30, 2012, respectively. The decreases were primarily related to our exit of all non-strategic mortgage-related activities, including consumer mortgage-lending production associated with government-sponsored refinancing programs, our warehouse lending operations, and our agency MSRs portfolio.

Net financing revenue was \$13 million and \$62 million for the three months and nine months ended September 30, 2013, respectively, compared to \$45 million and \$111 million for the same periods in 2012. The decreases in net financing revenue were primarily due to lower production as a result of the wind-down of our consumer held-for-sale portfolio, run-off of our held-for-investment portfolio, and the shutdown of our warehouse lending operations. The decreases were partially offset by lower interest expense as a result of lower funding costs.

We earned net servicing income of \$0 and incurred a net servicing loss of \$147 million for the three months and nine months ended September 30, 2013, respectively, compared to net servicing income of \$199 million and \$314 million for the same periods in 2012. The decreases were primarily due to the completed sales of our agency MSRs portfolio to Ocwen and Quicken.

The net gain on mortgage loans decreased \$125 million and \$192 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily related to our decision to cease mortgage-lending production through our direct lending channel, and margins associated with government-sponsored refinancing programs.

Other income, net of losses, was \$4 million and \$89 million for the three months and nine months ended September 30, 2013, respectively, compared to \$107 million and \$345 million for the same periods in 2012. The decreases were primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs, partially offset by a fair value adjustment on derivatives related to the wind-down of our MSR portfolio.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The provision for loan losses decreased \$17 million and \$39 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012, primarily due to lower net charge-offs in 2013 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense decreased \$107 million and \$172 million for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to our decision to cease consumer mortgage-lending production through our direct lending channel and the broker fee associated with those government-sponsored refinancing programs, and lower representation and warranty expense. Lower representation and warranty expense was primarily due to the establishment of our representation and warranty liability during the second quarter of 2012 resulting from the deconsolidation of ResCap; however, this was partially offset by an increase in representation and warranty expense driven by increase in repurchase claim activity during the three months ended September 30, 2013.

Mortgage Loan Production and Servicing

The following tables summarize U.S. consumer mortgage loan production.

Three months ended September 30, (\$ in millions)	2013		2012	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	—	\$ —	34,329	\$ 7,349
Prime nonconforming	—	—	651	533
Government	—	—	1,318	279
Total U.S. production by product type	—	\$ —	36,298	\$ 8,161
U.S. production by channel				
Direct lending	—	\$ —	17,198	\$ 3,319
Correspondent lender and secondary market purchases	—	—	15,831	3,917
Mortgage brokers	—	—	3,269	925
Total U.S. production by channel	—	\$ —	36,298	\$ 8,161

Nine months ended September 30, (\$ in millions)	2013		2012	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Production by product type				
Prime conforming	30,107	\$ 6,020	88,691	\$ 18,804
Prime nonconforming	920	740	1,945	1,577
Government	221	44	10,345	2,249
Total U.S. production by product type	31,248	\$ 6,804	100,981	\$ 22,630
U.S. production by channel				
Direct lending	14,362	\$ 2,631	50,179	\$ 10,071
Correspondent lender and secondary market purchases	14,102	3,363	41,689	10,069
Mortgage brokers	2,784	810	9,113	2,490
Total U.S. production by channel	31,248	\$ 6,804	100,981	\$ 22,630

The decline in loan production was largely driven by our strategic exit from the direct lending channel and our decision announced on April 17, 2013 to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

89% of Ally Bank's serviced mortgage assets are subserviced by Ocwen, pursuant to a servicing agreement. During April 2013, we completed the sale of our portfolio of agency mortgage servicing rights to Ocwen and Quicken. The sales were completed in two stages - loans guaranteed by the Federal National Mortgage Association (Fannie Mae) were sold on April 1, 2013, and loans guaranteed by the Federal Home Loan Mortgage Corporation (Freddie Mac) were sold on April 16, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table summarizes our primary consumer mortgage loan-servicing portfolio by product category.

<i>(\$ in millions)</i>	September 30, 2013 (a)	December 31, 2012
U.S. primary servicing portfolio		
Prime conforming	\$ 255	\$ 117,544
Prime nonconforming	6,570	11,628
Prime second-lien	972	1,136
Government	1	16
Total primary servicing portfolio	\$ 7,798	\$ 130,324

(a) As of September 30, 2013, primary servicing consists of our on-balance sheet mortgage portfolios only.

For more information regarding our serviced mortgage assets, refer to Note 10 to the Condensed Consolidated Financial Statements.

Loans Outstanding

Consumer mortgage loans held-for-sale were as follows.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Prime conforming	\$ 109	\$ 2,407
Government	1	8
Total	110	2,415
Net (discounts) premiums	(56)	26
Fair value option election adjustment	9	49
Total, net	\$ 63	\$ 2,490

Consumer mortgage loans held-for-investment were as follows.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Prime conforming	\$ 240	\$ 245
Prime nonconforming	7,453	8,322
Prime second-lien	972	1,137
Government	—	—
Total	8,665	9,704
Net premiums	39	43
Allowance for loan losses	(387)	(432)
Other	5	8
Total, net	\$ 8,322	\$ 9,323

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2013	2012	Favorable/ (unfavorable) % change	2013	2012	Favorable/ (unfavorable) % change
Net financing loss						
Total financing revenue and other interest income	\$ 79	\$ 26	n/m	\$ 203	\$ 115	77
Interest expense						
Original issue discount amortization	67	79	15	191	291	34
Other interest expense	104	262	60	462	748	38
Total interest expense	171	341	50	653	1,039	37
Net financing loss (a)	(92)	(315)	71	(450)	(924)	51
Other revenue						
Loss on extinguishment of debt	(42)	—	n/m	(42)	—	n/m
Other gain on investments, net	—	7	(100)	3	67	(96)
Other income, net of losses	36	14	157	71	(11)	n/m
Total other revenue	(6)	21	(129)	32	56	(43)
Total net loss	(98)	(294)	67	(418)	(868)	52
Provision for loan losses	3	(1)	n/m	(3)	(11)	(73)
Noninterest expense						
Compensation and benefits expense	113	120	6	374	414	10
Other operating expense (b)	(1)	(29)	(97)	(69)	(91)	(24)
Total noninterest expense	112	91	(23)	305	323	6
Loss from continuing operations before income tax expense (benefit)	\$ (213)	\$ (384)	45	\$ (720)	\$ (1,180)	39
Total assets	\$ 26,062	\$ 33,765	(23)	\$ 26,062	\$ 33,765	(23)

n/m = not meaningful

(a) Refer to the table that follows for further details on the components of net financing loss.

(b) Includes a reduction of \$181 million and \$552 million for the three months and nine months ended September 30, 2013, respectively, and \$202 million and \$604 million for the three months and nine months ended September 30, 2012, respectively, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table summarizes the components of net financing losses for Corporate and Other.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Original issue discount amortization				
2008 bond exchange amortization	\$ (62)	\$ (72)	\$ (176)	\$ (267)
Other debt issuance discount amortization	(5)	(7)	(15)	(24)
Total original issue discount amortization (a)	(67)	(79)	(191)	(291)
Net impact of the funds transfer pricing methodology				
Unallocated liquidity costs (b)	(67)	(113)	(291)	(326)
Funds-transfer pricing / cost of funds mismatch (c)	38	(25)	154	(85)
Unassigned equity costs (d)	(10)	(110)	(162)	(268)
Total net impact of the funds transfer pricing methodology	(39)	(248)	(299)	(679)
Other (including Commercial Finance Group net financing revenue)	14	12	40	46
Total net financing losses for Corporate and Other	\$ (92)	\$ (315)	\$ (450)	\$ (924)
Outstanding original issue discount balance	\$ 1,656	\$ 1,896	\$ 1,656	\$ 1,896

- (a) Amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.
- (b) Represents the unallocated cost of funding our cash and investment portfolio.
- (c) Represents our methodology to assign funding costs to classes of assets and liabilities based on expected duration and the London interbank offer rate (LIBOR) swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to the reportable segments so the respective reportable segments results are insulated from interest rate risk. The balance above is the resulting benefit (loss) due to holding interest rate risk at Corporate and Other.
- (d) Primarily represents the unassigned cost of maintaining required capital positions for certain of our regulated entities, primarily Ally Bank and Ally Insurance.

The following table presents the scheduled remaining amortization of original issue discount at September 30, 2013.

Year ended December 31, (\$ in millions)	2013	2014	2015	2016	2017	2018 and thereafter (a)	Total
Original issue discount							
Outstanding balance	\$ 1,585	\$ 1,396	\$ 1,338	\$ 1,274	\$ 1,198	\$ —	
Total amortization (b)	71	189	57	64	77	1,198	\$ 1,656
2008 bond exchange amortization (c)	65	166	43	53	66	1,059	1,452

- (a) The maximum annual scheduled amortization for any individual year is \$158 million in 2030 of which \$152 million is related to 2008 bond exchange amortization.
- (b) The amortization is included as interest on long-term debt on the Condensed Consolidated Statement of Comprehensive Income.
- (c) 2008 bond exchange amortization is included in total amortization.

Loss from continuing operations before income tax expense for Corporate and Other was \$213 million and \$720 million for the three months and nine months ended September 30, 2013, respectively, compared to \$384 million and \$1,180 million for the three months and nine months ended September 30, 2012, respectively. Corporate and Other's loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios. The improvement in the loss from continuing operations before income tax expense for the three months and nine months ended September 30, 2013 was primarily due to decreases in OID amortization expense related to bond maturities and normal monthly amortization; lower funding costs as a result of early repayments of debt, including certain Federal Home Loan Bank debt during the fourth quarter of 2012; and increases in derivative gains. The improvement was partially offset by a decrease in other gain on investments as a result of fewer sales of investments and a loss on extinguishment of debt due to the accelerated recognition of issuance expenses related to calls of redeemable debt during the three months and nine months ended September 30, 2013.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$5 million and \$40 million for the three months and nine months ended September 30, 2013, respectively, compared to \$2 million and \$36 million for the three months and nine months ended September 30, 2012, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Cash and Investments

The following table summarizes the composition of the cash and securities portfolio held at fair value by Corporate and Other.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Cash		
Noninterest-bearing cash	\$ 825	\$ 944
Interest-bearing cash	5,056	5,942
Total cash	5,881	6,886
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	868	1,124
Mortgage-backed	10,082	6,191
Asset-backed	2,238	2,332
Total debt securities	13,188	9,647
Equity securities	4	4
Total available-for-sale securities	13,192	9,651
Total cash and securities	\$ 19,073	\$ 16,537

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses. Our risk management program is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage those risks to be within our risk appetite. Ally's primary risks include credit, lease residual, market, operational, insurance/underwriting, country, and liquidity. For more information on our risk management process, refer to the Risk Management MD&A section of our 2012 Annual Report.

Loan and Lease Exposure

The following table summarizes the exposures from our loan and lease activities.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Finance receivables and loans		
Dealer Financial Services	\$ 84,899	\$ 86,542
Mortgage operations	8,772	9,821
Corporate and Other	1,610	2,692
Total finance receivables and loans	95,281	99,055
Held-for-sale loans		
Dealer Financial Services	—	—
Mortgage operations	63	2,490
Corporate and Other	19	86
Total held-for-sale loans	82	2,576
Total on-balance sheet loans		
	\$ 95,363	\$ 101,631
Off-balance sheet securitized loans		
Dealer Financial Services	\$ 1,031	\$ 1,495
Mortgage operations	—	119,384
Corporate and Other	—	—
Total off-balance sheet securitized loans	\$ 1,031	\$ 120,879
Operating lease assets		
Dealer Financial Services	\$ 17,254	\$ 13,550
Mortgage operations	—	—
Corporate and Other	—	—
Total operating lease assets	\$ 17,254	\$ 13,550
Serviced loans and leases		
Dealer Financial Services	\$ 116,436	\$ 134,122
Mortgage operations	7,798	130,324
Corporate and Other	1,541	1,344
Total serviced loans and leases	\$ 125,775	\$ 265,790

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. Historically, we primarily originated mortgage loans with the intent to sell and, as such, retained only a small percentage of the loans that we originated or purchased. Mortgage loans that we did not intend to retain were sold to investors, primarily through securitizations guaranteed by GSEs. However, we may have retained an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure. On April 17, 2013, we announced a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans; as a result, our ongoing mortgage portfolio includes the management of our held-for-investment mortgage loans.

Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from an obligor in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. Credit risk is monitored by global and line of business committees and the Global Risk Management organization. Together they oversee the credit decisioning and management processes, and monitor credit risk exposures to ensure they are managed in a safe-and-sound manner and are within our risk appetite. In addition, our Loan Review Group

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

provides an independent assessment of the quality of our credit portfolios and credit risk management practices, and directly reports its findings to the Risk and Compliance Committee of the Board on a regular basis.

To mitigate risk we have implemented specific policies and processes across all lines of business, utilizing both qualitative and quantitative analyses, that reflect our commitment to maintaining an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, as well as stress testing and the assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations. In addition, we maintain limits and underwriting guidelines that reflect our risk appetite.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. We perform ongoing analysis of the consumer automobile, consumer mortgage, and commercial portfolios using a range of indicators to assess the adequacy of the allowance based on historical and current trends. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information.

Additionally, we utilize numerous collection strategies to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we work with customers when they become delinquent on their monthly payment. In lieu of repossessing their vehicle, we may offer several types of assistance to aid our customers based on their willingness and ability to repay their loan. Loss mitigation may include extension of the loan maturity date and rewriting the loan terms. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

Furthermore, we manage our counterparty credit exposure based on the risk profile of the counterparty. Within our policies, we have established standards and requirements for managing counterparty risk exposures in a safe-and-sound manner. Counterparty credit risk is derived from multiple exposure types, including derivatives, securities trading, securities financing transactions, financial futures, cash balances (e.g. due from depository institutions, restricted accounts, and cash equivalents), and investment in debt securities. For more information on Derivative Counterparty Credit Risk, refer to Note 20 to the Condensed Consolidated Financial Statements.

The U.S. economy has continued to expand during the three months and nine months ended September 30, 2013. The labor market recovered further during the quarter, with nonfarm payrolls increasing and the quarterly unemployment rate falling. Within the U.S. automotive portfolio, encouraging trends include an average seasonally adjusted annual rate of 15.7 million new light vehicle sales during the quarter. We continue to be cautious with the economic outlook given the uncertainties of possible future cuts to U.S. federal government spending, another possible U.S. federal government shut-down, ongoing discussions regarding the U.S. debt ceiling, and the backdrop of slow global economic growth.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At September 30, 2013, this primarily included \$84.9 billion of automobile finance receivables and loans and \$8.8 billion of mortgage finance receivables and loans.

During 2012 and 2013, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Condensed Consolidated Financial Statements for additional information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Consumer						
Finance receivables and loans						
Loans at historical cost	\$ 65,222	\$ 63,536	\$ 532	\$ 642	\$ 1	\$ 1
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	65,222	63,536	532	642	1	1
Loans held-for-sale	63	2,490	24	25	—	—
Total consumer loans	65,285	66,026	556	667	1	1
Commercial						
Finance receivables and loans						
Loans at historical cost	30,059	35,519	251	216	—	—
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	30,059	35,519	251	216	—	—
Loans held-for-sale	19	86	—	—	—	—
Total commercial loans	30,078	35,605	251	216	—	—
Total on-balance sheet loans	\$ 95,363	\$ 101,631	\$ 807	\$ 883	\$ 1	\$ 1

(a) Includes nonaccrual troubled debt restructured loans (TDRs) of \$353 million and \$419 million at September 30, 2013, and December 31, 2012, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. There were no troubled debt restructured loans classified as 90 days past due and still accruing at September 30, 2013 and December 31, 2012.

Total on-balance sheet loans outstanding at September 30, 2013, decreased \$6.3 billion to \$95.4 billion from December 31, 2012, reflecting a decrease of \$5.5 billion in the commercial portfolio and a decrease of \$741 million in the consumer portfolio. The decrease in commercial on-balance sheet loans outstanding was primarily driven by increased competition across the automotive lending market as well as the seasonality of dealer inventories. The decrease in consumer on-balance sheet loans was primarily driven by our decisions to exit the direct lending and correspondent lending channels and cease production of any new jumbo mortgage loans, partially offset by automobile originations, which outpaced portfolio runoff.

The total TDRs outstanding at September 30, 2013 increased \$114 million to \$1.3 billion from December 31, 2012, primarily due to our loss mitigation efforts on commercial and consumer loans including continued foreclosure prevention and participation in a variety of government-sponsored refinancing programs. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at September 30, 2013, decreased \$76 million to \$807 million from December 31, 2012, reflecting a decrease of \$111 million of consumer nonperforming loans and an increase of \$35 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2012 was driven, in part, by the improved mix of remaining consumer mortgage loans as lower quality legacy loans continued to runoff. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report for additional information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

(\$ in millions)	Three months ended September 30,				Nine months ended September 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2013	2012	2013	2012	2013	2012	2013	2012
Consumer								
Finance receivables and loans at historical cost	\$ 126	\$ 127	0.8%	0.6%	\$ 346	\$ 351	0.7%	0.6%
Commercial								
Finance receivables and loans at historical cost	—	(2)	—	—	(3)	(31)	—	(0.1)
Total finance receivables and loans at historical cost	\$ 126	\$ 125	0.5%	0.4%	\$ 343	\$ 320	0.5%	0.4%

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

Net charge-offs were \$126 million and \$343 million for the three months and nine months ended September 30, 2013, respectively, compared to \$125 million and \$320 million for the three months and nine months ended September 30, 2012, respectively. The increase during the nine months ended September 30, 2013 was largely due to recoveries in the commercial portfolio in 2012 that did not repeat in 2013. Loans held-for-sale are accounted for at the lower-of-cost or fair value and, therefore, we do not record charge-offs.

The *Consumer Credit Portfolio* and *Commercial Credit Portfolio* discussions that follow relate to consumer and commercial finance receivables and loans recorded at historical cost. Finance receivables and loans recorded at historical cost have an associated allowance for loan losses. Finance receivables and loans measured at fair value were excluded from these discussions since those exposures are not accounted for within our allowance for loan losses.

Consumer Credit Portfolio

During the three months and nine months ended September 30, 2013, the credit performance of the consumer portfolio remained strong and reflects the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	Consumer automobile (c) (d)	\$ 56,450	\$ 53,715	\$ 306	\$ 260	\$ —
Consumer mortgage						
1st Mortgage	6,343	7,173	197	342	1	1
Home equity	2,429	2,648	29	40	—	—
Total consumer finance receivables and loans	\$ 65,222	\$ 63,536	\$ 532	\$ 642	\$ 1	\$ 1

(a) Includes nonaccrual troubled debt restructured loans of \$252 million and \$373 million at September 30, 2013, and December 31, 2012, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at September 30, 2013, and December 31, 2012.

(c) Includes no international consumer automobile loans outstanding at September 30, 2013, and \$2 million of international consumer automobile loans outstanding at December 31, 2012.

(d) Includes \$3 million of fair value adjustment for loans in hedge accounting relationships at September 30, 2013. Refer to Note 20 for additional information.

Total consumer outstanding finance receivables and loans increased \$1.7 billion at September 30, 2013 compared with December 31, 2012. This increase was related to our U.S. automobile consumer loan originations which outpaced portfolio runoff. Additionally, we continued to prudently expand our nonprime and used originations as a percent of our total originations.

Total consumer nonperforming finance receivables and loans at September 30, 2013 decreased \$110 million to \$532 million from December 31, 2012, reflecting a decrease of \$156 million of consumer mortgage nonperforming finance receivables and loans and an increase of \$46 million of consumer automobile nonperforming finance receivables and loans. Nonperforming consumer mortgage finance receivables and loans decreased due to the improved mix of remaining loans. Nonperforming consumer automobile finance receivables and loans increased primarily due to the change in our portfolio mix as we continued to prudently expand our nonprime and used originations as well as seasoning of the portfolio. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information. Nonperforming

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.8% and 1.0% at September 30, 2013 and December 31, 2012, respectively.

Consumer automotive loans accruing and past due 30 days or more increased \$115 million to \$1.2 billion at September 30, 2013, compared with December 31, 2012. The increase is predominantly due to the change in our portfolio mix as we continued to prudently expand our nonprime and used originations.

The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

(\$ in millions)	Three months ended September 30,				Nine months ended September 30,			
	Net charge-offs		Net charge-off ratios (a)		Net charge-offs		Net charge-off ratios (a)	
	2013	2012	2013	2012	2013	2012	2013	2012
Consumer automobile (b)	\$ 115	\$ 96	0.8%	0.6%	\$ 288	\$ 240	0.7%	0.5%
Consumer mortgage								
1st Mortgage	6	18	0.4	1.0	34	65	0.7	1.2
Home equity	5	13	0.9	1.9	24	46	1.3	2.1
Total consumer finance receivables and loans	\$ 126	\$ 127	0.8%	0.6%	\$ 346	\$ 351	0.7%	0.6%

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

(b) Includes no international consumer automobile net charge-offs for the three months and nine months ended September 30, 2013, and \$26 million and \$73 million for the three months and nine months ended September 30, 2012.

Our net charge-offs from total consumer automobile finance receivables and loans were \$115 million and \$288 million for the three months and nine months ended September 30, 2013, respectively, compared to \$96 million and \$240 million for the three months and nine months ended September 30, 2012, respectively. The increase was driven primarily by the change in our U.S. portfolio mix as we continued to prudently expand our nonprime and used originations, seasoning of the portfolio, and higher outstandings. This increase was partially offset by the inclusion of international net charge-offs during the three months and nine months ended September 30, 2012 prior to the reclassification of the international automotive finance business to discontinued operations.

Our net charge-offs from total consumer mortgage receivables and loans were \$11 million and \$58 million for the three months and nine months ended September 30, 2013, respectively, compared to \$31 million and \$111 million for the same periods in 2012. The decreases were driven by continued runoff of legacy mortgage assets and improvements in home prices.

The following table summarizes the unpaid principal balance of total consumer loan originations for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans and loans held-for-sale during the period.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Consumer automobile (a)	\$ 6,744	\$ 9,372	\$ 20,832	\$ 31,281
Consumer mortgage				
1st Mortgage	—	8,161	6,804	22,700
Home equity	—	—	—	—
Total consumer loan originations	\$ 6,744	\$ 17,533	\$ 27,636	\$ 53,981

(a) Includes no international consumer automobile originations for the three months and nine months ended September 30, 2013, and \$2.4 billion and \$7.7 billion for the three months and nine months ended September 30, 2012.

Total automobile-originated loans decreased \$2.6 billion and \$10.4 billion for the three months and nine months ended September 30, 2013, respectively, compared to the same periods in 2012. The decreases were primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market. Total mortgage-originated loans decreased \$8.2 billion and \$15.9 billion for the three months and nine months ended September 30, 2013, respectively. The declines in loan production were largely driven by our strategic exit from the direct lending channel and our decision announced on April 17, 2013 to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

Consumer loan originations retained on-balance sheet as held-for-investment were \$6.7 billion and \$21.6 billion for the three months and nine months ended September 30, 2013, respectively, compared to \$9.9 billion and \$32.9 billion for the three months and nine months ended September 30, 2012, respectively. The decreases were primarily due to the reclassification of our international automotive finance business to

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market.

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state concentration. Total automobile loans were \$56.5 billion and \$53.7 billion at September 30, 2013, and December 31, 2012, respectively. Total mortgage and home equity loans were \$8.8 billion and \$9.8 billion at September 30, 2013, and December 31, 2012, respectively.

	September 30, 2013 (a)		December 31, 2012	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	13.1%	5.8%	12.9%	5.8%
California	5.7	29.5	5.6	29.2
Florida	6.9	3.6	6.7	3.6
Pennsylvania	5.3	1.6	5.2	1.6
Michigan	4.5	4.0	5.0	4.1
Illinois	4.4	4.4	4.3	4.8
New York	4.4	1.9	4.6	2.0
Georgia	3.9	2.1	3.7	1.9
Ohio	4.0	0.7	4.0	0.8
North Carolina	3.3	1.9	3.3	2.0
Other United States	44.5	44.5	44.7	44.2
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at September 30, 2013.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 21.0% our total outstanding consumer finance receivables and loans at September 30, 2013, and December 31, 2012.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in Other Assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

Repossessed assets in our Automotive Finance operations at September 30, 2013 increased \$24 million to \$86 million from December 31, 2012. Foreclosed mortgage assets at September 30, 2013 increased \$1 million to \$7 million from December 31, 2012.

Higher-Risk Mortgage Loans

Since 2009, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for production and prime nonconforming or nonprime for international production), and below-market rate (teaser) mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories, it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value (LTV) mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below-market rate (teaser) mortgages. We believe this hierarchy provides the most relevant risk assessment of our nontraditional products, given the historical stress within the housing market.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table summarizes mortgage finance receivables and loans by higher-risk loan type. These finance receivables and loans are recorded at historical cost and reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming		Accruing past due 90 days or more	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Interest-only mortgage loans (a)	\$ 1,600	\$ 2,063	\$ 84	\$ 125	\$ —	\$ —
Below-market rate (teaser) mortgages	168	192	3	3	—	—
Total higher-risk mortgage loans	\$ 1,768	\$ 2,255	\$ 87	\$ 128	\$ —	\$ —

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

High original LTV mortgage finance receivables and loans at September 30, 2013 remained flat at \$1 million from December 31, 2012, and payment-option adjustable-rate mortgage finance receivables and loans at September 30, 2013 decreased \$1 million to \$2 million from December 31, 2012. There were no high original LTV mortgage loans or payment-option adjustable-rate mortgage loans classified as nonperforming or 90 days past due and still accruing at September 30, 2013 and December 31, 2012.

The allowance for loan losses was \$76 million, or 4.3%, of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at September 30, 2013, compared to \$104 million, or 4.6%, at December 31, 2012.

The following table includes our five largest state concentrations based on our higher-risk mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

(\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
September 30, 2013			
California	\$ 375	\$ 52	\$ 427
Virginia	180	7	187
Maryland	144	5	149
Illinois	83	5	88
Florida	66	8	74
Other United States	752	91	843
Total higher-risk mortgage loans	\$ 1,600	\$ 168	\$ 1,768
December 31, 2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Florida	90	9	99
Other United States	984	103	1,087
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255

Commercial Credit Portfolio

During the three months and nine months ended September 30, 2013, the credit performance of the commercial portfolio remained strong as net charge-offs remained stable. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2012 Annual Report.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Commercial and industrial						
Automobile	\$ 25,691	\$ 30,270	\$ 140	\$ 146	\$ —	\$ —
Mortgage	—	—	—	—	—	—
Other (c)(d)	1,607	2,697	84	33	—	—
Commercial real estate						
Automobile	2,761	2,552	27	37	—	—
Mortgage	—	—	—	—	—	—
Total commercial finance receivables and loans	\$ 30,059	\$ 35,519	\$ 251	\$ 216	\$ —	\$ —

(a) Includes nonaccrual troubled debt restructured loans of \$101 million and \$29 million at September 30, 2013, and December 31, 2012, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at September 30, 2013 and December 31, 2012.

(c) Includes no international commercial and industrial other loans outstanding at September 30, 2013, and \$18 million of international commercial and industrial other loans outstanding at December 31, 2012.

(d) Other commercial primarily includes senior secured commercial lending.

Total commercial finance receivables and loans outstanding decreased \$5.5 billion to \$30.1 billion at September 30, 2013, from December 31, 2012. The commercial and industrial outstandings decreased \$5.7 billion primarily due to increased competition across the automotive lending market and the seasonality of dealer inventories, as well as the payoff of ResCap's debtor-in-possession financing.

Total commercial nonperforming finance receivables and loans were \$251 million at September 30, 2013, an increase of \$35 million compared to December 31, 2012. The increase was primarily due to the reclassification of a small number of commercial loans to nonperforming status within the overall stable commercial portfolio. Total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans increased to 0.8% as of September 30, 2013 from 0.6% as of December 31, 2012.

The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

(\$ in millions)	Three months ended September 30,				Nine months ended September 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2013	2012	2013	2012	2013	2012	2013	2012
Commercial and industrial								
Automobile (b)	\$ —	\$ 2	—%	—%	\$ —	\$ 3	—%	—%
Mortgage	—	(1)	—	(0.2)	—	(1)	—	—
Other (c)	—	(3)	—	(0.6)	(3)	(30)	(0.2)	(2.2)
Commercial real estate								
Automobile	—	—	—	—	—	(2)	—	(0.1)
Mortgage (d)	—	—	—	—	—	(1)	—	(11.7)
Total commercial finance receivables and loans	\$ —	\$ (2)	—%	—%	\$ (3)	\$ (31)	—%	(0.1)%

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

(b) Includes no international net charge-offs for the three months and nine months ended September 30, 2013, and no international charge-offs and \$1 million of international net charge-offs for the three months and nine months ended September 30, 2012, respectively.

(c) Includes no international net charge-offs for both the three months and nine months ended September 30, 2013, respectively, and \$4 million and \$27 million of international recoveries for the three months and nine months ended September 30, 2012, respectively.

(d) Includes no international net charge-offs for the three months and nine months ended September 30, 2013, and no international net charge-offs and \$1 million of international recoveries for the three months and nine months ended September 30, 2012, respectively.

Our net charge-offs from commercial finance receivables and loans resulted in no net charge-offs and \$3 million of recoveries for the three months and nine months ended September 30, 2013, respectively, compared to recoveries of \$2 million and \$31 million for the same periods in 2012. The change in net charge-offs was largely driven by strong recoveries in certain wind-down portfolios during the three months and nine months ended September 30, 2012 that did not repeat for the same periods in 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were \$2.8 billion and \$2.6 billion at September 30, 2013 and December 31, 2012, respectively.

The following table presents the percentage of total commercial real estate finance receivables and loans by geographic region and property type. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	September 30, 2013	December 31, 2012
Geographic region		
Texas	13.7%	13.0%
Florida	12.9	11.7
Michigan	11.9	12.6
California	9.5	9.3
New York	4.7	4.9
North Carolina	4.2	3.9
Virginia	3.8	3.9
Pennsylvania	3.4	3.3
Georgia	3.1	3.0
Illinois	2.5	1.8
Other United States	30.3	32.6
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	100.0%
Total commercial real estate finance receivables and loans	100.0%	100.0%

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential economic loss.

The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans are reported at carrying value before allowance for loan losses.

	September 30, 2013	December 31, 2012
Industry		
Automotive	88.1%	85.7%
Services	3.7	4.9
Electronics	3.2	1.2
Other	5.0	8.2
Total commercial criticized finance receivables and loans	100.0%	100.0%

Total criticized exposures decreased \$59 million to \$1.6 billion at September 30, 2013 from December 31, 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Allowance for Loan Losses

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

Three months ended September 30, 2013 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at July 1, 2013	\$ 610	\$ 431	\$ 1,041	\$ 142	\$ 1,183
Charge-offs	(168)	(16)	(184)	—	(184)
Recoveries	53	5	58	—	58
Net charge-offs	(115)	(11)	(126)	—	(126)
Provision for loan losses	156	(12)	144	(3)	141
Other	—	(1)	(1)	1	—
Allowance at September 30, 2013	\$ 651	\$ 407	\$ 1,058	\$ 140	\$ 1,198
Allowance for loan losses to finance receivables and loans outstanding at September 30, 2013 (a)	1.2%	4.6%	1.6%	0.5%	1.3%
Net charge-offs to average finance receivables and loans outstanding at September 30, 2013 (a)	0.8%	0.5%	0.8%	—%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at September 30, 2013 (a)	212.7%	180.4%	199.0%	55.7%	153.0%
Ratio of allowance for loan losses to net charge-offs at September 30, 2013	1.4	9.4	2.1	n/m	2.4

n/m = not meaningful

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Three months ended September 30, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at July 1, 2012	\$ 778	\$ 472	\$ 1,250	\$ 177	\$ 1,427
Charge-offs (a)	(158)	(33)	(191)	(3)	(194)
Recoveries (b)	62	2	64	5	69
Net charge-offs	(96)	(31)	(127)	2	(125)
Provision for loan losses	99	6	105	—	105
Other (c)	22	—	22	(6)	16
Allowance at September 30, 2012	\$ 803	\$ 447	\$ 1,250	\$ 173	\$ 1,423
Allowance for loan losses to finance receivables and loans outstanding at September 30, 2012 (d)	1.1%	4.6%	1.5%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at September 30, 2012 (d)	0.6%	1.3%	0.6%	—%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at September 30, 2012 (d)	263.8%	93.2%	159.4%	50.0%	125.9%
Ratio of allowance for loan losses to net charge-offs at September 30, 2012	2.1	3.6	2.5	(17.4)	2.9

(a) Includes international consumer automobile charge-offs of \$47 million.

(b) Includes international consumer automobile and international commercial recoveries of \$21 million and \$4 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of \$11 million.

(d) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, 2013 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2013	\$ 575	\$ 452	\$ 1,027	\$ 143	\$ 1,170
Charge-offs (a)	(443)	(71)	(514)	(3)	(517)
Recoveries	155	13	168	6	174
Net charge-offs	(288)	(58)	(346)	3	(343)
Provision for loan losses	355	14	369	(8)	361
Other	9	(1)	8	2	10
Allowance at September 30, 2013	\$ 651	\$ 407	\$ 1,058	\$ 140	\$ 1,198
Allowance for loan losses to finance receivables and loans outstanding at September 30, 2013 (b)	1.2%	4.6%	1.6%	0.5%	1.3%
Net charge-offs to average finance receivables and loans outstanding at September 30, 2013 (b)	0.7%	0.8%	0.7%	—%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at September 30, 2013 (b)	212.7%	180.4%	199.0%	55.7%	153.0%
Ratio of allowance for loan losses to net charge-offs at September 30, 2013	1.7	5.3	2.3	(30.1)	2.6

(a) Includes international commercial charge-offs of \$1 million.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

Nine months ended September 30, 2012 (\$ in millions)	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Charge-offs (a)	(424)	(119)	(543)	(8)	(551)
Recoveries (b)	184	8	192	39	231
Net charge-offs	(240)	(111)	(351)	31	(320)
Provision for loan losses	200	54	254	(18)	236
Other (c)	77	(12)	65	(61)	4
Allowance at September 30, 2012	\$ 803	\$ 447	\$ 1,250	\$ 173	\$ 1,423
Allowance for loan losses to finance receivables and loans outstanding at September 30, 2012 (d)	1.1%	4.6%	1.5%	0.4 %	1.2%
Net charge-offs to average finance receivables and loans outstanding at September 30, 2012 (d)	0.5%	1.5%	0.6%	(0.1)%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at September 30, 2012 (d)	263.8%	93.2%	159.4%	50.0 %	125.9%
Ratio of allowance for loan losses to net charge-offs at September 30, 2012	2.5	3.0	2.7	(4.2)	3.3

(a) Includes international consumer automobile and international commercial charge-offs of \$128 million and \$2 million, respectively.

(b) Includes international consumer automobile and international commercial recoveries of \$55 million and \$29 million, respectively.

(c) Includes provision for loan losses relating to discontinued operations of \$49 million.

(d) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses at September 30, 2013, declined \$192 million compared to September 30, 2012. The decline was primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 and run-off of legacy mortgage assets. The decline was partially offset by increases in the allowance for consumer automotive assets due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, and the growth in our U.S. automotive consumer portfolio.

The allowance for commercial loan losses declined \$33 million at September 30, 2013, compared to September 30, 2012, primarily related to the reclassification of our international automotive business to discontinued operations at the end of 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

September 30, (\$ in millions)	2013			2012		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Consumer automobile (a)	\$ 651	1.2%	54.3%	\$ 803	1.1%	56.4%
Consumer mortgage						
1st Mortgage	229	3.6	19.1	243	3.4	17.1
Home equity	178	7.3	14.9	204	7.5	14.3
Total consumer loans	1,058	1.6	88.3	1,250	1.5	87.8
Commercial						
Commercial and industrial						
Automobile (b)	56	0.2	4.7	139	0.4	9.8
Mortgage	—	—	—	—	—	—
Other	50	3.1	4.2	45	1.8	3.2
Commercial real estate						
Automobile (c)	34	1.2	2.8	(11)	(0.4)	(0.8)
Mortgage	—	—	—	—	—	—
Total commercial loans	140	0.5	11.7	173	0.4	12.2
Total allowance for loan losses	\$ 1,198	1.3%	100.0%	\$ 1,423	1.2%	100.0%

- (a) Includes no international consumer automobile allowance for loan losses and \$185 million at September 30, 2013 and September 30, 2012, respectively.
(b) Includes no international commercial and industrial automobile allowance for loan losses and \$31 million at September 30, 2013 and September 30, 2012, respectively.
(c) Includes no international commercial real estate automobile allowance for loan losses and \$1 million at September 30, 2013 and September 30, 2012, respectively.

Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2013	2012	2013	2012
Consumer				
Consumer automobile	\$ 156	\$ 99	\$ 355	\$ 200
Consumer mortgage				
1st Mortgage	(40)	9	18	34
Home equity	28	(3)	(4)	20
Total consumer loans	144	105	369	254
Commercial				
Commercial and industrial				
Automobile	(3)	52	1	47
Mortgage	—	(1)	—	(1)
Other	3	(1)	(3)	(11)
Commercial real estate				
Automobile	(3)	(50)	(6)	(53)
Mortgage	—	—	—	—
Total commercial loans	(3)	—	(8)	(18)
Total provision for loan losses	\$ 141	\$ 105	\$ 361	\$ 236

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The provision for consumer loan losses increased \$39 million and \$115 million, respectively, for the three months and nine months ended September 30, 2013, compared to the same periods in 2012. The increases were primarily due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. automotive consumer portfolio.

Provision for commercial loan losses were credits of \$3 million and \$8 million, respectively, for the three months and nine months ended September 30, 2013, compared to no provision and credits of \$18 million for the same periods in 2012. Lower finance receivables and loans at September 30, 2013 resulted in lower allowance build during the quarter while fewer recoveries and allowance releases from legacy businesses drove a lower credit for the nine months ended September 30, 2013.

Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. For additional information on our valuation of automobile lease assets and residuals, refer to the Critical Accounting Estimates — Valuation of Automobile Lease Assets and Residuals section within the MD&A included in our 2012 Annual Report.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 20 to the Condensed Consolidated Financial Statements for further information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our foreign operations. We enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Refer to our 2012 Annual Report, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, for further discussion on value at risk and sensitivity analysis. Since December 31, 2012, there have been no material changes in these market risks.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet uncertain cash flow obligations caused by unanticipated events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to their solvency.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO and the Risk and Compliance Committee of the Ally Financial Board of Directors. We manage liquidity risk at the parent company, Ally Bank, and consolidated levels. The parent company and Ally Bank prepare periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline economic projections as well as more severe economic stressed environments. Corporate Treasury, in turn, plans and executes our funding strategies.

We use multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends such as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At September 30, 2013, we maintained \$22.0 billion of total available parent company liquidity and \$10.4 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. At September 30, 2013, \$0.9 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on our timely and cost-effective access to retail deposits and funding in different segments of the capital markets. Our funding strategy largely focuses on the development of diversified funding sources across a broad investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, unsecured retail term notes, public and private asset-backed securitizations, committed and uncommitted credit facilities, brokered deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company (nonbank) funding.

We diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on optimizing our funding sources, in particular at Ally Bank by growing retail deposits, expanding public and private securitization programs, maintaining a prudent maturity profile of our brokered deposit portfolio while not exceeding a \$10.0 billion portfolio, maintaining repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our parent company exposures and funding requirements and to utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Ally Bank Funding and Liquidity

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our Automotive Finance and Mortgage operations with a stable and low-cost funding source. At September 30, 2013, Ally Bank had \$51.5 billion of total external deposits, including \$41.7 billion of retail deposits.

At September 30, 2013, Ally Bank maintained cash liquidity of \$2.7 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$6.8 billion. In addition, at September 30, 2013, Ally Bank had unused capacity in committed secured funding facilities of \$1.8 billion. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to five days notice. Ally Bank has total available liquidity of \$10.4 billion at September 30, 2013, excluding the intercompany loan of \$0.9 billion.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. In the first nine months of 2013 the deposit base at Ally Bank grew \$4.6 billion, ending the quarter at \$51.5 billion from \$46.9 billion at December 31, 2012. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market checking accounts, and our CDs, partially offset by a decline in our mortgage escrow accounts related to the disposition of Ally Bank's MSR assets. Strong retention rates continue to materially contribute to our growth in retail deposits. In the third quarter of 2013 we retained 93% of maturing CD balances up for renewal in the same period. Refer to Note 12 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2012.

(\$ in millions)	3rd Quarter 2013	2nd Quarter 2013	1st Quarter 2013	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012
Number of retail accounts	1,451,026	1,389,577	1,334,483	1,219,791	1,142,837	1,082,753	1,036,468
Deposits							
Retail	\$ 41,691	\$ 39,859	\$ 38,770	\$ 35,041	\$ 32,139	\$ 30,403	\$ 29,323
Brokered	9,724	9,552	9,877	9,914	9,882	9,905	9,884
Other (a)	66	72	844	1,977	2,487	2,411	2,314
Total deposits	\$ 51,481	\$ 49,483	\$ 49,491	\$ 46,932	\$ 44,508	\$ 42,719	\$ 41,521

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During the third quarter of 2013, Ally Bank completed one term securitization transaction backed by dealer floorplan automotive loans raising \$350 million. Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset creating an effective tool for managing interest rate and liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At September 30, 2013, Ally Bank had exclusive access to \$3.5 billion from committed credit facilities including a \$2.5 billion syndicated facility that can fund automotive retail and dealer floorplan loans, as well as leases. In March 2013, this facility was renewed by a syndicate of nineteen lenders and extended until June 2014. At September 30, 2013, the amount outstanding under this facility was \$1.7 billion.

Ally Bank also has access to funding through advances with the FHLB of Pittsburgh. These advances are primarily secured by consumer and commercial mortgage finance receivables and loans. As of September 30, 2013 Ally Bank has pledged \$11.7 billion of assets to the FHLB resulting in \$5.7 billion in total funding capacity with \$2.8 billion of debt outstanding. As of September 30, 2013, Ally Bank had received \$281 million in cash under repurchase agreements.

Additionally Ally Bank has access to the Federal Reserve Bank Discount Window and can borrow funds to meet short-term liquidity demands. However, the Federal Reserve Bank is viewed primarily as a liquidity source that can be accessed in stressed environments or periods of market disruption and is not a primary source of funding for day to day business. Ally Bank has assets pledged and restricted as collateral to the Federal Reserve Bank totaling \$3.2 billion. Ally Bank had no debt outstanding with the Federal Reserve as of September 30, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Parent Company (Nonbank) Funding and Liquidity

At September 30, 2013, the parent company maintained liquid cash and equivalents in the amount of \$3.7 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$3.2 billion. These assets can be used to obtain funding through repurchase agreements with third parties or through outright sales. At September 30, 2013, the parent company had no debt outstanding under repurchase agreements. In addition, at September 30, 2013, the parent company had available liquidity from unused capacity in committed credit facilities of \$13.4 billion. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges. Funding sources at the parent company generally consist of long-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to five days notice. The parent company has total available liquidity of \$22.0 billion at September 30, 2013, which includes the intercompany loan of \$0.9 billion. The total available liquidity amount at September 30, 2013 also includes \$0.8 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next three months.

In the third quarter of 2013, we completed two transactions totaling \$2.1 billion in funding through the debt capital markets. We will access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a legacy retail term note program known as SmartNotes. This program generally consisted of callable fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that were issued through a network of participating broker-dealers. During 2012, we launched a new retail term note program known as Ally Term Notes. There were \$2.1 billion and \$7.9 billion of combined retail term notes outstanding at September 30, 2013, and December 31, 2012, respectively. As of September 30, 2013, we have redeemed \$5.5 billion of high-coupon callable SmartNotes and we have provided notice for the early redemption of \$1.2 billion of high-coupon callable SmartNotes debt during the fourth quarter of 2013, as part of a liability management strategy to continue to improve Ally's cost of funds.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were \$3.2 billion at September 30, 2013, compared to \$3.1 billion at December 31, 2012. Refer to Note 13 and Note 14 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively. Secured funding continues to be a significant source of financing at the parent company.

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, 2013, \$24.2 billion of our \$27.6 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, 2013, we had \$14.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. The parent company's largest facility is a \$8.5 billion revolving syndicated credit facility secured by automotive receivables. In March 2013, we increased and renewed this facility until March 2015. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At September 30, 2013, there was \$2.9 billion outstanding under this facility. In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. Secured funding continues to be a significant source of financing at the parent company.

During the the third quarter of 2013, the parent company raised \$1.0 billion through a public securitization transaction comprised of non-prime retail automotive loan collateral.

At September 30, 2013, the parent company maintained exclusive access to \$19.3 billion of committed secured credit facilities in the U.S. with outstanding debt of \$6.5 billion. In addition, we have \$0.8 billion in forward purchase commitments to fund automotive assets.

The parent also has access to uncommitted credit facilities to fund its discontinued international operations. As of September 30, 2013, the parent company had \$1.3 billion in uncommitted unsecured credit facilities with an outstanding debt of \$1.3 billion.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Recent Funding Developments

During the first nine months of 2013, we completed U.S. funding transactions totaling almost \$6.9 billion and renewed or increased key existing funding facilities as we accessed both the public and private markets. Key funding highlights from 2013 to date were as follows:

- Ally Financial Inc. renewed, increased and/or extended \$16.7 billion in U.S. credit facilities. The automotive credit facility renewal amount includes the March 2013 refinancing of \$11.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The \$11.0 billion capacity is secured by retail, lease, and dealer floorplan automotive assets and is allocated to two separate facilities, one is a \$8.5 billion facility maturing in March 2015, which is available to the parent company, while the other is a \$2.5 billion facility available to Ally Bank maturing in June 2014.
- Ally Financial Inc. continued to access the public asset-backed securitization markets completing eight U.S. transactions that raised nearly \$6.9 billion, with \$3.8 billion and \$3.1 billion raised by Ally Bank and the parent company, respectively.
- We accessed the unsecured debt capital markets in the third quarter of 2013 and raised \$2.1 billion.

Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

<i>(\$ in millions)</i>	Bank	Parent	Total	%
September 30, 2013				
Secured financings	\$ 22,609	\$ 11,577	\$ 34,186	29
Institutional term debt	—	24,531	24,531	21
Retail debt programs (a)	—	7,404	7,404	6
Total debt (b)	22,609	43,512	66,121	56
Deposits (c)	51,481	550	52,031	44
Total on-balance sheet funding	\$ 74,090	\$ 44,062	\$ 118,152	100
December 31, 2012				
Secured financings	\$ 29,161	\$ 15,950	\$ 45,111	35
Institutional term debt	—	22,200	22,200	17
Retail debt programs (a)	—	13,451	13,451	10
Bank loans and other	2	164	166	—
Total debt (b)	29,163	51,765	80,928	62
Deposits (c)	46,932	983	47,915	38
Total on-balance sheet funding	\$ 76,095	\$ 52,748	\$ 128,843	100

(a) Primarily includes \$2.1 billion and \$7.9 billion of Retail Term Notes at September 30, 2013 and December 31, 2012, respectively.

(b) Excludes fair value adjustment as described in Note 22 to the Condensed Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Parent deposits include dealer deposits. Intercompany deposits are not included.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2013 from 2012 levels, thus deposits represent a larger portion of the overall funding mix. Accordingly, the decline in committed funding facilities is attributed to the growth in Ally Bank deposits as well as to the sale of international businesses. Refer to Note 14 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at September 30, 2013.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Committed Funding Facilities

(\$ in billions)	Outstanding		Unused Capacity (a)		Total Capacity	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Bank funding						
Secured	\$ 1.7	\$ 3.8	\$ 1.8	\$ 4.7	\$ 3.5	\$ 8.5
Parent funding						
Unsecured (b)	—	0.1	—	—	—	0.1
Secured (c) (d) (e)	9.9	22.5	14.2	7.8	24.1	30.3
Total Parent funding	9.9	22.6	14.2	7.8	24.1	30.4
Shared capacity (f) (g)	—	1.1	—	3.0	—	4.1
Total committed facilities	\$ 11.6	\$ 27.5	\$ 16.0	\$ 15.5	\$ 27.6	\$ 43.0

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

(b) Total unsecured parent funding capacity represents committed funding for our discontinued international automobile financing business.

(c) Total secured parent funding capacity includes committed funding for our discontinued international automobile financing business of \$2.8 billion and \$12.0 billion as of September 30, 2013 and December 31, 2012, respectively, with outstanding debt of \$2.2 billion and \$9.6 billion, respectively.

(d) Total unused capacity includes \$0.8 billion and \$2.2 billion as of September 30, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(e) Includes the secured facilities of our Commercial Finance Group.

(f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

(g) Total shared facilities includes committed funding for our discontinued international automobile financing business of \$0.1 billion as of December 31, 2012, with outstanding debt of \$0.1 billion.

Other Funding Facilities

(\$ in billions)	Outstanding		Unused Capacity		Total Capacity	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Bank funding						
Secured						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.9	\$ 1.8	\$ 1.9	\$ 1.8
FHLB advances	2.8	4.8	2.9	0.4	5.7	5.2
Total bank funding	2.8	4.8	4.8	2.2	7.6	7.0
Parent funding						
Unsecured	1.3	2.1	—	0.4	1.3	2.5
Secured	—	0.1	—	0.1	—	0.2
Total parent funding (a)	1.3	2.2	—	0.5	1.3	2.7
Total other facilities	\$ 4.1	\$ 7.0	\$ 4.8	\$ 2.7	\$ 8.9	\$ 9.7

(a) Total parent funding capacity represents funding for our discontinued international automobile financing business.

Cash Flows

Net cash provided by operating activities was \$4.4 billion for the nine months ended September 30, 2013, compared to \$4.8 billion for the same period in 2012. The decrease in net cash provided by operating activities was primarily due to higher cash outflow to settle derivatives in the nine months ended September 30, 2013, compared to 2012. The decrease was partially offset by the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeding cash outflow from new originations and purchases of such loans by \$2.4 billion during the nine months ended September 30, 2013. During the nine months ended September 30, 2012, this activity resulted in a net cash inflow of \$1.6 billion.

Net cash provided by investing activities was \$3.5 billion for the nine months ended September 30, 2013, compared to a net cash outflow from investing activities of \$7.7 billion for the same period in 2012. The increase in net cash provided from investing activities was primarily due to \$6.9 billion of net cash proceeds resulting from the sale of international businesses during the nine months ended September 30, 2013, proceeds of \$911 million from the sale of mortgage servicing rights, and an \$8.3 billion decrease in net cash outflow from finance receivables and loans for the nine months ended September 30, 2013, compared to 2012. Cash used to purchase available-for-sale securities, net of proceeds from sales, maturities, and repayments, increased \$6.3 billion during the nine months ended September 30, 2013, compared to the same period in 2012. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by \$5.2 billion

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

for the nine months ended September 30, 2013, compared to a net cash outflow of \$4.3 billion for the nine months ended September 30, 2012. The increase in net cash outflows associated with leasing activities was primarily due to an increase in cash used to acquire leased assets.

Net cash used in financing activities for the nine months ended September 30, 2013, totaled \$10.9 billion, compared to net cash provided by financing of \$7.0 billion in the same period in 2012. Cash used to repay long-term debt exceeded cash generated from long-term debt issuances by \$13.4 billion for the nine months ended September 30, 2013, as cash generated from the sale of international businesses was used in part to pay down debt. During the nine months ended September 30, 2012, cash from issuances of long-term debt exceed repayments by \$4.6 billion. Cash provided by short-term debt increased \$0.7 billion in the nine months ended September 30, 2013, compared to 2012, while cash provided by deposits decreased by \$0.6 billion.

Capital Planning and Stress Tests

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital plan must include a description of all planned capital actions over a nine-quarter planning horizon. The proposed capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital plan before Ally may take any proposed capital action.

Ally submitted the required 2013 capital plan in January 2013. In March 2013, the FRB objected to our capital plan both on quantitative and qualitative grounds. In their published results, the FRB estimated our stressed tier 1 common ratio with adjusted planned capital actions to be 1.52 for the nine-quarter planning period. Also, the FRB estimated our stressed tier 1 capital ratio to be 11.02 and our tier 1 leverage ratio to be 9.42. The FRB noted that the stressed capital ratios assumed Ally remained subject to a substantial amount of contingent liabilities associated with ResCap over the nine-quarter period. In June 2013, a settlement agreement was reached with ResCap's major creditors that will, if approved, substantially reduce our contingent liabilities associated with ResCap. Refer to Note 1 to the Condensed Consolidated Financial Statements for more details related to the ResCap bankruptcy matters.

Further, on August 19, 2013, we entered into investment agreements, with certain accredited investors, to issue and sell in a private placement an aggregate of 166,667 shares of our common stock, \$0.01 par value per share, at an aggregate price of \$1 billion. Refer to Note 16 for additional information regarding the investment agreements.

The FRB continues to provide their approval for dividend and interest payments on preferred equity and debt instruments included in regulatory capital, including preferred stock, trust preferred securities, and subordinated debt. In addition, in July 2013, in accordance with the requirements of the Dodd-Frank Act, Ally submitted to the FRB its results of a mid-year stress test conducted under multiple macroeconomic scenarios. Further, in September 2013 we submitted a revised capital plan. We continue to have active, frequent and constructive dialogue with the FRB related to our capital plan on both the quantitative and qualitative aspects.

Regulatory Capital

Refer to Note 19 to the Condensed Consolidated Financial Statements.

Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Stable	May 24, 2013 (a)
Moody's	Not Prime	B1	Review for Upgrade	October 2, 2013 (b)
S&P	C	B+	Watch Positive	May 16, 2013 (c)
DBRS	R-4	BB	Stable	July 3, 2013 (d)

(a) Fitch affirmed our senior debt rating of BB-, our short term rating of B and changed the outlook to Stable on May 24, 2013.

(b) Moody's placed our senior debt rating on review for possible upgrade on October 2, 2013.

(c) Standard & Poor's affirmed our senior debt rating of B+, our short term rating of C, and placed our ratings on CreditWatch with positive implications on May 16, 2013.

(d) DBRS upgraded our senior debt rating to BB, confirmed our short term rating of R-4, and changed the outlook to Stable on July 3, 2013.

Off-balance Sheet Arrangements

Refer to Note 9 to the Condensed Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

ResCap Bankruptcy Filing

As described in Note 1 and Note 26 to the Condensed Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC and certain of its wholly owned direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the deconsolidation of ResCap, a significant portion of our representation and warranty reserve was eliminated. Further, on April 16, 2013, we completed the sale of a portfolio of agency MSR to Ocwen and the sale included the transfer of the representation and warranty liabilities associated with the majority of the loans sold. Our representation and warranty reserve was \$44 million at September 30, 2013 with respect to Ally Bank's sold and serviced loans for which we have retained representation and warranty obligation.

Overview

Ally Bank, within our Mortgage operations, sold loans that took the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, was provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Ally Bank at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Ally Bank to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. See *Repurchase Process* below.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Condensed Consolidated Statement of Comprehensive Income.

On April 16, 2013, we completed the sales of agency MSRs to Ocwen and Quicken. The sale to Ocwen included the transfer of the origination representation and warranty liabilities (but not those related to servicing) on any and all claims following the sale of the MSRs through an indemnification agreement. However, Ally Bank retained all representation and warranty liability related to loans previously liquidated with a loss (e.g. GSEs completed a foreclosure) as well as the liability on outstanding claims at the time of the sale. The MSRs sale to Quicken did not include the transfer of representation and warranty liabilities. The repurchase reserve at September 30, 2013 reflects expected losses associated with the contractual obligation retained.

Total new repurchase claims received by Ally Bank were \$55 million and \$133 million for the three months and nine months ended September 30, 2013, respectively, compared to \$113 million and \$307 million for the same periods in 2012. The decrease in repurchase claims was driven by fewer new claims during the third quarter of 2013 due to the transfer of the representation and warranty liabilities associated with the agency MSRs sold to Ocwen. This was partially offset by an increase in repurchase claim activity during the three months ended September 30, 2013.

The total number and original unpaid principal balance (UPB) of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands) were 240 and \$50 million, respectively, at September 30, 2013, compared to 259 and \$58 million, respectively, at December 31, 2012. This includes demands that we have requested be rescinded but have not been agreed to by the investor. Total unresolved representation and warranty demands where Ally Bank has requested the investor to rescind decreased to \$4 million or 9% of outstanding claims at September 30, 2013, compared to \$23 million or 40% of outstanding claims at December 31, 2012.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Repurchase Process

After receiving a claim under representation and warranty obligations, Ally Bank will review the claim to determine the appropriate response (e.g., appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. Ally Bank actively contests claims to the extent they are not considered valid. Ally Bank is not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. Ally Bank believes that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, Ally Financial Inc. bears the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

Critical Accounting Estimates

We identified critical accounting estimates that, as a result of judgments, uncertainties, uniqueness, and complexities of the underlying accounting standards and operations involved could result in material changes to our financial condition, results of operations, or cash flows under different conditions or using different assumptions.

Our most critical accounting estimates are as follows.

- Fair value measurements
- Allowance for loan losses
- Valuation of automobile lease assets and residuals
- Valuation of mortgage servicing rights
- Goodwill
- Legal and regulatory reserves
- Loan repurchase and obligations related to loan sales
- Determination of provision for income taxes

As part of our quarterly assessment of critical accounting estimates, we concluded that in accordance with ASC 740, *Income Taxes*, there was a change in the methodologies and processes used in developing the provision for income taxes from what was described in our 2012 Annual Report. Refer to Note 1 to the Condensed Consolidated Financial Statements for further discussion regarding the methodology and process used in the determination of provision for income taxes. There have been no other significant changes in the methodologies and processes used in developing these estimates from what was described in our 2012 Annual Report.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 22 to the Condensed Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 22 to the Condensed Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

<i>(\$ in millions)</i>	September 30, 2013	December 31, 2012
Assets at fair value	\$ 18,711	\$ 20,408
As a percentage of total assets	12%	11%
Liabilities at fair value	\$ 228	\$ 2,468
As a percentage of total liabilities	n/m	2%
Assets at fair value using Level 3 inputs	\$ 364	\$ 1,288
As a percentage of assets at fair value	2%	6%
Liabilities at fair value using Level 3 inputs	\$ —	\$ 3
As a percentage of liabilities at fair value	—%	n/m

n/m = not meaningful

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Statistical Table

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Condensed Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Net Interest Margin Table

The following tables present an analysis of net interest margin excluding discontinued operations for the periods shown.

Three months ended September 30, (\$ in millions)	2013			2012			Increase (decrease) due to (a)		
	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/ rate	Total
Assets									
Interest-bearing cash and cash equivalents	\$ 7,150	\$ 3	0.17%	\$ 13,517	\$ 8	0.24%	\$ (3)	\$ (2)	\$ (5)
Trading assets	—	—	—	—	—	—	—	—	—
Investment securities (c)	15,724	79	1.99	11,414	58	2.02	22	(1)	21
Loans held-for-sale, net	67	—	—	2,731	23	3.35	(11)	(12)	(23)
Finance receivables and loans, net (d) (e)	94,999	1,119	4.67	95,180	1,141	4.77	(2)	(20)	(22)
Investment in operating leases, net (f)	16,744	317	7.51	11,810	265	8.93	98	(46)	52
Total interest-earning assets	134,684	1,518	4.47	134,652	1,495	4.42	104	(81)	23
Noninterest-bearing cash and cash equivalents	1,546			1,489					
Other assets (g)	15,463			47,498					
Allowance for loan losses	(1,197)			(1,211)					
Total assets	\$ 150,496			\$ 182,428					
Liabilities									
Interest-bearing deposit liabilities	\$ 50,886	\$ 163	1.27%	\$ 42,470	\$ 158	1.48%	\$ 29	\$ (24)	\$ 5
Short-term borrowings	4,505	15	1.32	3,389	20	2.35	6	(11)	(5)
Long-term debt (h) (i) (j)	63,333	609	3.81	78,130	851	4.33	(149)	(93)	(242)
Total interest-bearing liabilities (h) (i) (k)	118,724	787	2.63	123,989	1,029	3.30	(114)	(128)	(242)
Noninterest-bearing deposit liabilities	67			2,503					
Total funding sources (i) (l)	118,791	787	2.63	126,492	1,029	3.24			
Other liabilities (m)	12,664			37,417					
Total liabilities	131,455			163,909					
Total equity	19,041			18,519					
Total liabilities and equity	\$ 150,496			\$ 182,428					
Net financing revenue		\$ 731			\$ 466		\$ 218	\$ 47	\$ 265
Net interest spread (n)			1.84%			1.12%			
Net interest spread excluding original issue discount (n)			2.09%			1.41%			
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (n)			2.09%			1.47%			
Net yield on interest-earning assets (o)			2.15%			1.38%			
Net yield on interest-earning assets excluding original issue discount (o)			2.34%			1.60%			

- (a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
- (b) Average balances are calculated using a combination of monthly and daily average methodologies.
- (c) Excludes income on equity investments of \$6 million during the three months ended September 30, 2013 and 2012, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.
- (d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report.
- (e) Includes other interest income of \$1 million during the three months ended September 30, 2012.
- (f) Includes gains on sale of \$95 million and \$34 million during the three months ended September 30, 2013 and 2012, respectively. Excluding these gains on sale, the annualized yield would be 5.26% and 7.78% at September 30, 2013 and 2012, respectively.
- (g) Includes average balances of assets of discontinued operations.
- (h) Includes the effects of derivative financial instruments designated as hedges.
- (i) Average balance includes \$1,631 million and \$1,873 million related to original issue discount at September 30, 2013 and 2012, respectively. Interest expense includes original issue discount amortization of \$64 million and \$76 million during the three months ended September 30, 2013 and 2012, respectively.
- (j) Excluding original issue discount the rate on long-term debt was 3.33% and 3.85% at September 30, 2013 and 2012, respectively.
- (k) Excluding original issue discount the rate on total interest-bearing liabilities was 2.38% and 3.01% at September 30, 2013 and 2012, respectively.
- (l) Excluding original issue discount the rate on total funding sources was 2.38% and 2.95% at September 30, 2013 and 2012, respectively.
- (m) Includes average balances of liabilities of discontinued operations.
- (n) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
- (o) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Nine months ended September 30, (\$ in millions)	2013			2012			Increase (decrease) due to (a)		
	Average balance (b)	Interest income/ interest expense	Yield/ rate	Average balance (b)	Interest income/ interest expense	Yield/ rate	Volume	Yield/ rate	Total
Assets									
Interest-bearing cash and cash equivalents	\$ 6,582	\$ 8	0.16%	\$ 11,111	\$ 19	0.23%	\$ (7)	\$ (4)	\$ (11)
Trading assets	—	—	—	348	10	3.84	(5)	(5)	(10)
Investment securities (c)	14,748	210	1.90	12,061	197	2.18	40	(27)	13
Loans held-for-sale, net	790	19	3.22	2,771	74	3.57	(49)	(6)	(55)
Finance receivables and loans, net (d) (e)	97,202	3,393	4.67	93,707	3,374	4.81	124	(105)	19
Investment in operating leases, net (f)	15,528	905	7.79	10,532	693	8.79	298	(86)	212
Total interest-earning assets	134,850	4,535	4.50	130,530	4,367	4.47	401	(233)	168
Noninterest-bearing cash and cash equivalents	1,732			1,855					
Other assets (g)	23,340			52,687					
Allowance for loan losses	(1,188)			(1,246)					
Total assets	\$ 158,734			\$ 183,826					
Liabilities									
Interest-bearing deposit liabilities	\$ 49,476	\$ 489	1.32%	\$ 41,722	\$ 481	1.54%	\$ 83	\$ (75)	\$ 8
Short-term borrowings	4,383	47	1.43	3,680	56	2.03	10	(19)	(9)
Long-term debt (h) (i) (j)	66,853	2,013	4.03	76,288	2,568	4.50	(300)	(255)	(555)
Total interest-bearing liabilities (h) (i) (k)	120,712	2,549	2.82	121,690	3,105	3.41	(207)	(349)	(556)
Noninterest-bearing deposit liabilities	677			2,297					
Total funding sources (i) (l)	121,389	2,549	2.81	123,987	3,105	3.35			
Other liabilities (m)	17,696			40,859					
Total liabilities	139,085			164,846					
Total equity	19,649			18,980					
Total liabilities and equity	\$ 158,734			\$ 183,826					
Net financing revenue		\$ 1,986			\$ 1,262		\$ 608	\$ 116	\$ 724
Net interest spread (n)			1.68%			1.06%			
Net interest spread excluding original issue discount (n)			1.91%			1.42%			
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (n)			1.93%			1.47%			
Net yield on interest-earning assets (o)			1.97%			1.29%			
Net yield on interest-earning assets excluding original issue discount (o)			2.15%			1.58%			

- (a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.
- (b) Average balances are calculated using a combination of monthly and daily average methodologies.
- (c) Excludes income on equity investments of \$19 million and \$18 million during the nine months ended September 30, 2013 and 2012, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.
- (d) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report.
- (e) Includes other interest income of \$1 million and \$4 million during the nine months ended September 30, 2013 and 2012, respectively.
- (f) Includes gains on sale of \$250 million and \$81 million during the nine months ended September 30, 2013 and 2012, respectively. Excluding these gains on sale, the annualized yield would be 5.64% and 7.76% at September 30, 2013 and 2012, respectively.
- (g) Includes average balances of assets of discontinued operations.
- (h) Includes the effects of derivative financial instruments designated as hedges.
- (i) Average balance includes \$1,692 million and \$1,966 million related to original issue discount at September 30, 2013 and 2012, respectively. Interest expense includes original issue discount amortization of \$182 million and \$280 million during the nine months ended September 30, 2013 and 2012, respectively.
- (j) Excluding original issue discount the rate on long-term debt was 3.57% and 3.91% at September 30, 2013 and 2012, respectively.
- (k) Excluding original issue discount the rate on total interest-bearing liabilities was 2.59% and 3.05% at September 30, 2013 and 2012, respectively.
- (l) Excluding original issue discount the rate on total funding sources was 2.57% and 3.00% at September 30, 2013 and 2012, respectively.
- (m) Includes average balances of liabilities of discontinued operations.
- (n) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
- (o) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Forward-looking Statements

The foregoing Management's Discussion and Analysis of Financial Condition and Results of Operations and other portions of this Form 10-Q contain various forward-looking statements within the meaning of applicable federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are based upon our current expectations and assumptions concerning future events that are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negative of any of these words or similar expressions is intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

While these statements represent our current judgment on what the future may hold and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results, and Ally's actual results may differ materially due to numerous important factors that are described in the most recent reports on Forms 10-K and 10-Q for Ally, each of which may be revised or supplemented in subsequent reports on Forms 10-Q and 8-K. Such factors include, among others, the following: maintaining the mutually beneficial relationship between Ally and General Motors ("GM"), and Ally and Chrysler Group LLC ("Chrysler"); the profitability and financial condition of GM and Chrysler; resolution of the bankruptcy filings by Residential Capital, LLC and certain of its subsidiaries; our ability to realize the anticipated benefits associated with being a bank holding company, and the increased regulation and restrictions that we are now subject to; the potential for deterioration in the residual value of off-lease vehicles; disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity; changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings; changes in the credit ratings of Ally, Chrysler, or GM; changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations (including as a result of the Dodd-Frank Act and Basel III).

Use of the term "loans" describes products associated with direct and indirect lending activities of Ally's global operations. The specific products include retail installment sales contracts, loans, lines of credit, leases or other financing products. The term "originate" refers to Ally's purchase, acquisition, or direct origination of various "loan" products.

Quantitative and Qualitative Disclosures about Market Risk

Ally Financial Inc. • Form 10-Q

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk sections of Item 2, Management's Discussion and Analysis.

Controls and Procedures

Ally Financial Inc. • Form 10-Q

Item 4. Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Senior Executive Vice President of Finance and Corporate Planning (Principal Financial Officer), to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures and concluded that our disclosure controls and procedures were effective.

There were no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during our most recent fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our Principal Executive Officer and Principal Financial Officer, does not expect that our disclosure controls or our internal controls will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Ally have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with associated policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II — OTHER INFORMATION

Ally Financial Inc. • Form 10-Q

Item 1. Legal Proceedings

Refer to Note 26 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 29 to our Annual Report on Form 10-K for the year ended December 31, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission, as supplemented by the Current Report on Form 8-K filed with the SEC on July 9, 2013, and the Quarterly Reports on Form 10-Q for the three months ended March 31, 2013, and three months and six months ended June 30, 2013.

Item 1A. Risk Factors

Other than with respect to the risk factor provided below, there have been no material changes to the Risk Factors described in our 2012 Annual Report and subsequent quarterly reports on Form 10-Q for the three months ended March 31, 2013, and the three months and six months ended June 30, 2013.

There can be no assurance that the conditions to effectiveness of the bankruptcy plan (the Plan) will be satisfied or waived, and the failure of the Plan to become effective could result in, among other consequences, the pursuit of an alternative form of reorganization or liquidation, which may be less favorable to us. If AFI does not receive the releases provided in the Plan, the Debtors and/or third party creditors are expected to assert substantial claims directly against AFI, which could have a material adverse impact on us. Even if the Plan is confirmed by the Bankruptcy Court and all required conditions are satisfied, there could be significant litigation against AFI for any claims not released under the Plan.

On May 14, 2012, ResCap and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court).

On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases (the Creditors' Committee), and certain creditors. The PSA, which was approved by the Bankruptcy Court on June 26, 2013, requires the parties to support a Chapter 11 plan in the Debtors' Chapter 11 cases (the Plan) that, among other things, settles and provides AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that reside with the Debtors (the Debtor Releases), and all pending and potential claims held by third parties related to the Debtors that could be brought against AFI (the Third Party Releases).

On July 3, 2013, the Debtors filed the Plan and related disclosure statement (the Disclosure Statement), with the Bankruptcy Court. The Bankruptcy Court entered an order approving the Disclosure Statement on August 23, 2013, and the Plan confirmation hearing is currently scheduled to commence on November 19, 2013. The Plan fully incorporates the terms of the PSA, including the Debtor Releases, as well as the Third Party Releases. As of the date hereof, AFI has agreed to settlements (the Settlements) with each of the Federal Housing Finance Agency (the FHFA) and the Federal Deposit Insurance Corporation, as receiver for certain failed banks (the FDIC), which provide, among other things, that in exchange for a monetary payment, the FHFA's and FDIC's pending litigation against AFI will be dismissed, and the claims will no longer be included as exceptions to the Third Party Releases. Also, the Plan will be amended to add Freddie Mac, and the FHFA as conservator for Freddie Mac and Fannie Mae, as exclusions from the Third Party Releases only with respect to certain ordinary-course representation and warranty repurchase claims against Ally Bank, as a former mortgage seller and servicer. The Settlements are not conditioned on the Plan becoming effective. It is possible that additional exceptions to the Third Party Releases could be added in the future with AFI's consent.

Under the terms of the Plan, the effective date of the Plan must occur on or before the earlier of (i) 30 days after the Bankruptcy Court enters an order confirming the Plan (the Confirmation Order) or (ii) December 15, 2013. If this condition is not satisfied, the Plan allows AFI, the Debtors and/or the Creditors' Committee to file a motion to vacate the Confirmation Order, which if approved, could result in the Plan becoming null and void. There are also several remaining conditions to be satisfied or waived before the Plan can be effective, including, the following: (i) the Confirmation Order must have been entered by the Bankruptcy Court and provide for, among other things, the Debtor Releases and Third Party Releases; (ii) the Confirmation Order must not have been stayed, modified, or vacated on appeal; (iii) AFI must have funded the contributions required under the Plan; and (iv) AFI's secured claims against the Debtors must have been fully satisfied. Moreover, the PSA includes a number of events that could result in the PSA being terminated, including the following: (i) the Bankruptcy Court enters an order appointing a Chapter 11 trustee; (ii) any of the Debtors' Chapter 11 cases are dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; (iii) any court has entered a final, non-appealable judgment or order declaring any material portion of the PSA unenforceable; (iv) the releases set forth in the PSA are modified, amended, changed, severed or otherwise altered in the Plan or any other definitive document; and (v) the PSA ceases to be binding on AFI or the Creditors' Committee.

There can be no assurance that the conditions to effectiveness of the Plan will be satisfied or waived. The failure of the Plan to become effective could result in, among other consequences, the pursuit of an alternative form of reorganization or liquidation, which may be less favorable to AFI. Further, the termination of the PSA could result in, among other consequences, material modifications to the Plan, resulting in delay, significant expense and provisions that are less favorable to AFI. If AFI does not receive the releases described above, the Debtors and/or third party creditors are expected to assert substantial claims directly against AFI, which could have a material adverse impact on us.

Even if the Plan is confirmed by the Bankruptcy Court and all required conditions are satisfied, there could be significant litigation against AFI for any claims not released under the Plan.

The Consumer Financial Protection Bureau is currently investigating our business practices, which could result in material adverse consequences.

The Consumer Financial Protection Bureau (CFPB) is currently investigating credit practices of certain participants in the automotive finance industry. In connection with these investigations, the staff of the CFPB has recently advised us that they believe we have an obligation to prevent independent automotive dealers with which we do business from engaging in certain retail financing practices that the CFPB staff believes violate the anti-discrimination provisions of the Equal Credit Opportunity Act, and that they believe we have failed to fulfill this obligation. We understand that the CFPB has similarly advised other automobile finance companies. We are currently in discussions with the CFPB with respect to these matters. It is possible that this could result in material adverse consequences including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in our business practices, or other actions. However, we are unable to estimate any potential financial or other impact at this time that could result from these investigations, should any occur.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 5th day of November, 2013.

Ally Financial Inc.
(Registrant)

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
*Senior Executive Vice President of
Finance and Corporate Planning*

/s/ DAVID J. DEBRUNNER

David J. DeBrunner
*Vice President, Chief Accounting Officer, and
Corporate Controller*

INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
10.1	Form of Investment Agreement	Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of August 20, 2013 (File No. 1-3754), incorporated herein by reference.
10.2	Agreement in Respect of Securities Repurchase and Share Adjustment Provision, dated August 19, 2013, by and between United States Department of The Treasury and Ally Financial Inc.	Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of August 20, 2013 (File No. 1-3754), incorporated herein by reference.
10.3	Relinquishment Agreement, each dated August 19, 2013, among Ally Financial Inc. and each of FIM Holdings LLC and United States Department of The Treasury	Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated as of August 20, 2013 (File No. 1-3754), incorporated herein by reference.
10.4	Stockholders Agreement, dated August 19, 2013, among Ally Financial Inc., FIM Holdings LLC and United States Department of The Treasury	Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K dated as of August 20, 2013 (File No. 1-3754), incorporated herein by reference.
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	Interactive Data File	Filed herewith.

Exhibit 12

Ally Financial Inc.

Ratio of Earnings to Fixed Charges

(\$ in millions)	Nine months ended September 30, 2013 (a)	Year ended December (in millions),				
		2012 (a)	2011 (a)	2010 (a)	2009 (a)	2008 (a)
Earnings						
Consolidated net income (loss) from continuing operations	\$ 337	\$ 1,370	\$ (219)	\$ (334)	\$ (3,370)	\$ 5,535
Income tax (benefit) expense from continuing operations	(55)	(856)	42	97	12	(87)
Equity-method investee (earnings) losses	(11)	(6)	(7)	(8)	6	515
Minority interest expense	—	1	1	1	1	1
Consolidated income (loss) from continuing operations before income taxes, minority interest, and income or loss from equity investees	271	509	(183)	(244)	(3,351)	5,964
Fixed charges	2,568	4,031	4,668	4,880	4,786	5,724
Earnings available for fixed charges	\$ 2,839	\$ 4,540	\$ 4,485	\$ 4,636	\$ 1,435	\$ 11,688
Fixed charges						
Interest, discount, and issuance expense on debt	\$ 2,556	\$ 4,014	\$ 4,652	\$ 4,862	\$ 4,768	\$ 5,704
Portion of rentals representative of the interest factor	12	17	16	18	18	20
Total fixed charges	2,568	4,031	4,668	4,880	4,786	5,724
Preferred dividend requirements (b)	601	801	763	1,860	1,224	—
Total fixed charges and preferred dividend requirements	\$ 3,169	\$ 4,832	\$ 5,431	\$ 6,740	\$ 6,010	\$ 5,724
Ratio of earnings to fixed charges (c)	1.11	1.13	0.96	0.95	0.30	2.04
Ratio of earnings to fixed charges and preferred dividend requirements (d)	0.90	0.94	0.83	0.69	0.24	2.04

- (a) During 2013, 2012, 2011, 2010, and 2009, we committed to dispose certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group. We report these businesses separately as discontinued operations in the Condensed Consolidated Financial Statements. Refer to Note 2 to the Condensed Consolidated Financial Statements for further discussion of our discontinued operations. All reported periods of the calculation of the ratio of earnings to fixed charges exclude discontinued operations.
- (b) Amount for 2010 includes a \$616 million reduction to retained earnings (accumulated deficit) related to a conversion of preferred stock and related amendment that occurred on December 30, 2010.
- (c) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2011, 2010 and 2009. Earnings for the the years ended December 31, 2011, 2010, and 2009 were inadequate to cover fixed charges. The deficient amounts for the ratio were \$183 million, \$244 million and \$3,351 million for the years ended December 31, 2011, 2010, and 2009, respectively.
- (d) The ratio indicates a less than one-to-one coverage for the nine months ended September 30, 2013, and the years ended December 31, 2012, 2011, 2010, and 2009. Earnings for the nine months ended September 30, 2013, and the years ended December 31, 2012, 2011, 2010, and 2009 were inadequate to cover total fixed charges and preferred dividend requirements. The deficient amounts for the ratio were \$330 million, for the nine months ended September 30, 2013, and \$292 million, \$946 million, \$2,104 million, and \$4,575 million for the years ended December 31, 2012, 2011, 2010, and 2009, respectively.

Exhibit 31.1

Ally Financial Inc.

I, Michael A. Carpenter, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2013

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer

Exhibit 31.2

Ally Financial Inc.

I, Jeffrey J. Brown, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 5, 2013

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
*Senior Executive Vice President of
Finance and Corporate Planning*

Exhibit 32

Ally Financial Inc.

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

In connection with the Annual Report of Ally Financial Inc. (the Company) on Form 10-Q for the period ending September 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL A. CARPENTER

Michael A. Carpenter

Chief Executive Officer

November 5, 2013

/s/ JEFFREY J. BROWN

Jeffrey J. Brown

*Senior Executive Vice President of
Finance and Corporate Planning*

November 5, 2013

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ally Financial Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.

Public
Exhibit
No. 7

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

May 23, 2013

(Date of report; date of
earliest event reported)

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

38-0572512

(I.R.S. Employer
Identification No.)

**200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000**

(Address of principal executive offices)
(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 1.01 Entry into a Material Definitive Agreement.

On May 14, 2012, Residential Capital, LLC (“ResCap”) and certain of its wholly owned direct and indirect subsidiaries (collectively, the “Debtors”) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”).

As previously announced, on May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, “Ally”) entered into a Plan Support Agreement (the “PSA”) with the Debtors, the official committee of unsecured creditors appointed in the Debtors’ Chapter 11 cases (the “Creditors’ Committee”), and certain creditors, including AIG Asset Management (U.S.), LLC; Allstate Insurance Company; Financial Guaranty Insurance Company (“FGIC”), which has executed the agreement pending regulatory approval; counsel to the putative class of persons represented in the consolidated class action entitled *In re: Community Bank of Northern Virginia Second Mortgage Lending Practice Litigation*, filed in the United States District Court for the Western District of Pennsylvania, MDL No. 1674, Case Nos. 03-0425, 02-01201, 05-0688, 05-1386; Massachusetts Mutual Life Insurance Company; MBIA Insurance Corporation; Paulson & Co. Inc., a holder of ResCap’s senior unsecured notes issued by ResCap; Prudential Insurance Company of America; certain investors in residential mortgage-backed securities (“RMBS”) backed by mortgage loans held by securitization trusts associated with securitizations sponsored by the Debtors between 2004 and 2007 represented by Kathy Patrick of Gibbs & Bruns LLP and Keith H. Wofford of Ropes & Gray LLP; Talcott Franklin of Talcott Franklin, P.C. as counsel for certain RMBS investors; Wilmington Trust, National Association in its capacity as Indenture Trustee for ResCap’s senior unsecured notes (“Wilmington Trust”); and certain trustees or indenture trustee for certain mortgage backed securities trusts (collectively, the “Consenting Claimants”).

On May 23 2013, the Debtors filed a motion in the Bankruptcy Court to approve the PSA, which attached a copy of the PSA, thereby disclosing its terms. The PSA provides for the parties to support a Chapter 11 plan in the Debtors’ Chapter 11 cases (the “Plan”) that will, among other things, settle and provide Ally full releases for all existing and potential claims between Ally and the Debtors, including all representation and warranty claims that reside with the Debtors, and all pending and potential claims held by third parties related to the Debtors that could be brought against Ally, except for securities claims by the Federal Housing Finance Agency and the Federal Deposit Insurance Corporation, as receiver for certain failed banks. Ally believes it has strong defenses against these claims and will vigorously defend its position, as necessary.

The PSA, which incorporates a term sheet for the Plan, provides, among other things, that, on the effective date of the Plan, Ally will contribute to the Debtors’ estates \$1.95 billion in cash or cash equivalents, and will further contribute \$150 million received by Ally for claims it pursues against its insurance carriers related to the claims released in connection with the Plan, with such amount guaranteed by Ally to be paid no later than September 30, 2014 (collectively, the “Ally Contribution”) in exchange for the releases of Ally to be included in the Plan. The Ally Contribution and other assets of the Debtors’ estates will be distributed to creditors under the Plan. In addition, the Plan provides for the full repayment of Ally’s secured claims against the Debtors, including approximately \$1.13 billion that is owed to Ally by certain of the Debtors under existing credit facilities.

The PSA also provides that the Debtors will remain responsible for all costs and obligations imposed on the Debtors under (i) the consent judgment among the United States Department of Justice, the Attorneys General of certain states, ResCap, GMAC Mortgage, LLC (“GMACM”) and AFI entered by the District Court for the District of Columbia on February 9, 2012, (ii) the consent order among ResCap, GMACM, AFI, Ally Bank, the Federal Reserve Board and the FDIC, dated April 13, 2011 and (iii) the order of assessment among ResCap, GMACM, AFI and the Board of Governors of the Federal Reserve System, excluding certain obligations that are being performed by Ocwen Loan Servicing, LLC.

The Plan will include a settlement of insurance disputes between Ally and the Debtors under which the Debtors will relinquish in favor of Ally all of their rights to coverage under certain insurance policies. Further, the PSA requires that all litigation against Ally by the Debtors, the Creditors’ Committee and the Consenting Claimants be stayed so long as the PSA has not been terminated.

In connection with the PSA, and as a result of an expected increase to our reserve for litigation, Ally expects to record a charge of approximately \$1.55 billion in the second quarter of 2013.

The PSA requires, among other things, that the following milestones be satisfied: (i) Wilmington Trust must receive a direction to enter into the PSA from the holders of senior unsecured notes on or before May 31, 2013; (ii) the Bankruptcy Court must approve the PSA on or before July 3, 2013; (iii) the Plan and related disclosure statement (the "Disclosure Statement") must be filed with the Bankruptcy Court on or before July 3, 2013; (iv) the FGIC rehabilitation court must approve the PSA and a separate settlement agreement entered into among the Debtors, FGIC, trustees of residential mortgage-backed trusts and certain institutional investors (the "FGIC Settlement") on or before August 19, 2013; (v) the Bankruptcy Court must approve the Disclosure Statement on or before August 30, 2013; and (vi) the effective date of the Plan must occur on or before December 15, 2013. In the event any of the above milestones are not satisfied, the PSA could be terminated.

The PSA also includes a number of additional events that could result in the PSA being terminated, including the following: (i) the Bankruptcy Court enters an order appointing a Chapter 11 trustee; (ii) any of the Debtors' Chapter 11 cases are dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; (iii) any court has entered a final, non-appealable judgment or order declaring any material portion of the PSA unenforceable; (iv) the releases set forth in the PSA are modified, amended, changed, severed or otherwise altered in the Plan or any other definitive document; (v) the PSA ceases to be binding on Ally or the Creditors' Committee; and (vi) the examiner's report is disclosed to any party prior to the Bankruptcy Court entering an order approving the PSA.

Additionally, the PSA requires that several conditions be satisfied or waived before the Plan can be effective, including, the following: (i) the Bankruptcy Court approves the Plan and Disclosure Statement on terms reasonably acceptable to the parties; (ii) the order confirming the Plan (the "Confirmation Order") must have been entered by the Bankruptcy Court and provide for, among other things, the releases specified in the PSA; (iii) the Confirmation Order must not have been stayed, modified, or vacated on appeal, and the time to appeal shall have passed; (iv) the FGIC rehabilitation court must have approved the PSA and FGIC Settlement Agreement, including the release of all present and future claims against FGIC relating to FGIC policies; (v) Ally must have funded the Ally Contribution; and (vi) Ally's secured claims against the Debtors must have been fully satisfied.

Pursuant to Instruction B.4. to Form 8-K and applicable regulations and releases, the PSA will be filed as an exhibit to our quarterly report on Form 10-Q for the three-month period ended June 30, 2013. All summaries and descriptions of the PSA set forth above are qualified in their entirety by the actual document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALLY FINANCIAL INC.
(Registrant)

Dated: May 23, 2013

/S/ David J. DeBrunner
David J. DeBrunner Vice President, Chief Accounting Officer and
Controller

Public
Exhibit
No. 8

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

July 9, 2013

(Date of report; date of earliest event reported)

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

38-0572512

(I.R.S. Employer
Identification No.)

**200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000**

(Address of principal executive offices)
(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-12(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 8.01. Other Events

Ally Financial Inc. (Ally) is filing this Current Report on Form 8-K to update the historical consolidated financial statements and Management's Discussion and Analysis included in our Annual Report on Form 10-K for the year ended December 31, 2012. Historical information was updated for discontinued operations and to reflect the adoption of Disclosures about Offsetting Assets and Liabilities (Accounting Standards Update (ASU) 2011-11 and ASU 2013-01). Exhibit 99.1 contains the revised and updated financial information.

Discontinued Operations

During the three months ended March 31, 2012, the operations of Residential Capital, LLC (ResCap) were classified as discontinued. In accordance with generally accepted accounting principles, revenues and expenses associated with ResCap have been classified as discontinued operations for all periods presented in our Quarterly Report on Form 10-Q for the period ended March 31, 2013, that was filed with the Securities and Exchange Commission on May 1, 2013.

Under SEC regulations, the same discontinued classification is also required for previously issued financial statements for each of the years presented in our 2012 Annual Report on Form 10-K, even though the financial statements relate to periods prior to the discontinued classification. This reclassification has no effect on our reported net income for any reporting period.

Item 9.01. Financial Statements and Exhibits

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report.

Exhibit	Description
23.1	Consent of Deloitte & Touche LLP
99.1	Selected Financial Data, Consolidated Financial Statements and Notes thereto, and Management's Discussion and Analysis recast for discontinued operations for the fiscal years ended December 31, 2012, 2011, and 2010 (which replaces and supersedes Part II, Item 6, Item 7, and Item 8, respectively, of the 2012 Form 10-K filed with the SEC on March 1, 2013)
99.2	Computation of Ratio of Earnings to Fixed Charges

Signatures

Ally Financial Inc. • Form 8-K

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 9th day of July, 2013.

Ally Financial Inc.

(Registrant)

/S/ DAVID J. DEBRUNNER

David J. DeBrunner

*Vice President, Chief Accounting Officer, and
Corporate Controller*

Exhibit 23.1

Ally Financial Inc.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference of our report dated March 1, 2013 (July 8, 2013, as to Note 2, *Discontinued and Held-for-Sale Operations*, Note 22, *Derivative Instruments and Hedging Activities*, and Note 31, *Subsequent Events*), relating to the consolidated financial statements of Ally Financial Inc., and our report dated March 1, 2013, relating to the effectiveness of Ally Financial Inc.'s internal control over financial reporting, appearing in the Current Report on Form 8-K of Ally Financial Inc. to be dated on or about July 9, 2013, in the following registration statements on Form S-3:

Registration Statement No.	Description
333-168622	Ally Financial Inc. Perpetual Preferred Stock, Series G
333-171519	Ally Financial Inc. Senior Guaranteed Notes
333-178919	Ally Financial Inc. Demand Notes
333-183535	Ally Financial Inc. Term Notes

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP

Detroit, Michigan

July 8, 2013

Item 6. Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management’s Discussion and Analysis (MD&A) of Financial Condition and Results of Operations, our Consolidated Financial Statements, and the Notes to Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

The following table presents selected statement of income data.

Year ended December 31, (\$ in millions)	2012	2011	2010	2009	2008
Total financing revenue and other interest income	\$ 7,342	\$ 6,671	\$ 7,156	\$ 8,069	\$ 10,465
Interest expense	4,052	4,606	4,832	4,876	5,858
Depreciation expense on operating lease assets	1,399	941	1,251	2,256	3,159
Impairment of investment in operating leases	—	—	—	—	1,082
Net financing revenue	1,891	1,124	1,073	937	366
Total other revenue (a)	2,574	2,288	2,672	3,226	10,996
Total net revenue	4,465	3,412	3,745	4,163	11,362
Provision for loan losses	329	161	361	3,584	1,701
Total noninterest expense	3,622	3,428	3,621	3,937	4,213
Income (loss) from continuing operations before income tax (benefit) expense	514	(177)	(237)	(3,358)	5,448
Income tax (benefit) expense from continuing operations (b)	(856)	42	97	12	(87)
Net income (loss) from continuing operations	1,370	(219)	(334)	(3,370)	5,535
(Loss) income from discontinued operations, net of tax	(174)	62	1,363	(6,973)	(3,667)
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)	\$ 1,868
Basic and diluted earnings per common share:					
Net income (loss) from continuing operations	\$ 427	\$ (738)	\$ (2,742)	\$ (8,677)	\$ 50,827
Net income (loss)	296	(691)	(1,039)	(21,850)	17,152
Non-GAAP financial measures (c):					
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)	\$ 1,868
Add: Original issue discount amortization expense (d)	336	962	1,300	1,143	70
Add: Income tax (benefit) expense from continuing operations	(856)	42	97	12	(87)
Less: Gain on extinguishment of debt related to the 2008 bond exchange	—	—	—	—	11,460
Less: (Loss) income from discontinued operations, net of tax	(174)	62	1,363	(6,973)	(3,667)
Core pretax income (loss) (c)	\$ 850	\$ 785	\$ 1,063	\$ (2,215)	\$ (5,942)

- (a) Total other revenue for 2008 includes \$12.6 billion of gains on the extinguishment of debt, primarily related to private exchange and cash tender offers settled during the fourth quarter.
- (b) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of \$1.2 billion was established through income tax expense.
- (c) Core pretax income (loss) is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes, original issue discount amortization expense primarily associated with our 2008 bond exchange, and the gain on extinguishment of debt related to the 2008 bond exchange. We believe that the presentation of core pretax income (loss) is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income (loss) is the primary measure that management uses to assess the performance of our operations. We believe that core pretax income (loss) is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.
- (d) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange that was reported as a loss on extinguishment of debt in the Consolidated Statement of Income.

The following table presents selected balance sheet and ratio data.

Year ended December 31, (\$ in millions)	2012	2011	2010	2009	2008
Selected period-end balance sheet data:					
Total assets	\$ 182,347	\$ 184,059	\$ 172,008	\$ 172,306	\$ 189,476
Long-term debt	\$ 74,561	\$ 92,885	\$ 86,703	\$ 88,066	\$ 115,935
Preferred stock/interests (a)	\$ 6,940	\$ 6,940	\$ 6,972	\$ 12,180	\$ 6,287
Total equity	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794	\$ 21,854
Financial ratios					
Efficiency ratio (b)	81.12%	100.47 %	96.69 %	94.57 %	37.08 %
Core efficiency ratio (b)	75.44%	78.37 %	71.77 %	74.20 %	n/m
Return on assets (c)					
Net income (loss) from continuing operations	0.75%	(0.12)%	(0.19)%	(1.89)%	2.92 %
Net income (loss)	0.65%	(0.09)%	0.58 %	(5.81)%	0.99 %
Core pretax income (loss)	0.46%	0.43 %	0.60 %	(1.25)%	(3.14)%
Return on equity (c)					
Net income (loss) from continuing operations	7.24%	(1.09)%	(1.62)%	(13.90)%	25.33 %
Net income (loss)	6.32%	(0.78)%	4.98 %	(42.65)%	8.55 %
Core pretax income (loss)	4.49%	3.91 %	5.14 %	(9.13)%	(27.19)%
Equity to assets (c)	10.30%	11.10 %	11.69 %	13.63 %	11.53 %
Net interest spread (c)(d)	1.18%	0.69 %	0.81 %	0.31 %	(e)
Net interest spread excluding original issue discount (c)(d)	1.49%	1.57 %	2.16 %	1.84 %	(e)
Net yield on interest-earning assets (c)(f)	1.40%	0.92 %	1.02 %	0.94 %	(e)
Net yield on interest-earning assets excluding original issue discount (c)(f)	1.66%	1.68 %	2.18 %	2.10 %	(e)
Regulatory capital ratios					
Tier 1 capital (to risk-weighted assets) (g)	13.13%	13.65 %	14.93 %	14.12 %	(e)
Total risk-based capital (to risk-weighted assets) (h)	14.07%	14.69 %	16.30 %	15.52 %	(e)
Tier 1 leverage (to adjusted quarterly average assets) (i)	11.16%	11.45 %	12.99 %	12.68 %	(e)
Total equity	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794	(e)
Goodwill and certain other intangibles	(494)	(493)	(532)	(534)	(e)
Unrealized gains and other adjustments	(1,715)	(262)	(309)	(447)	(e)
Trust preferred securities	2,543	2,542	2,541	2,540	(e)
Tier 1 capital (g)	20,232	21,067	22,098	22,353	(e)
Preferred equity	(6,940)	(6,940)	(6,972)	(12,180)	(e)
Trust preferred securities	(2,543)	(2,542)	(2,541)	(2,540)	(e)
Tier 1 common capital (non-GAAP) (j)	\$ 10,749	\$ 11,585	\$ 12,585	\$ 7,633	(e)
Risk-weighted assets (k)	\$ 154,038	\$ 154,319	\$ 147,979	\$ 158,326	(e)
Tier 1 common (to risk-weighted assets) (j)	6.98%	7.51 %	8.50 %	4.82 %	(e)

n/m = not meaningful

- (a) Effective June 30, 2009, we converted from a Delaware limited liability company into a Delaware corporation. Each unit of each class of common membership interest issued and outstanding immediately prior to the conversion was converted into an equivalent number of shares of common stock with substantially the same rights and preferences as the common membership interests. Upon conversion, holders of our preferred membership interests also received an equivalent number of shares of preferred stock with substantially the same rights and preferences as the former preferred membership interests.
- (b) The efficiency ratio equals total other noninterest expense divided by total net revenue. The core efficiency ratio equals total other noninterest expense divided by total net revenue excluding original issue discount amortization expense and gain on extinguishment of debt related to the 2008 bond exchange.
- (c) The 2012, 2011, 2010, and 2009 ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies. The 2008 ratios have been computed based on period-end total assets and period-end total equity at December 31, 2008.
- (d) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
- (e) Not applicable at December 31, 2008 as we did not become a bank holding company until December 24, 2008.
- (f) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
- (g) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
- (h) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
- (i) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
- (j) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
- (k) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.

Management's Discussion and Analysis

Ally Financial Inc.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operation (MD&A), as well as other portions of this Form 10-K, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words "expect," "anticipate," "estimate," "forecast," "initiative," "objective," "plan," "goal," "project," "outlook," "priorities," "target," "intend," "evaluate," "pursue," "seek," "may," "would," "could," "should," "believe," "potential," "continue," or the negatives of any of these words or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this report, including those under Item 1A, Risk Factors, as well as those provided in any subsequent SEC filings. Forward-looking statements apply only as of the date they are made, and Ally undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward-looking statement are made.

Overview

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Our Business

Dealer Financial Services

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to almost 15,000 automotive dealerships and approximately 4 million of their retail customers. We have deep dealer relationships that have been built over our greater-than 90-year history and our dealer-focused business model makes us a preferred automotive finance company for many automotive dealers. Our broad set of product offerings and customer-focused marketing programs differentiate Ally in the marketplace and help drive higher product penetration in our dealer relationships. Our ability to generate attractive automotive assets is driven by our platform and scale, strong relationships with automotive dealers, a full suite of dealer financial products, automotive loan-servicing capabilities, dealer-based incentive programs, and superior customer service.

Our automotive financial services include providing retail installment sales financing, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet leasing, and vehicle remarketing services. We also offer vehicle service contracts and commercial insurance, primarily covering dealers' wholesale vehicle inventories. We are a leading provider of vehicle service contracts, and maintenance coverages.

We have a longstanding relationship with General Motors Company (GM) and have developed strong relationships directly with GM-franchised dealers. We are a preferred financing provider to GM and Chrysler Group LLC (Chrysler) (including Fiat) for incentivized retail loans. Our agreements with GM and Chrysler expire on December 31, 2013 and April 30, 2013, respectively. Ally currently competes in the marketplace for all other parts of the business with GM and Chrysler dealers including wholesale financing, standard rate consumer financing, and leasing. Ally expects to continue to play a significant role with GM and Chrysler dealers in the future as the dealer is Ally's direct customer for the majority of business that is conducted.

We have further diversified our customer base by establishing agreements to become preferred financing providers with other vehicle manufacturers including, Thor Industries, Maserati, The Vehicle Production Group LLC, Forest River, and Mitsubishi Motors. During 2010 our primary emphasis was on originating loans of higher credit tier borrowers. For this reason, our current operating results continue to reflect higher credit quality, lower yielding loans with lower credit loss experience. Ally however seeks to be a meaningful lender to a wide spectrum of borrowers. In 2010 we enhanced our risk management practices and efforts on risk-based pricing. We have gradually increased volumes in lower credit tiers in 2011 and 2012. We plan to continue to increase the proportion of our non-GM and Chrysler business, as we focus on maintaining and growing our dealer-customer base through our full suite of products, our dealer relationships, the scale of our platform, and our dealer-based incentive programs.

Our Insurance operations offer both consumer finance and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and Guaranteed Automobile Protection (GAP) products. We also underwrite selected commercial insurance coverage, which primarily insures dealers' wholesale vehicle inventory in the United States.

Change in Reportable Segments

During the fourth quarter of 2012, we announced that we had reached agreements to sell substantially all of our International operations. As a result, beginning in the fourth quarter of 2012, we are presenting our continuing Automotive Finance activities under one reportable operating segment, Automotive Finance operations. Previously our Automotive Finance operations were presented as two reportable operating segments, North American Automotive Finance operations and International Automotive Finance operations.

Management's Discussion and Analysis

Ally Financial Inc.

Mortgage

The principal ongoing Mortgage operations are conducted through Ally Bank. We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders. Our Mortgage operations also consist of noncore business activities including portfolios in run-off.

On October 26, 2012, we announced that Ally Bank had begun to explore strategic alternatives for its agency mortgage servicing rights portfolio and its business lending operations. On February 28, 2013, we sold our business lending operations to Walter Investment Management Corp. The majority of Ally Bank's serviced mortgage assets are subserviced by GMAC Mortgage, LLC (GMACM), a subsidiary of ResCap, pursuant to a servicing agreement. Additionally, in July 2012, we announced our intention to shut down our U.S. Warehouse Lending business and, as of December 31, 2012, we successfully managed receivables down to \$0 with no commitments outstanding. Our intent is to significantly reduce or eliminate our mortgage-related activities with respect to the origination of conforming mortgage loans with the intent to sell into securitizations sponsored by the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Mortgage Corporation (Freddie Mac), or Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs), the retention of mortgage servicing rights, and the extension of credit to third-party mortgage originators (warehouse lending).

Residential Capital, LLC (ResCap) and certain of its wholly-owned subsidiaries (collectively, the Debtors), filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York on May 14, 2012. Refer to Note 1 to the Consolidated Financial Statements for further information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

Subsequent to the bankruptcy filing, ResCap announced the sale of certain assets to third parties. Upon the closing of those sales, we do not expect ResCap to continue to broker loans to us. This will primarily impact the production of loans within the Direct Lending channel, which are currently sourced exclusively from ResCap.

As the actions discussed continue to progress, we expect the level of loan production and mortgage-related assets (with the exception of mortgage loans held for investment), as well as the income before income tax expense from Mortgage operations, to decline.

Change in Reportable Segments

On May 14, 2012, the Debtors filed for relief under Chapter 11 of the Bankruptcy Code in the United States. As a result of the bankruptcy filing, ResCap was deconsolidated from our financial statements; and beginning in the second quarter of 2012, we began presenting our mortgage business activities under one reportable operating segment, Mortgage operations. Previously our Mortgage operations had been presented as two reportable operating segments, Origination and Servicing operations and Legacy Portfolio and Other operations. The new presentation is consistent with the organizational alignment of the business and management's current view of the mortgage business.

Corporate and Other

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, reclassifications and eliminations between the reportable operating segments, and overhead that was previously allocated to operations that have since been sold or classified as discontinued operations. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

The net financing revenue of our Automotive Finance and Mortgage operations includes the results of an FTP process that insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Automotive Finance and Mortgage operations, respectively, based on anticipated maturity and a benchmark index plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise, including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology, which incorporates each operations credit, market, and operational risk components is used to allocate equity to these operations.

Change in Reportable Segments

During the fourth quarter of 2012, we began to allocate expenses associated with certain deposit gathering activities and other additional costs of holding liquidity to our Automotive Finance and Mortgage operations. These expenses were previously included within our Corporate and Other activities. Additionally, we began to include overhead that was previously allocated to operations that have since been sold or moved into discontinued operations within our Corporate and Other activities.

Ally Bank

Ally Bank, our direct banking platform, provides us with a stable and diversified low-cost funding source. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. Ally Bank has established a strong and growing retail banking franchise

Management's Discussion and Analysis

Ally Financial Inc.

which is based on a promise of being straightforward, easy to use, and offering high-quality customer service. Ally Bank's products and services are designed to develop long-term customer relationships and capitalize on the shift in consumer preference for direct banking.

Ally Bank offers a full spectrum of deposit product offerings, such as checking, savings, and certificates of deposit (CDs), as well as 48-month raise your rate CDs, IRA deposit products, Popmoney person-to-person transfer service, eCheck remote deposit capture, Ally Perks debit rewards program, and Mobile Banking. In addition, brokered deposits are obtained through third-party intermediaries. At December 31, 2012, Ally Bank had \$46.9 billion of deposits, including \$35.0 billion of retail deposits. The growth of our retail base from \$7.2 billion at the end of 2008 to \$35.0 billion at December 31, 2012, has enabled us to reduce our cost of funds during that period. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

Funding and Liquidity

Our funding strategy largely focuses on the development of diversified funding sources which we manage across products, programs, markets, and investor groups. We fund our assets primarily with a mix of retail and brokered deposits, public and private asset-backed securitizations, asset sales, committed and uncommitted credit facilities and public unsecured debt.

The diversity of our funding sources enhances funding flexibility, limits dependence on any one source and results in a more cost-effective funding strategy over the long term. Throughout 2008 and 2009, the global credit markets experienced extraordinary levels of volatility and stress. As a result, access by market participants, including Ally, to the capital markets was significantly constrained and borrowing costs increased. In response, numerous government programs were established aimed at improving the liquidity position of U.S. financial services firms. After converting to a bank holding company in late 2008, we participated in several of the programs, including Temporary Liquidity Guaranty Program (TLGP), Term Auction Facility, and Term Asset-Backed Securities Loan Facility. Our diversification strategy and participation in these programs helped us to maintain sufficient liquidity during this period of financial distress to meet all maturing unsecured debt obligations and to continue our lending and operating activities. During 2012, we repaid the TLGP debt and the other programs were discontinued prior to 2012.

As part of our overall transformation from an independent financial services company to a bank holding company, we took actions to further diversify and develop more stable funding sources and, in particular, embarked upon initiatives to grow our consumer deposit-taking capabilities within Ally Bank. In addition, we began distinguishing our liquidity management strategies between bank funding and nonbank funding.

Maximizing bank funding continues to be the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility or changes in our credit ratings than other funding sources. At December 31, 2012, deposit liabilities totaled \$47.9 billion, which constituted 37% of our total funding. This compares to just 14% at December 31, 2008.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance Ally Bank's automotive loan portfolios. During 2012, we issued \$11.8 billion in secured funding backed by retail automotive loans and leases as well as dealer floorplan automotive loans of Ally Bank. Continued structural efficiencies in securitizations combined with improving capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automobile loans are selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed and matched funding for the life of the asset. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As we have shifted our focus to migrating assets to Ally Bank and growing our bank funding capabilities, our reliance on parent company liquidity has consequently been reduced. Funding sources at the parent company generally consist of longer-term unsecured debt, private credit facilities, and asset-backed securitizations. In 2012, we issued over \$3.6 billion of unsecured debt globally through several issuances. At December 31, 2012, we had \$1.3 billion and \$5.6 billion of outstanding unsecured long-term debt with maturities in 2013 and 2014, respectively. To fund these maturities, we expect to use existing pre-issued liquidity combined with maintaining an opportunistic approach to new issuance.

The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at the parent company was \$15.6 billion and Ally Bank had \$13.2 billion of available liquidity at December 31, 2012. Parent company liquidity is defined as our consolidated operations less Ally Bank and the subsidiaries of Ally Insurance's holding company. At the same time, these strategies have also resulted in a cost of funds improvement of approximately 95 basis points since the first quarter of 2011. Looking forward, given our enhanced liquidity and capital position and generally improved credit ratings, we expect that our cost of funds will continue to improve over time.

Credit Strategy

We are a full spectrum automotive finance lender with most of our automotive loan originations underwritten within the prime-lending markets as we continue to prudently expand in nonprime markets. During 2012, we continued to recognize improvement in our credit risk profile as a result of proactive credit risk initiatives that were taken in 2009 and 2010 and modest improvement in the overall economic

Management's Discussion and Analysis

Ally Financial Inc.

environment. Additionally, we discontinued certain nonstrategic operations, mainly in our international businesses. Within our Automotive Finance operations, we exited certain underperforming dealer relationships. Within our Mortgage operations, we have taken action with the intent to significantly reduce or eliminate our mortgage-related activities with respect to the origination of conforming mortgage loans with the intent to sell into GSE-sponsored securitizations, the retention of mortgage servicing rights, and the extension of credit to third-party mortgage originators (warehouse lending). We intend to continue to originate a modest level of high-quality non-conforming mortgages that exceed GSE limits (jumbo mortgages) for retention as mortgage loans held for investment.

During the year ended December 31, 2012, the credit performance of our portfolios remained strong overall as our asset quality trends within our automotive and mortgage portfolios were stable. Nonperforming loans continued to decline, benefiting from the deconsolidation of ResCap. Charge-offs also declined primarily due to recoveries in the commercial portfolio. Our provision for loan losses increased to \$329 million in 2012 from \$161 million in 2011 due to higher asset levels in the consumer and commercial automotive portfolios and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

We continue to see signs of economic stabilization in the housing and vehicle markets, although our total credit portfolio will continue to be affected by sustained levels of high unemployment and continued uncertainty in the housing market.

Bank Holding Company and Treasury's Investments

During 2008, and continuing into 2009, the credit, capital, and mortgage markets became increasingly disrupted. This disruption led to severe reductions in liquidity and adversely affected our capital position. As a result, Ally sought approval to become a bank holding company to obtain access to capital at a lower cost to remain competitive in our markets. On December 24, 2008, Ally and IB Finance Holding Company, LLC, the holding company of Ally Bank, were each approved as bank holding companies under the Bank Holding Company Act of 1956. At the same time, Ally Bank converted from a Utah-chartered industrial bank into a Utah-chartered commercial nonmember bank. Ally Bank as an FDIC-insured depository institution, is subject to the supervision and examination of the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (UDFI). Ally Financial Inc. is subject to the supervision and examination of the Board of Governors of the Federal Reserve System (FRB). We are required to comply with regulatory risk-based and leverage capital requirements, as well as various safety and soundness standards established by the FRB, and are subject to certain statutory restrictions concerning the types of assets or securities that we may own and the activities in which we may engage.

As one of the conditions to becoming a bank holding company, the FRB required several actions of Ally, including meeting a minimum amount of regulatory capital. In order to meet this requirement, Ally took several actions, the most significant of which were the execution of private debt exchanges and cash tender offers to purchase and/or exchange certain of our and our subsidiaries outstanding notes held by eligible holders for a combination of cash, newly issued notes of Ally, and in the case of certain of the offers, preferred stock. The transactions resulted in an extinguishment of all notes tendered or exchanged into the offers and the new notes and stock were recorded at fair value on the issue date. This resulted in a pretax gain on extinguishment of debt of \$11.5 billion in 2008 and a corresponding increase to our capital levels. The gain included a \$5.4 billion original issue discount representing the difference between the face value and the fair value of the new notes and is being amortized as interest expense over the term of the new notes. In addition, the U.S. Department of Treasury (Treasury) made an initial investment in Ally on December 29, 2008, pursuant to the Troubled Asset Relief Program (TARP) with a \$5.0 billion purchase of Ally perpetual preferred stock with a total liquidation preference of \$5.25 billion (Perpetual Preferred Stock).

On May 21, 2009, Treasury made a second investment of \$7.5 billion in exchange for Ally's mandatorily convertible preferred stock with a total liquidation preference of approximately \$7.9 billion (Old MCP), which included a \$4 billion investment to support our agreement with Chrysler to provide automotive financing to Chrysler dealers and customers and a \$3.5 billion investment related to the FRB's Supervisory Capital Assessment Program requirements. Shortly after this second investment, on May 29, 2009, Treasury acquired 35.36% of Ally common stock when it exercised its right to acquire 190,921 shares of Ally common stock from GM as repayment for an \$884 million loan that Treasury had previously provided to GM.

On December 30, 2009, we entered into another series of transactions with Treasury under TARP, pursuant to which Treasury (i) converted 60 million shares of Old MCP (with a total liquidation preference of \$3.0 billion) into 259,200 shares of additional Ally common stock; (ii) invested \$1.25 billion in new Ally mandatorily convertible preferred stock with a total liquidation preference of approximately \$1.3 billion (the New MCP); and (iii) invested \$2.54 billion in new trust preferred securities with a total liquidation preference of approximately \$2.7 billion (Trust Preferred Securities). At this time, Treasury also exchanged all of its Perpetual Preferred Stock and remaining Old MCP (following the conversion of Old MCP described above) into additional New MCP.

On December 30, 2010, Treasury converted 110 million shares of New MCP (with a total liquidation preference of approximately \$5.5 billion) into 531,850 shares of additional Ally common stock. The conversion reduces dividends by approximately \$500 million per year, assists with capital preservation, and is expected to improve profitability with a lower cost of funds.

On March 1, 2011, the Declaration of Trust and certain other documents related to the Trust Preferred Securities were amended, and all of the outstanding Trust Preferred Securities held by Treasury were designated 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2. On March 7, 2011, Treasury sold 100% of the Series 2 Trust Preferred Securities in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Management's Discussion and Analysis

Ally Financial Inc.

Following the transactions described above, Treasury currently holds 73.78% of Ally common stock and approximately \$5.9 billion in New MCP. As a result of its current common stock investment, Treasury is entitled to appoint six of the eleven total members of the Ally Board of Directors.

The following table summarizes the investments in Ally made by Treasury in 2008 and 2009.

<i>(\$ in millions)</i>	Investment type	Date	Cash investment	Warrants	Total
TARP	Preferred equity	December 29, 2008	\$ 5,000	\$ 250	\$ 5,250
GM Loan Conversion (a)	Common equity	May 21, 2009	884	—	884
SCAP 1	Preferred equity (MCP)	May 21, 2009	7,500	375	7,875
SCAP 2	Preferred equity (MCP)	December 30, 2009	1,250	63	1,313
SCAP 2	Trust preferred securities	December 30, 2009	2,540	127	2,667
Total cash investments			\$ 17,174	\$ 815	\$ 17,989

(a) In January 2009, Treasury loaned \$884 million to General Motors. In connection with that loan, Treasury acquired rights to exchange that loan for 190,921 shares. In May 2009, Treasury exercised that right.

The following table summarizes Treasury's investment in Ally at December 31, 2012.

December 31, 2012 <i>(\$ in millions)</i>	Book Value	Face Value
MCP (a)	\$ 5,685	\$ 5,938
Common equity (b)		73.78%

(a) Reflects the exchange of face value of \$5.25 billion of Perpetual Preferred Stock to MCP in December 2009 and the conversion of face value of \$3.0 billion and \$5.5 billion of MCP to common equity in December 2009 and December 2010, respectively.

(b) Represents the current common equity ownership position by Treasury.

Discontinued Operations

During 2012, 2011, and 2010, we committed to dispose certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group, and have classified these operations as discontinued. For all periods presented, all of the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for more details. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

Sales transactions for our Automotive Finance operations are expected to close in stages throughout 2013. It is anticipated that there could be significant gains or losses occurring during interim periods of 2013 as the various stages close. We believe that when all of the various stages are closed, we will realize a gain on the sale of our Automotive Finance discontinued operations.

Management's Discussion and Analysis

Ally Financial Inc.

Primary Lines of Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. The following table summarizes the operating results excluding discontinued operations of each line of business. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Total net revenue (loss)					
Dealer Financial Services					
Automotive Finance operations	\$ 3,149	\$ 2,952	\$ 3,421	7	(14)
Insurance operations	1,214	1,398	1,801	(13)	(22)
Mortgage operations	1,308	559	565	134	(1)
Corporate and Other	(1,206)	(1,497)	(2,042)	19	27
Total	\$ 4,465	\$ 3,412	\$ 3,745	31	(9)
Income (loss) from continuing operations before income tax (benefit) expense					
Dealer Financial Services					
Automotive Finance operations	\$ 1,389	\$ 1,333	\$ 1,757	4	(24)
Insurance operations	160	316	557	(49)	(43)
Mortgage operations	595	92	77	n/m	19
Corporate and Other	(1,630)	(1,918)	(2,628)	15	27
Total	\$ 514	\$ (177)	\$ (237)	n/m	25

n/m = not meaningful

Management's Discussion and Analysis

Ally Financial Inc.

Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the operating segment sections of the MD&A that follows for a more complete discussion of operating results by line of business.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing revenue					
Total financing revenue and other interest income	\$ 7,342	\$ 6,671	\$ 7,156	10	(7)
Interest expense	4,052	4,606	4,832	12	5
Depreciation expense on operating lease assets	1,399	941	1,251	(49)	25
Net financing revenue	1,891	1,124	1,073	68	5
Other revenue					
Net servicing income (loss)	405	91	(95)	n/m	196
Insurance premiums and service revenue earned	1,055	1,153	1,342	(8)	(14)
Gain on mortgage and automotive loans, net	379	229	587	66	(61)
Loss on extinguishment of debt	(148)	(64)	(124)	(131)	48
Other gain on investments, net	146	258	501	(43)	(49)
Other income, net of losses	737	621	461	19	35
Total other revenue	2,574	2,288	2,672	13	(14)
Total net revenue	4,465	3,412	3,745	31	(9)
Provision for loan losses	329	161	361	(104)	55
Noninterest expense					
Compensation and benefits expense	1,106	993	1,087	(11)	9
Insurance losses and loss adjustment expenses	454	452	511	—	12
Other operating expenses	2,062	1,983	2,023	(4)	2
Total noninterest expense	3,622	3,428	3,621	(6)	5
Income (loss) from continuing operations before income tax (benefit) expense	514	(177)	(237)	n/m	25
Income tax (benefit) expense from continuing operations	(856)	42	97	n/m	57
Net income (loss) from continuing operations	\$ 1,370	\$ (219)	\$ (334)	n/m	34

n/m = not meaningful

2012 Compared to 2011

We earned net income from continuing operations of \$1.4 billion for the year ended December 31, 2012, compared to a net loss from continuing operations of \$219 million for the year ended December 31, 2011. Net income from continuing operations for the year ended December 31, 2012, was favorably impacted by our Automotive Finance operations, primarily due to an increase in consumer automotive financing revenue related to growth in the retail loan and operating lease portfolios. Additional favorability for the year ended December 31, 2012 was primarily the result of a more favorable servicing asset valuation, net of hedge, compared to the same period in 2011, higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, higher net gains on the sale of mortgage loans, and lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization. The increase was partially offset by higher provision for loan losses and lower investment income due to impairment related to certain investment securities that we do not plan on holding to recovery.

Total financing revenue and other interest income increased \$671 million for the year ended December 31, 2012, compared to 2011. The increase resulted primarily from an increase in operating lease revenue and consumer financing revenue at our Automotive Finance operations driven primarily by an increase in consumer asset levels as a result of increased used vehicle automotive financing and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods. Additionally, we continue to prudently expand our nonprime origination volume. The increase was partially offset by a lower average yield mix as higher-rate Ally Bank mortgage loans run off.

Interest expense decreased 12% for the year ended December 31, 2012, compared to 2011. OID amortization expense decreased \$576 million for the year ended December 31, 2012, compared to 2011, due to bond maturities and normal monthly amortization, as well as lower funding costs at our Mortgage operations.

Management's Discussion and Analysis

Ally Financial Inc.

Depreciation expense on operating lease assets increased 49% for the year ended December 31, 2012, compared to 2011, primarily due to higher lease asset balances as a result of strong lease origination volume and lower lease remarketing gains primarily due to lower lease remarketing volume. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease volume since that time.

Net servicing income was \$405 million for the year ended December 31, 2012, compared to \$91 million in 2011. The increase was primarily due to the performance of the derivative servicing hedge as compared to a less favorable hedge performance in 2011, partially offset by lower servicing fees resulting from a lower unpaid principal balance of our MSR portfolio.

Insurance premiums and service revenue earned decreased 8% for the year ended December 31, 2012, compared to 2011, primarily due to declining U.S. vehicle service contracts written between 2007 and 2009 as a result of lower domestic vehicle sales volume.

Gain on mortgage and automotive loans increased 66% for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved market gains on specified pooled loans.

Loss on extinguishment of debt increased \$84 million for the year ended December 31, 2012, compared to the same period in 2011, primarily due to fees incurred related to the early termination of FHLB debt as a result of replacing our higher-cost long-term debt structure in favor of a lower-cost short-term FHLB debt structure.

Other gain on investments, net, was \$146 million for the year ended December 31, 2012, compared to \$258 million in 2011. The decrease was primarily due to the recognition of \$61 million other-than-temporary impairment on certain equity securities in 2012 and lower realized investment gains.

Other income, net of losses, increased 19% for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, partially offset by lower remarketing fee income from our Automotive Finance operations driven by lower remarketing volumes through our proprietary SmartAuction platform.

The provision for loan losses was \$329 million for the year ended December 31, 2012, compared to \$161 million in 2011. The increase was driven primarily by higher asset levels in the consumer automotive portfolio and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

Total noninterest expense increased 6% for the year ended December 31, 2012, compared to 2011. The increase was primarily driven by higher representation and warranty expense resulting from the transfer of liability relating to Ally Bank's sold and serviced loans that had previously been recorded at ResCap, and higher compensation and benefits expense due to an increase in functional services provided by ResCap through a Shared Services Agreement (SSA). Refer to Note 1 to the Consolidated Financial Statements for further details on the SSA.

We recognized consolidated income tax benefit from continuing operations of \$856 million for the year ended December 31, 2012, compared to income tax expense of \$42 million in 2011. In 2011, we had a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. For the year ended December 31, 2012, our results from operations benefited from the release of U.S. federal and state valuation allowances and related effects on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. Refer to Note 23 to the Consolidated Financial Statements for further information.

2011 Compared to 2010

We incurred a net loss from continuing operations of \$219 million for the year ended December 31, 2011, compared to a net loss from continuing operations of \$334 million for the year ended December 31, 2010. Continuing operations for the year ended December 31, 2011, were favorably impacted by improvement in the servicing asset valuation, net of hedge, when compared to the year ended December 31, 2010, and lower provision for loan losses, partially offset by lower gains on the sale of loans and lower financing revenue related to a decrease in asset levels.

Total financing revenue and other interest income decreased by 7% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and the related depreciation expense at our Automotive Finance operations declined due to a lower average operating lease portfolio balance as a result of our decision in late 2008 to significantly curtail leasing. Depreciation expense was also impacted by lower lease remarketing gains resulting from lower lease termination volumes. The decrease in our Mortgage operations resulted from a decline in average asset levels related to held-for-sale assets as well as lower held-for-investment portfolio balances. Partially offsetting the decrease was an increase in consumer financing revenue at our Automotive Finance operations driven primarily by an increase in consumer asset levels related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention.

Interest expense decreased 5% for the year ended December 31, 2011, compared to 2010, primarily as a result of a change in our funding mix with an increased amount of funding coming from deposit liabilities as well as favorable trends in the securitization markets.

Management's Discussion and Analysis

Ally Financial Inc.

Insurance premiums and service revenue earned decreased 14% for the year ended December 31, 2011, compared to 2010. The decrease was primarily driven by the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Gain on mortgage and automotive loans decreased 61% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower margins on mortgage loan sales, a decrease in mortgage loan production, and the expiration of our automotive forward flow agreements during the fourth quarter of 2010. Favorability in net servicing income as a result of swap activity offset this decrease. Net servicing income was \$91 million for the year ended December 31, 2011, compared to a net servicing loss of \$95 million in 2010.

We incurred a loss on extinguishment of debt of \$64 million for the year ended December 31, 2011, compared to a loss of \$124 million for the year ended December 31, 2010. The activity in all periods related to the extinguishment of certain Ally debt, which included \$50 million of accelerated amortization of original issue discount for 2011, compared to \$101 million in 2010.

Other gain on investments was \$258 million for the year ended December 31, 2011, compared to \$501 million in 2010. The decrease was primarily due to lower realized investment gains on our Insurance operations investment portfolio.

Other income, net of losses, increased 35% for the year ended December 31, 2011, compared to 2010. The increase during 2011 was primarily due to the positive impact of a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements and a favorable change in the fair value option election adjustment.

The provision for loan losses was \$161 million for the year ended December 31, 2011, compared to \$361 million in 2010. The decrease during 2011 reflected improved credit quality of the overall portfolio as a result of the decision to curtail nonprime lending in 2009 and the continued runoff and improved loss performance of our Nuvell nonprime automotive financing portfolio.

Insurance losses and loss adjustment expenses decreased 12% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to lower frequency and severity experienced in our U.S. vehicle service contract business and the sale of certain international insurance operations during the fourth quarter of 2010, which was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Other operating expenses decreased 2% for the year ended December 31, 2011, compared to 2010, primarily as a result of lower insurance commissions expense and lower vehicle remarketing and repossession expense.

We recognized consolidated income tax expense of \$42 million for the year ended December 31, 2011, compared to \$97 million in 2010. For those respective periods, we had a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. Accordingly, tax expense was driven by U.S. state income taxes in states where profitable subsidiaries are required to file separately from other loss companies in the group or where the use of prior losses is restricted, and foreign income taxes on pretax profits within foreign jurisdictions. The decrease in income tax expense for 2011, compared to 2010, was driven by increased foreign pretax losses.

Management's Discussion and Analysis

Ally Financial Inc.

Dealer Financial Services

Results for Dealer Financial Services are presented by reportable segment, which includes our Automotive Finance and Insurance operations.

Automotive Finance Operations

Results of Operations

The following table summarizes the operating results of our Automotive Finance operations excluding discontinued operations for the periods shown. Automotive Finance operations include the automotive activities of Ally Bank. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/(unfavorable) 2011-2010 % change
Net financing revenue					
Consumer	\$ 2,827	\$ 2,411	\$ 1,953	17	23
Commercial	1,152	1,134	1,210	2	(6)
Loans held-for-sale	15	5	112	n/m	(96)
Operating leases	2,379	1,929	2,579	23	(25)
Other interest income	52	92	109	(43)	(16)
Total financing revenue and other interest income	6,425	5,571	5,963	15	(7)
Interest expense	2,199	2,100	2,011	(5)	(4)
Depreciation expense on operating lease assets	1,399	941	1,255	(49)	25
Net financing revenue	2,827	2,530	2,697	12	(6)
Other revenue					
Servicing fees	109	161	227	(32)	(29)
Gain on automotive loans, net	41	48	248	(15)	(81)
Other income	172	213	249	(19)	(14)
Total other revenue	322	422	724	(24)	(42)
Total net revenue	3,149	2,952	3,421	7	(14)
Provision for loan losses	253	89	260	(184)	66
Noninterest expense					
Compensation and benefits expense	416	395	352	(5)	(12)
Other operating expenses	1,091	1,135	1,052	4	(8)
Total noninterest expense	1,507	1,530	1,404	2	(9)
Income before income tax expense	\$ 1,389	\$ 1,333	\$ 1,757	4	(24)
Total assets	\$ 128,411	\$ 112,591	\$ 97,961	14	15

n/m = not meaningful

2012 compared to 2011

Our Automotive Finance operations earned income before income tax expense of \$1.4 billion for the year ended December 31, 2012, compared to \$1.3 billion for the year ended December 31, 2011. Results for the year ended December 31, 2012 were favorably impacted by higher consumer and operating lease revenues driven by growth in the retail loan and operating lease portfolios. These items were partially offset by higher provision for loan losses, lower operating lease remarketing gains due primarily to lower remarketing volume, lower servicing fees, and lower income generated from lease remarketing.

Consumer financing revenue increased 17% for the year ended December 31, 2012, compared to 2011, due to an increase in consumer asset levels driven by limited use of whole-loan sales as a funding source in recent periods, increased volumes of used vehicle automotive financing, and higher automotive industry sales; however, our GM and Chrysler penetration levels for new retail automotive loans were lower than those in 2011. Additionally, we continue to prudently expand our nonprime origination volume. The increase in consumer revenue from volume was partially offset by lower yields as a result of the competitive market environment for automotive financing.

Commercial financing revenue increased \$18 million for the year ended December 31, 2012, compared to 2011. The increase was primarily driven by higher commercial loan balances due to growth in our wholesale dealer floorplan lending and dealer loan portfolio, partially offset by lower yields as a result of competitive markets for automotive commercial financing.

Management's Discussion and Analysis

Ally Financial Inc.

Operating lease revenue increased 23% for the year ended December 31, 2012, compared to 2011, primarily due to higher lease asset balances as a result of strong origination volume.

Interest expense increased \$99 million for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher levels of earning assets, primarily as a result of growth in the retail loan and lease portfolios.

Depreciation expense on operating lease assets increased 49% for the year ended December 31, 2012, compared to 2011, primarily due to higher lease asset balances as a result of strong lease origination volume and lower lease remarketing gains primarily due to lower lease remarketing volume.

Servicing fee income decreased 32% for the year ended December 31, 2012, compared to 2011, due to lower levels of off-balance sheet retail serviced assets.

Gains on the sale of automotive loans were \$41 million for the year ended December 31, 2012, compared to \$48 million for 2011. We sold approximately \$2.5 billion of retail automotive loans during 2012 compared to approximately \$2.8 billion during 2011. While we continue to opportunistically utilize whole-loan sales as a source of funding, we have primarily focused on securitization and deposit-based funding sources.

Other income decreased 19% for the year ended December 31, 2012, compared to 2011, primarily due to lower remarketing fee income driven by lower remarketing volumes through our proprietary SmartAuction platform.

The provision for loan losses was \$253 million for the year ended December 31, 2012, compared to \$89 million in 2011. The increase was primarily due to continued growth in the consumer portfolio and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

2011 Compared to 2010

Our Automotive Finance operations earned income before income tax expense of \$1.3 billion for the year ended December 31, 2011, compared to \$1.8 billion for the year ended December 31, 2010. Results for the year ended December 31, 2011, were primarily driven by less favorable remarketing results in our operating lease portfolio due primarily to lower lease terminations and the absence of gains on the sale of automotive loans due to the expiration of our forward flow agreements during the fourth quarter of 2010. These declines were partially offset by increased consumer financing revenue driven by strong loan origination volume related primarily to improvement in automotive industry sales, the growth in used vehicle financing volume, and a lower loan loss provision due to an improved credit mix and improved consumer credit performance.

Consumer financing revenue increased 23% for the year ended December 31, 2011, compared to 2010, due to an increase in consumer asset levels primarily related to strong loan origination volume during 2010 and 2011 resulting primarily from higher automotive industry sales, increased used vehicle financing volume, and higher on-balance sheet retention. Additionally, we continue to prudently expand our nonprime origination volume and introduce innovative finance products to the marketplace. The increase in consumer revenue was partially offset by lower yields as a result of an increasingly competitive market environment and a change in the consumer asset mix, including the runoff of the higher-yielding Nuvell nonprime automotive financing portfolio.

Loans held-for-sale financing revenue decreased \$107 million for the year ended December 31, 2011, compared to 2010, due to the expiration of whole-loan forward flow agreements during the fourth quarter of 2010. Subsequent to the expiration of these agreements, consumer loan originations have largely been retained on-balance sheet utilizing deposit funding from Ally Bank and on-balance sheet securitization transactions.

Operating lease revenue decreased 25% for the year ended December 31, 2011, compared to 2010. Operating lease revenue and depreciation expense declined due to a lower average operating lease portfolio balance. Depreciation expense was also impacted by lower remarketing gains due primarily to a decline in lease termination volume. In 2008 and 2009, we significantly curtailed our lease product offerings in the United States. During the latter half of 2009, we re-entered the U.S. leasing market with targeted lease product offerings and have continued to expand lease volume since that time.

Servicing fee income decreased \$66 million for the year ended December 31, 2011, compared to 2010, due to lower levels of off-balance sheet retail serviced assets driven by a reduction of new whole-loan sales subsequent to the expiration of our forward flow agreements in the fourth quarter of 2010.

Net gain on automotive loans decreased \$200 million for the year ended December 31, 2011, compared to 2010, primarily due to the expiration of whole-loan forward flow agreements during the fourth quarter of 2010.

The provision for loan losses was \$89 million for the year ended December 31, 2011, compared to \$260 million in 2010. The decrease was primarily due to improved credit quality that drove improved loss performance in the consumer loan portfolio and continued strength in the used vehicle market, partially offset by continued growth in the consumer loan portfolio.

Management's Discussion and Analysis

Ally Financial Inc.

Automotive Finance Operations

Our Automotive Finance operations provide automotive financing services to consumers and automotive dealers. For consumers, we provide retail financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

Consumer Automotive Financing

Historically, we have provided two basic types of financing for new and used vehicles: retail installment sale contracts (retail contracts) and lease contracts. In most cases, we purchase retail contracts and leases for new and used vehicles from dealers when the vehicles are purchased or leased by consumers. Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. In connection with lease contracts, we also recognize a gain or loss on the remarketing of the vehicle at the end of the lease.

The amount we pay a dealer for a retail contract is based on the negotiated purchase price of the vehicle and any other products, such as service contracts, less any vehicle trade-in value and any down payment from the consumer. Under the retail contract, the consumer is obligated to make payments in an amount equal to the purchase price of the vehicle (less any trade-in or down payment) plus finance charges at a rate negotiated between the consumer and the dealer. In addition, the consumer is also responsible for charges related to past-due payments. When we purchase the contract, it is normal business practice for the dealer to retain some portion of the finance charge as income for the dealership. Our agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although we do not own the vehicles we finance through retail contracts, we hold a perfected security interest in those vehicles.

With respect to consumer leasing, we purchase leases (and the associated vehicles) from dealerships. The purchase price of consumer leases is based on the negotiated price for the vehicle less any vehicle trade-in and any down payment from the consumer. Under the lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value or down payment) exceeds the contract residual value (including residual support) of the vehicle at lease termination, plus lease charges. The consumer is also generally responsible for charges related to past due payments, excess mileage, excessive wear and tear, and certain disposal fees where applicable. When the lease contract is entered into, we estimate the residual value of the leased vehicle at lease termination. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. These projected values may be upwardly adjusted as a marketing incentive if the manufacturer considers above-market residual support necessary to encourage consumers to lease vehicles. To the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and/or a loss on the lease transaction.

Our standard U.S. leasing plan, SmartLease, requires a monthly payment by the consumer. We also offer an alternative leasing plan, SmartLease Plus, that requires one up-front payment of all lease amounts at the time the consumer takes possession of the vehicle.

During 2011, we introduced the Ally Buyer's Choice product on new GM and Chrysler vehicles to select states in the United States. The Ally Buyer's Choice financing product allows customers to own their vehicle with a fixed rate and payment with the option to sell it to us at a pre-determined point during the contract term and at a pre-determined price.

Consumer leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease credit losses are primarily limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. U.S. operating lease accounts past due over 30 days represented 0.73% and 0.66% of the total portfolio at December 31, 2012 and 2011, respectively.

With respect to all financed vehicles, whether subject to a retail contract or a lease contract, we require that property damage insurance be obtained by the consumer. In addition, for lease contracts, we require that bodily injury, collision, and comprehensive insurance be obtained by the consumer.

Total consumer financing revenue of our Automotive Finance operations was \$2.8 billion, \$2.4 billion, and \$2.0 billion in 2012, 2011, and 2010, respectively.

Management's Discussion and Analysis

Ally Financial Inc.

Consumer Automotive Financing Volume

The following table summarizes our new and used vehicle consumer financing volume, including lease, and our share of consumer sales in the United States.

Year ended December 31, (units in thousands)	Consumer automotive financing volume			% Share of consumer sales		
	2012	2011	2010	2012	2011	2010
GM new vehicles	579	707	596	30	38	38
Chrysler new vehicles	315	304	302	26	32	45
Other non-GM / Chrysler new vehicles	81	68	33			
Used vehicles	485	466	255			
Total consumer automotive financing volume	1,460	1,545	1,186			

The decline in consumer automotive financing volume in 2012, compared to 2011, was primarily driven by lower retail penetration at both GM and Chrysler in the United States. Additionally, both used and non-GM/Chrysler originations were higher due to the continued strategic focus within these markets. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. The decrease in GM and Chrysler penetration during the year ended December 31, 2012 was primarily due to the market for automotive financing growing more competitive as more consumers are financing their vehicle purchases and as more competitors continue to enter this market as a result of how well automotive finance assets generally performed relative to other asset classes during the 2008 economic downturn.

Manufacturer Marketing Incentives

Automotive manufacturers may elect to sponsor incentive programs (on both retail contracts and leases) by supporting finance rates below the standard market rates at which we purchase retail contracts. These marketing incentives are also referred to as rate support or subvention. When automotive manufacturers utilize these marketing incentives, we are compensated at contract inception for the present value of the difference between the customer rate and our standard rates. For retail loans, we defer and recognize this amount as a yield adjustment over the life of the contract. For lease contracts, this payment reduces our cost basis in the underlying lease asset.

Automotive manufacturers may also provide incentives on leased vehicles by supporting an above-market residual value, referred to as residual support, to encourage consumers to lease vehicles. Residual support results in a lower monthly lease payment for the consumer. While we are compensated by the manufacturer at the time of lease origination to raise the contract residual, we may bear the risk of loss to the extent the value of the leased vehicle upon remarketing is below the contract residual value of the vehicle at the time the lease contract is signed. Under certain residual support programs, the automotive manufacturer may reimburse us to the extent remarketing sales proceeds are less than the residual value set forth in the lease contract and no greater than our standard residual rates that would have otherwise been applied. To the extent remarketing sales proceeds are more than the contract residual at termination, we may reimburse the automotive manufacturer for a portion of the higher residual value.

Under what we refer to as pull-ahead programs, consumers may be encouraged by the manufacturer to terminate leases early in conjunction with the acquisition of a new vehicle. As part of these programs, we waive all or a portion of the customer's remaining payment obligation. Under most programs, the automotive manufacturer compensates us for a portion of the foregone revenue from the waived payments that are offset partially to the extent that our remarketing sales proceeds are higher than otherwise would be realized if the vehicle had been remarketed at lease contract maturity.

We are currently party to an agreement with GM pursuant to which GM initially agreed to offer all vehicle financing incentives to customers through Ally. However, the agreement, which was originally entered into in November 2006, provides for annual reductions in the percentage of financing subvention programs that GM is required to provide through Ally, and currently applies to a limited percentage. The agreement expires on December 31, 2013.

We are also party to an agreement to make available automotive financing products and services to Chrysler dealers and customers. We provide dealer financing and services and retail financing to qualified Chrysler dealers and customers as we deem appropriate according to our credit policies and in our sole discretion, and Chrysler is obligated to use Ally for a designated minimum threshold percentage of Chrysler retail financing subvention programs. On April 25, 2012, Chrysler provided us with notification of nonrenewal related to this agreement and as a result, the agreement will expire on April 30, 2013.

Management's Discussion and Analysis

Ally Financial Inc.

The following table presents the total U.S. consumer origination dollars and percentage mix by product type.

Year ended December 31, (\$ in billions)	Consumer automotive financing originations			% Share of consumer sales		
	2012	2011	2010	2012	2011	2010
GM new vehicles						
New retail standard	\$ 6,230	\$ 9,009	\$ 8,460	16	23	27
New retail subvented	5,960	6,734	6,532	15	17	21
Lease	5,919	5,075	2,954	15	13	9
Total GM new vehicle originations	18,109	20,818	17,946			
Chrysler new vehicles						
New retail standard	4,431	4,062	3,324	12	10	11
New retail subvented	1,971	2,454	3,893	5	6	12
Lease	2,380	2,165	891	6	5	3
Total Chrysler new vehicle originations	8,782	8,681	8,108			
Other new retail vehicles	2,178	1,684	736	6	4	2
Other lease	93	76	43	—	—	—
Used vehicles	9,581	8,990	4,736	25	22	15
Total consumer automotive financing originations	\$ 38,743	\$ 40,249	\$ 31,569			

At December 31, 2012, the percentage of U.S. new retail contracts acquired that included rate subvention from GM and Chrysler decreased as a percentage of total U.S. new retail contracts compared to 2011, primarily driven by lower retail penetration at both GM and Chrysler in the United States as a result of the continued evolution of our business model. Additionally, both used and non-GM/Chrysler originations were higher due to the continued strategic focus within these markets. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. The fragmented used vehicle financing market provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.

Servicing

We have historically serviced all retail contracts and leases we retained on-balance sheet. We historically sold a portion of the retail contracts we originated and retained the right to service and earn a servicing fee for our servicing functions. Ally Servicing LLC, a wholly owned subsidiary, performs most servicing activities for U.S. retail contracts and consumer automobile leases.

Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, processing customer requests for account revisions (such as payment extensions and rewrites), maintaining a perfected security interest in the financed vehicle, monitoring vehicle insurance coverage, and disposing of off-lease vehicles. Servicing activities are generally consistent for our Automotive Finance operations; however, certain practices may be influenced by local laws and regulations.

Our U.S. customers have the option to receive monthly billing statements to remit payment by mail or through electronic fund transfers, or to establish online web-based account administration through the Ally Account Center. Customer payments are processed by regional third-party processing centers that electronically transfer payment data to customers' accounts.

Servicing activities also include initiating contact with customers who fail to comply with the terms of the retail contract or lease, typically via telephone or sending a reminder notice, when an account becomes 3 to 15 days past due. Accounts that become 30 to 45 days past due are transferred to special collection teams that track accounts more closely. The nature and timing of these activities depend on the repayment risk of the account.

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the maturity date of the contract by the period of delay. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. During the deferral period, we continue to accrue and collect interest on the contract as part of the deferral agreement. If the customer's financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. Extension and rewrite collection techniques help mitigate financial loss in those cases where management believes the customer will recover from financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Generally, we do not consider extensions that fall within our policy guidelines to represent more than an insignificant delay in payment and, therefore, they are not considered Troubled Debt Restructurings (TDRs). Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby

Management's Discussion and Analysis

Ally Financial Inc.

mitigating the loss. As an indication of the effectiveness of our consumer credit practices, of the total amount outstanding in the U. S. traditional retail portfolio at December 31, 2009, only 7.5% of the extended or rewritten balances were subsequently charged off through December 31, 2012. A three-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. At December 31, 2012, 7.6% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

Subject to legal considerations, in the United States we normally begin repossession activity once an account becomes greater than 60-days past due. Repossession may occur earlier if management determines the customer is unwilling to pay, the vehicle is in danger of being damaged or hidden, or the customer voluntarily surrenders the vehicle. Approved third-party repossession firms handle repossessions. Normally the customer is given a period of time to redeem the vehicle by paying off the account or bringing the account current. If the vehicle is not redeemed, it is sold at auction. If the proceeds do not cover the unpaid balance, including unpaid earned finance charges and allowable expenses, the resulting deficiency is charged off. Asset recovery centers pursue collections on accounts that have been charged off, including those accounts where the vehicle was repossessed, and skip accounts where the vehicle cannot be located.

At December 31, 2012 and 2011, our total consumer automotive serviced portfolio was \$75.3 billion and \$85.5 billion, respectively, compared to our consumer automotive on-balance sheet portfolio of \$67.3 billion and \$73.2 billion at December 31, 2012 and 2011, respectively. Refer to Note 11 to the Consolidated Financial Statements for further information regarding servicing activities.

Remarketing and Sales of Leased Vehicles

When we acquire a consumer lease, we assume ownership of the vehicle from the dealer. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. When vehicles are not purchased by customers or the receiving dealer at scheduled lease termination, the vehicle is returned to us for remarketing through an auction. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the contract residual value determined at the time the lease contract is signed. Automotive manufacturers may share this risk with us for certain leased vehicles, as described previously under *Manufacturer Marketing Incentives*. Our methods of vehicle sales in the United States at lease termination primarily include the following:

- **Sale to dealer** — After the lessee declines an option to purchase the off-lease vehicle, the dealer who accepts the returned off-lease vehicle has the opportunity to purchase the vehicle directly from us at a price we define.
- **Internet auctions** — Once the lessee and dealer decline their options to purchase, we offer off-lease vehicles to dealers and certain other third parties in the United States through our proprietary internet site (SmartAuction). This internet sales program maximizes the net sales proceeds from off-lease vehicles by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We maintain the internet auction site, set the pricing floors on vehicles, and administer the auction process. We earn a service fee for every vehicle sold through SmartAuction, which, in 2012, was 221,000 vehicles.
- **Physical auctions** — We dispose of our off-lease vehicles not purchased at termination by the lease consumer or dealer or sold on an internet auction through traditional official manufacturer-sponsored auctions. We are responsible for handling decisions at the auction including arranging for inspections, authorizing repairs and reconditioning, and determining whether bids received at auction should be accepted.

Commercial Automotive Financing

Automotive Wholesale Dealer Financing

One of the most important aspects of our dealer relationships is supporting the sale of vehicles through wholesale or floorplan financing. We primarily support automotive finance purchases by dealers of new and used vehicles manufactured or distributed before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for dealers' purchases of new and used vehicles. During 2012, we financed an average commercial wholesale floorplan receivables balance of \$15.3 billion of new GM vehicles, representing a 71% share of GM's U.S. dealer inventory. We also financed an average of \$6.7 billion of new Chrysler vehicles representing a 58% share of Chrysler's U.S. dealer inventory. In addition, we financed an average of \$2.2 billion of new non-GM/Chrysler vehicles and \$3.0 billion of used vehicles.

Wholesale credit is arranged through lines of credit extended to individual dealers. In general, each wholesale credit line is secured by all vehicles and typically by other assets owned by the dealer or the operator's or owner's personal guarantee. As part of our floorplan financing arrangement, we typically require repurchase agreements with the automotive manufacturer to repurchase new vehicle inventory under certain circumstances. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles, which includes destination and other miscellaneous charges, and a price rebate, known as a holdback, from the manufacturer to the dealer in varying amounts stated as a percentage of the invoice price. Interest on wholesale automotive financing is generally payable monthly. Most wholesale automotive financing is structured to yield interest at a floating rate indexed to the Prime Rate. The rate for a particular dealer is based on, among other things, competitive factors, the amount and status of the dealer's creditworthiness, and various incentive programs.

Under the terms of the credit agreement with the dealer, we may demand payment of interest and principal on wholesale credit lines at any time; however, unless we terminate the credit line or the dealer defaults or the risk and exposure warrant, we generally require payment of the principal amount financed for a vehicle upon its sale or lease by the dealer to the customer.

Management's Discussion and Analysis

Ally Financial Inc.

Total commercial wholesale revenue of our Automotive Finance operations was \$999 million, \$976 million, and \$909 million in 2012, 2011, and 2010, respectively.

Commercial Wholesale Financing Volume

The following table summarizes the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles and share of dealer inventory in the United States.

Year ended December 31, (\$ in millions)	Average balance			% Share of dealer inventory		
	2012	2011	2010	2012	2011	2010
GM new vehicles (a)	\$ 15,331	\$ 13,407	\$ 10,941	71	78	82
Chrysler new vehicles (a)	6,693	6,228	4,665	58	67	72
Other non-GM / Chrysler new vehicles	2,230	1,844	1,704			
Used vehicles	2,985	2,920	2,727			
Total commercial wholesale finance receivables	\$ 27,239	\$ 24,399	\$ 20,037			

(a) Share of dealer inventory based on a 13 month average of dealer inventory (excludes in-transit units).

Commercial wholesale financing average volume increased during 2012, compared to 2011, primarily due to growing dealer inventories required to support increasing automobile sales. GM and Chrysler wholesale penetration decreased during 2012, compared to 2011, as a result of increased competition in the wholesale marketplace.

Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term loans and automotive fleet financing. Automotive dealer term loans are loans that we make to dealers to finance other aspects of the dealership business. These loans are typically secured by real estate, other dealership assets, and are personally guaranteed by the individual owners of the dealership. Automotive fleet financing may be obtained by dealers, their affiliates, and other companies and be used to purchase vehicles, which they lease or rent to others.

Servicing and Monitoring

We service all of the wholesale credit lines in our portfolio and the wholesale automotive finance receivables that we have securitized. A statement setting forth billing and account information is distributed on a monthly basis to each dealer. Interest and other nonprincipal charges are billed in arrears and are required to be paid immediately upon receipt of the monthly billing statement. Generally, dealers remit payments to us through wire transfer transactions initiated by the dealer through a secure web application.

Dealers are assigned a risk rating based on various factors, including capital sufficiency, operating performance, financial outlook, and credit and payment history. The risk rating affects the amount of the line of credit, the determination of further advances, and the management of the account. We monitor the level of borrowing under each dealer's account daily. When a dealer's balance exceeds the credit line, we may temporarily suspend the granting of additional credit or increase the dealer's credit line or take other actions following evaluation and analysis of the dealer's financial condition and the cause of the excess.

We periodically inspect and verify the existence of dealer vehicle inventories. The timing of the verifications varies, and ordinarily no advance notice is given to the dealer. Among other things, verifications are intended to determine dealer compliance with the financing agreement and confirm the status of our collateral.

Management's Discussion and Analysis

Ally Financial Inc.

Insurance Operations

Results of Operations

The following table summarizes the operating results of our Insurance operations excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Insurance premiums and other income					
Insurance premiums and service revenue earned	\$ 1,055	\$ 1,153	\$ 1,342	(8)	(14)
Investment income	124	220	418	(44)	(47)
Other income	35	25	41	40	(39)
Total insurance premiums and other income	1,214	1,398	1,801	(13)	(22)
Expense					
Insurance losses and loss adjustment expenses	454	452	511	—	12
Acquisition and underwriting expense					
Compensation and benefits expense	61	61	64	—	5
Insurance commissions expense	382	431	510	11	15
Other expenses	157	138	159	(14)	13
Total acquisition and underwriting expense	600	630	733	5	14
Total expense	1,054	1,082	1,244	3	13
Income from continuing operations before income tax expense	\$ 160	\$ 316	\$ 557	(49)	(43)
Total assets	\$ 8,439	\$ 8,036	\$ 8,789	5	(9)
Insurance premiums and service revenue written	\$ 1,061	\$ 1,039	\$ 1,029	2	1
Combined ratio (a)	98.3%	93.1%	90.6%		

(a) Management uses a combined ratio as a primary measure of underwriting profitability with its components measured using accounting principles generally accepted in the United States of America. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

2012 Compared to 2011

Our Insurance operations earned income from continuing operations before income tax expense of \$160 million for the year ended December 31, 2012, compared to \$316 million for the year ended December 31, 2011. The decrease was primarily attributable to lower investment income, lower insurance premiums and service revenue earned from our U.S. vehicle service contracts, and higher weather-related losses, including the effects of Storm Sandy.

Insurance premiums and service revenue earned was \$1.1 billion for the year ended December 31, 2012, compared to \$1.2 billion in 2011. The decrease was primarily due to declining U.S. vehicle service contracts written between 2007 and 2009 as a result of lower domestic vehicle sales volume.

Investment income totaled \$124 million for the year ended December 31, 2012, compared to \$220 million in 2011. The decrease was primarily due to the recognition of other-than-temporary impairment on certain equity securities of \$61 million and lower realized investment gains.

Other income totaled \$35 million for the year ended December 31, 2012, compared to \$25 million in 2011. The increase was primarily due to a gain of \$8 million on the sale of our Canadian personal lines business during the second quarter of 2012.

Insurance losses and loss adjustment expenses totaled \$454 million for the year ended December 31, 2012, compared to \$452 million for the year ended December 31, 2011. The slight increase was driven primarily by higher weather-related losses in the United States on our dealer inventory insurance products, including the effects of Storm Sandy, mostly offset by lower frequency experienced in our vehicle service contract business and lower losses matching our decrease in earned premium. Despite the decrease in insurance premiums and service revenue earned, insurance losses and loss adjustment expenses increased primarily due to the impacts of Storm Sandy, which further impacted the increase in the combined ratio.

Acquisition and underwriting expense decreased 5% for the year ended December 31, 2012, compared to 2011. The decrease was primarily a result of lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums, partially offset by increased technology expense.

Management's Discussion and Analysis

Ally Financial Inc.

2011 Compared to 2010

Our Insurance operations earned income from continuing operations before income tax expense of \$316 million for the year ended December 31, 2011, compared to \$557 million for the year ended December 31, 2010. The decrease was primarily attributable to lower insurance premiums and service contract revenue earned from our U.S. vehicle service contracts and lower realized investment gains.

Insurance premiums and service revenue earned was \$1.2 billion for the year ended December 31, 2011, compared to \$1.3 billion in 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower earnings from our U.S. vehicle service contracts written between 2007 and 2009 due to lower domestic vehicle sales volume.

Investment income totaled \$220 million for the year ended December 31, 2011, compared to \$418 million in 2010. The decrease was primarily due to lower realized investment gains.

Insurance losses and loss adjustment expenses totaled \$452 million for the year ended December 31, 2011, compared to \$511 million in 2010. The decrease was primarily due to lower frequency and severity experienced in our U.S. vehicle service contract business and the sale of certain international insurance operations during the fourth quarter of 2010, which was partially offset by higher weather-related losses in the United States on our dealer inventory insurance products.

Acquisition and underwriting expense decreased 14% for the year ended December 31, 2011, compared to 2010. The decrease was primarily due to the sale of certain international insurance operations during the fourth quarter of 2010 and lower commission expense in our U.S. dealership-related products matching our decrease in earned premiums.

Premium and Service Revenue Written

The following table shows premium and service revenue written by insurance product.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Vehicle service contracts			
New retail	\$ 406	\$ 376	\$ 315
Used retail	509	514	517
Reinsurance	(119)	(103)	(91)
Total vehicle service contracts	796	787	741
Wholesale	132	115	103
Other finance and insurance (a)	129	133	113
North American operations	1,057	1,035	957
International and Corporate (b)	4	4	72
Total	\$ 1,061	\$ 1,039	\$ 1,029

(a) Other finance and insurance includes Guaranteed Automobile Protection (GAP) coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products.

(b) International and Corporate includes certain international operations that were sold during the fourth quarter of 2010 and other run-off products.

Insurance premiums and service revenue written was \$1.1 billion for the year ended December 31, 2012, compared to \$1.0 billion in 2011 and 2010. Insurance premiums and service revenue written increased slightly due to higher written premiums in our new retail vehicle service contract and dealer inventory insurance products. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during 2012 will be recognized as income in future periods.

Cash and Investments

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

Management's Discussion and Analysis

Ally Financial Inc.

The following table summarizes the composition of our Insurance operations cash and investment portfolio at fair value.

December 31, (<i>\$ in millions</i>)	2012	2011
Cash		
Noninterest-bearing cash	\$ 129	\$ 211
Interest-bearing cash	488	629
Total cash	617	840
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,090	496
Foreign government	303	678
Mortgage-backed	714	590
Asset-backed	8	95
Corporate debt	1,264	1,491
Other debt	—	23
Total debt securities	3,379	3,373
Equity securities	1,148	1,054
Total available-for-sale securities	4,527	4,427
Total cash and securities	\$ 5,144	\$ 5,267

Management's Discussion and Analysis

Ally Financial Inc.

Mortgage Operations

Results of Operations

The following table summarizes the operating results for our Mortgage operations excluding discontinued operations for the periods shown. Our Mortgage operations include the mortgage operations of Ally Bank. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing revenue					
Total financing revenue and other interest income	\$ 617	\$ 758	\$ 846	(19)	(10)
Interest expense	468	553	538	15	(3)
Net financing revenue	149	205	308	(27)	(33)
Servicing fees	300	365	295	(18)	24
Servicing asset valuation and hedge activities, net	(4)	(434)	(617)	99	30
Total servicing income (loss), net	296	(69)	(322)	n/m	79
Gain on mortgage loans, net	375	172	339	118	(49)
Other income, net of losses	488	251	240	94	5
Total other revenue	1,159	354	257	n/m	38
Total net revenue	1,308	559	565	134	(1)
Provision for loan losses	86	123	148	30	17
Noninterest expense					
Compensation and benefits expense	96	74	61	(30)	(21)
Representation and warranty expense	171	—	—	n/m	—
Other operating expenses	360	270	279	(33)	3
Total noninterest expense	627	344	340	(82)	(1)
Income from continuing operations before income tax expense	\$ 595	\$ 92	\$ 77	n/m	19
Total assets	\$ 14,744	\$ 33,906	\$ 36,786	(57)	(8)

n/m = not meaningful

2012 Compared to 2011

Our Mortgage operations earned income from continuing operations before income tax expense of \$595 million for the year ended December 31, 2012, compared to \$92 million for the year ended December 31, 2011. During 2011, we experienced an unfavorable servicing asset valuation, net of hedge, that did not recur in 2012. Additionally, during 2012, we earned higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, and higher net gains on the sale of mortgage loans. The increase was partially offset by higher representation and warranty expense due to the transfer of liability relating to Ally Bank's sold and serviced loans that had previously been recorded at ResCap, and higher other operating expenses required to establish separate Mortgage processes as a result of the ResCap separation.

Net financing revenue was \$149 million for the year ended December 31, 2012, compared to \$205 million in 2011. The decrease in net financing revenue was primarily due to lower average yield mix as higher-rate Ally Bank mortgage loans continued to run off. Partially offsetting the decrease was lower interest expense related to lower funding costs.

We earned net servicing income of \$296 million for the year ended December 31, 2012, compared to a net servicing loss of \$69 million in 2011. The increase was primarily due to the performance of the derivative servicing hedge as compared to a less favorable hedge performance in 2011. The increase was partially offset by lower servicing fees resulting from a lower unpaid principal balance of our MSR portfolio.

The net gain on mortgage loans increased \$203 million for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved market gains on specified pooled loans.

Other income, net of losses, was \$488 million for the year ended December 31, 2012, compared to \$251 million in 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs.

Management's Discussion and Analysis

Ally Financial Inc.

The provision for loan losses was \$86 million for the year ended December 31, 2012, compared to \$123 million in 2011. The decrease for the year ended December 31, 2012, was primarily due to lower net charge-offs in 2012 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense increased 82% for the year ended December 31, 2012, compared to 2011. The increase was primarily driven by higher representation and warranty expense resulting from the transfer of liability relating to Ally Bank's sold and serviced loans that had previously been recorded at ResCap, and higher compensation and benefits expense due to an increase in functional services provided by ResCap through the shared services agreement (SSA). Refer to Note 1 to the Consolidated Financial Statements for further details on the SSA.

2011 Compared to 2010

Our Mortgage operations earned income before income tax expense of \$92 million for the year ended December 31, 2011, compared to \$77 million for the year ended December 31, 2010. The increase was primarily driven by improvement in the servicing asset valuation, net of hedge, when compared to the year ended December 31, 2010, partially offset by lower net gains on the sale of mortgage loans and lower financing revenue related to a decrease in asset levels.

Net financing revenue was \$205 million for the year ended December 31, 2011, compared to \$308 million in 2010. The decrease was primarily driven by lower financing revenue and other interest income due primarily to a decline in average asset levels related to held-for-sale assets as well as lower held-for-investment portfolio balances.

The net gain on mortgage loans was \$172 million for the year ended December 31, 2011, compared to \$339 million in 2010. The decrease during 2011 was primarily due to lower margins and production, lower whole-loan sales, and lower gains on mortgage loan resolutions. Favorability in net servicing income as a result of swap activity offset this decrease. We incurred a net servicing loss of \$69 million for the year ended December 31, 2011, compared to \$322 million in 2010.

The provision for loan losses was \$123 million for the year ended December 31, 2011, compared to \$148 million in 2010. The decrease for the year ended December 31, 2011, was primarily due to lower net charge-offs in 2011 due to the continued runoff of legacy mortgage assets.

Total noninterest expense increased \$4 million for the year ended December 31, 2011, compared to 2010. The increase was primarily driven by an increase in compensation and benefits expense due to an increase in Ally Bank headcount related to supporting our broker, retail, and servicing operations.

Loan Production

U.S. Mortgage Loan Production Channels

Ally Bank continues to perform certain mortgage activities as a result of the ResCap bankruptcy process. Subsequent to the bankruptcy filing, ResCap announced the sale of certain assets to third parties. Upon the closing of those sales, we do not expect ResCap to continue to broker loans to us. This will primarily impact the production of loans within the direct lending channel, which are currently sourced exclusively from ResCap. We expect the level of loan production to continue to decline.

We have three primary channels for residential mortgage loan production: the purchase of loans in the secondary market (primarily from Ally Bank correspondent lenders), the origination of loans through our direct-lending network, and the origination of loans through our mortgage brokerage network.

- ***Correspondent lender and secondary market purchases*** — Loans purchased from correspondent lenders are originated or purchased by the correspondent lenders and subsequently sold to us. All of the purchases from correspondent lenders are conducted through Ally Bank. We qualify and approve any correspondent lenders who participate in the loan purchase programs. We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders.
- ***Direct-lending network*** — Our direct-lending network consists of internet and telephone-based call center operations as well as our retail network. Virtually all of the residential mortgage loans of this channel are brokered to Ally Bank.
- ***Mortgage brokerage network*** — Residential mortgage loans originated through mortgage brokers. We review and underwrite the application submitted by the mortgage broker, approve or deny the application, set the interest rate and other terms of the loan, and, upon acceptance by the borrower and the satisfaction of all conditions required by us, fund the loan through Ally Bank. We qualify and approve all mortgage brokers who generate mortgage loans and continually monitor their performance.

Management's Discussion and Analysis

Ally Financial Inc.

The following table summarizes U.S. consumer mortgage loan production by channel.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Correspondent lender and secondary market purchases	59,197	\$ 14,296	197,153	\$ 45,376	264,544	\$ 61,560
Direct lending	74,312	14,499	36,867	7,286	34,740	7,364
Mortgage brokers	12,996	3,601	12,018	3,495	2,035	491
Total U.S. production	146,505	\$ 32,396	246,038	\$ 56,157	301,319	\$ 69,415

Mortgage Loan Production by Type

We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our held-for-investment portfolio through a select group of correspondent lenders. During 2012, 2011, and 2010, we primarily originated prime conforming and government-insured residential mortgage loans. We define prime as mortgage loans with a FICO score of 660 and above. Our mortgage loans are categorized as follows.

- **Prime conforming mortgage loans** — Prime credit quality first-lien mortgage loans secured by 1-4 family residential properties that meet or conform to the underwriting standards established by the GSEs for inclusion in their guaranteed mortgage securities programs.
- **Prime nonconforming mortgage loans** — Prime credit quality first-lien mortgage loans secured by 1-4 family residential properties that either (1) do not conform to the underwriting standards established by the GSEs because they had original principal amounts exceeding GSE limits, which are commonly referred to as jumbo mortgage loans, or (2) have alternative documentation requirements and property or credit-related features (e.g., higher loan-to-value or debt-to-income ratios) but are otherwise considered prime credit quality due to other compensating factors.
- **Prime second-lien mortgage loans** — Open- and closed-end mortgage loans secured by a second or more junior-lien on single-family residences, which include home equity mortgage loans and lines of credit. We ceased originating prime second-lien mortgage loans during 2008.
- **Government mortgage loans** — First-lien mortgage loans secured by 1-4 family residential properties that are insured by the Federal Housing Administration or guaranteed by the Veterans Administration.
- **Nonprime mortgage loans** — First-lien and certain junior-lien mortgage loans secured by single-family residences made to individuals with credit profiles that do not qualify for a prime loan, have credit-related features that fall outside the parameters of traditional prime mortgage products, or have performance characteristics that otherwise exposes us to comparatively higher risk of loss. Nonprime includes mortgage loans the industry characterizes as “subprime,” as well as high combined loan-to-value second-lien loans that fell out of our standard loan programs due to noncompliance with one or more criteria. We ceased originating nonprime mortgage loans during 2007.

The following table summarizes our U.S. consumer mortgage loan production by type.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans	Number of loans	Dollar amount of loans
Prime conforming	133,034	\$ 27,856	208,442	\$ 47,425	228,289	\$ 53,609
Prime nonconforming	2,706	2,211	2,008	1,679	1,837	1,548
Government	10,765	2,329	35,588	7,053	71,193	14,258
Total U.S. production	146,505	\$ 32,396	246,038	\$ 56,157	301,319	\$ 69,415

U.S. Warehouse Lending

Historically, we provided warehouse-lending facilities to correspondent lenders and other mortgage originators in the United States. These facilities enabled lenders and originators to finance residential mortgage loans until they were sold in the secondary mortgage loan market. In July 2012, we announced our intention to shut down this business and, as of December 31, 2012, we successfully managed receivables down to \$0 with no commitments outstanding. At December 31, 2011, we had total warehouse line of credit commitments of \$2.8 billion, against which we had \$1.9 billion of advances outstanding.

Management's Discussion and Analysis

Ally Financial Inc.

Loans Outstanding

Consumer mortgage loans held-for-sale and consumer mortgage loans held-for-investment as of December 31, 2012, represent loans held by Ally Bank. ResCap was deconsolidated from Ally Financial as of May 14, 2012. Refer to Note 1 to the Consolidated Financial Statements for further details on ResCap.

Consumer mortgage loans held-for-sale were as follows.

December 31, (\$ in millions)	2012	2011
Prime conforming	\$ 2,407	\$ 3,345
Prime nonconforming	—	571
Prime second-lien	—	545
Government (a)	8	3,294
Nonprime	—	561
International	—	17
Total (b)	2,415	8,333
Net premiums (discounts)	26	(221)
Fair value option election adjustment	49	60
Lower-of-cost or fair value adjustment	—	(60)
Total, net (c)	\$ 2,490	\$ 8,112

(a) Includes loans subject to conditional repurchase options of \$0 million and \$2.3 billion sold to Ginnie Mae-guaranteed securitizations at December 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

(b) Includes unpaid principal write-down of \$0 million and \$1.5 billion at December 31, 2012, and December 31, 2011, respectively. The amounts are write-downs taken upon the transfer of mortgage loans from held-for-investment to held-for-sale during the fourth quarter of 2009 and charge-offs taken in accordance with our charge-off policy.

(c) Includes loans subject to conditional repurchase options of \$0 million and \$106 million sold to off-balance sheet private-label securitizations at December 31, 2012, and December 31, 2011, respectively. The corresponding liability is recorded in accrued expenses and other liabilities on the Consolidated Balance Sheet.

Consumer mortgage loans held-for-investment were as follows.

December 31, (\$ in millions)	2012	2011
Prime conforming	\$ 245	\$ 278
Prime nonconforming	8,322	8,069
Prime second-lien	1,137	2,200
Government	—	—
Nonprime	—	1,349
International	—	422
Total	9,704	12,318
Net premiums	43	38
Fair value option election adjustment	—	(1,601)
Allowance for loan losses	(432)	(495)
Other	8	—
Total, net (a)	\$ 9,323	\$ 10,260

(a) At December 31, 2012, and December 31, 2011, the carrying value of mortgage loans held-for-investment relating to securitization transactions accounted for as on-balance sheet securitizations and pledged as collateral totaled \$0 million and \$837 million, respectively. The investors in these on-balance sheet securitizations have no recourse to our other assets beyond the loans pledged as collateral other than market customary representation and warranty provisions.

Mortgage Loan Servicing

Our retained mortgage servicing rights consist of primary servicing rights. When we act as primary servicer, we collect and remit mortgage loan payments, respond to borrower inquiries, account for principal and interest, hold custodial and escrow funds for payment of property taxes and insurance premiums, counsel or otherwise work with delinquent borrowers, supervise foreclosures and property dispositions, and generally administer the loans. The majority of our serviced mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. Historically, we acted as a master servicer. When we acted as master servicer, we collected mortgage loan payments from primary servicers and distributed those funds to investors in mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. Key services in this regard include loan accounting, claims administration, oversight of

Management's Discussion and Analysis

Ally Financial Inc.

primary servicers, loss mitigation, bond administration, cash flow waterfall calculations, investor reporting, and tax-reporting compliance. In return for performing these functions, we receive servicing fees equal to a specified percentage of the outstanding principal balance of the loans being serviced and may also be entitled to other forms of servicing compensation, such as late payment fees or prepayment penalties. Servicing compensation also includes interest income or the float earned on collections that are deposited in various custodial accounts between their receipt and the scheduled/contractual distribution of the funds to investors. Refer to Note 11 to the Consolidated Financial Statements for additional information.

The value of mortgage servicing rights is sensitive to changes in interest rates and other factors. We have developed and implemented an economic hedge program to, among other things, mitigate the overall risk of loss due to a change in the fair value of our mortgage servicing rights. Accordingly, we hedge the change in the total fair value of our mortgage servicing rights. The effectiveness of this economic hedging program may have a material effect on the results of operations. Refer to the Critical Accounting Estimates section of this MD&A and Note 22 to the Consolidated Financial Statements for further discussion. On October 26, 2012, we announced that Ally Bank began to explore strategic alternatives for its agency mortgage servicing rights portfolio, including a potential sale of the asset. A sale alternative would require GSE approval.

The following table summarizes our primary consumer mortgage loan-servicing portfolio by product category.

December 31, (<i>\$ in millions</i>)	2012	2011
U.S. primary servicing portfolio		
Prime conforming	\$ 117,544	\$ 226,239
Prime nonconforming	11,628	47,767
Prime second-lien	1,136	6,871
Government	16	49,027
Nonprime	—	20,753
International primary servicing portfolio	—	5,773
Total primary servicing portfolio (a)	\$ 130,324	\$ 356,430

(a) Excludes loans for which we acted as a subservicer. Subserviced loans totaled \$0 billion and \$26.4 billion at December 31, 2012 and 2011, respectively.

Management's Discussion and Analysis

Ally Financial Inc.

Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments. Our Commercial Finance Group provides senior secured commercial-lending products to primarily U.S.-based middle market companies.

Year ended December 31, (\$ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
Net financing loss					
Total financing revenue and other interest income	\$ 157	\$ 195	\$ 210	(19)	(7)
Interest expense					
Original issue discount amortization	349	925	1,204	62	23
Other interest expense	957	943	1,011	(1)	7
Total interest expense	1,306	1,868	2,215	30	16
Net financing loss (a)	(1,149)	(1,673)	(2,005)	31	17
Other (expense) revenue					
Loss on extinguishment of debt	(148)	(64)	(124)	(131)	48
Other gain on investments, net	69	84	146	(18)	(42)
Other income, net of losses	22	156	(59)	(86)	n/m
Total other (expense) revenue	(57)	176	(37)	(132)	n/m
Total net loss	(1,206)	(1,497)	(2,042)	19	27
Provision for loan losses	(10)	(51)	(47)	(80)	9
Noninterest expense					
Compensation and benefits expense	533	463	610	(15)	24
Other operating expense (b)	(99)	9	23	n/m	61
Total noninterest expense	434	472	633	8	25
Loss from continuing operations before income tax expense	\$ (1,630)	\$ (1,918)	\$ (2,628)	15	27
Total assets	\$ 30,753	\$ 29,526	\$ 28,472	4	4

n/m = not meaningful

(a) Refer to the table that follows for further details on the components of net financing loss.

(b) Includes a reduction of \$814 million for the year ended December 31, 2012, and \$757 million for each of the years ended December 31, 2011, and 2010, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

Management's Discussion and Analysis

Ally Financial Inc.

The following table summarizes the components of net financing losses for Corporate and Other.

At and for the year ended December 31, (\$ in millions)	2012	2011	2010
Original issue discount amortization			
2008 bond exchange amortization	\$ (320)	\$ (886)	\$ (1,158)
Other debt issuance discount amortization	(29)	(39)	(46)
Total original issue discount amortization (a)	(349)	(925)	(1,204)
Net impact of the funds transfer pricing methodology			
Unallocated liquidity costs (b)	(586)	(564)	(495)
Funds-transfer pricing / cost of funds mismatch (c)	170	42	(364)
Unassigned equity costs (d)	(443)	(315)	(29)
Total net impact of the funds transfer pricing methodology	(859)	(837)	(888)
Other (including Commercial Finance Group net financing revenue)	59	89	87
Total net financing losses for Corporate and Other	\$ (1,149)	\$ (1,673)	\$ (2,005)
Outstanding original issue discount balance	\$ 1,840	\$ 2,194	\$ 3,169

(a) Amortization is included as interest on long-term debt in the Consolidated Statement of Income.

(b) Represents the unallocated cost of funding our cash and investment portfolio.

(c) Represents our methodology to assign funding costs to classes of assets and liabilities based on expected duration and the London interbank offer rate (LIBOR) swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to the reportable segments so the respective reportable segments results are insulated from interest rate risk. The balance above is the resulting benefit (loss) due to holding interest rate risk at Corporate and Other.

(d) Primarily represents the unassigned cost of maintaining required capital positions for certain of our regulated entities, primarily Ally Bank and Ally Insurance.

The following table presents the scheduled remaining amortization of the original issue discount at December 31, 2012.

Year ended December 31, (\$ in millions)	2013	2014	2015	2016	2017	2018 and thereafter (a)	Total
Original issue discount							
Outstanding balance	\$ 1,579	\$ 1,391	\$ 1,335	\$ 1,272	\$ 1,197	\$—	
Total amortization (b)	261	188	56	63	75	1,197	\$ 1,840
2008 bond exchange amortization (c)	241	166	43	53	66	1,059	1,628

(a) The maximum annual scheduled amortization for any individual year is \$158 million in 2030 of which \$152 million is related to 2008 bond exchange amortization.

(b) The amortization is included as interest on long-term debt on the Consolidated Statement of Income.

(c) 2008 bond exchange amortization is included in total amortization.

2012 Compared to 2011

Loss from continuing operations before income tax expense for Corporate and Other was \$1.6 billion for the year ended December 31, 2012, compared to \$1.9 billion for the year ended December 31, 2011. Corporate and Other's loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios.

The improvement in the loss from continuing operations before income tax expense for the year ended December 31, 2012 was primarily due to a decrease in OID amortization expense related to bond maturities and normal monthly amortization. Additionally, we incurred no accelerated amortization of OID for the year ended December 31, 2012, compared to \$50 million for the year ended December 31, 2011. The improvement was partially offset by the early repayment of certain Federal Home Loan Bank debt to further reduce funding costs, the absence of a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements recognized during 2011, and an increase in compensation and benefits expense as a result of increased incentive compensation and pension-related expenses. The pension-related expenses resulted from our decision to de-risk our long-term pension liability through lump-sum buyouts and annuity placements for former subsidiaries. Refer to Note 24 to the Consolidated Financial Statements for further detail on these certain pension actions.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$48 million for the year ended December 31, 2012, compared to \$141 million for the year ended December 31, 2011. The decrease was primarily related to lower net revenue resulting from a decline in income from servicer advance collections, lower accelerated fee income due to fewer early loan payoffs during 2012, compared to 2011. Additionally, provision expense was less favorable in 2012 due to a greater decline in portfolio-level reserves in 2011 associated with higher recoveries on nonperforming exposures, combined with the runoff of the majority of our higher-risk non-core portfolio.

Management's Discussion and Analysis

Ally Financial Inc.

2011 Compared to 2010

Loss from continuing operations before income tax expense for Corporate and Other was \$1.9 billion for the year ended December 31, 2011, compared to \$2.6 billion for the year ended December 31, 2010. Corporate and Other's loss from continuing operations before income tax expense for both periods was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios.

The improvement in the loss from continuing operations before income tax expense for the year ended December 31, 2011, was primarily due to a decrease in original issue discount amortization expense related to bond maturities and normal monthly amortization and favorable net impact of the FTP methodology. The net FTP methodology improvement was primarily the result of favorable unallocated interest costs due to lower non-earning assets and unamortized original issue discount balance. Additionally, 2011 was favorably impacted by a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements, a reduction in debt fees driven by the restructuring of our secured facilities and the termination of our automotive forward flow agreements, and by a lower loss on the extinguishment of certain Ally debt (which included accelerated amortization of original issue discount of \$50 million for the year ended December 31, 2011, compared to \$101 million in 2010).

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$141 million for the year ended December 31, 2011, compared to \$182 million for the year ended December 31, 2010. The decrease was primarily due to lower asset levels partially offset by lower expenses and favorable loss provisions.

Cash and Securities

The following table summarizes the composition of the cash and securities portfolio held at fair value by Corporate and Other.

December 31, (\$ in millions)	2012	2011
Cash		
Noninterest-bearing cash	\$ 944	\$ 1,768
Interest-bearing cash	5,942	9,781
Total cash	6,886	11,549
Trading securities		
Mortgage-backed	—	589
Total trading securities	—	589
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,124	1,051
U.S. states and political subdivisions	—	1
Foreign government	—	106
Mortgage-backed	6,191	6,722
Asset-backed	2,332	2,520
Other debt (a)	—	305
Total debt securities	9,647	10,705
Equity securities	4	4
Total available-for-sale securities	9,651	10,709
Total cash and securities	\$ 16,537	\$ 22,847

(a) Includes intersegment eliminations.

Management's Discussion and Analysis

Ally Financial Inc.

Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses. Our risk management program is overseen by the Ally Board of Directors (the Board), various risk committees, and the executive leadership team. The Board sets the risk appetite across our company while the risk committees and executive leadership team identify and monitor potential risks and manage the risk to be within our risk appetite. Ally's primary risks include credit, lease residual, market, operational, insurance/underwriting, country, and liquidity.

- **Credit risk** — The risk of loss arising from a creditor not meeting its financial obligations to our firm.
- **Lease Residual risk** — The risk of loss arising from the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of the values used in establishing the pricing at lease inception.
- **Market risk** — The risk of loss arising from changes in the fair value of our assets or liabilities (including derivatives) caused by movements in market variables, such as interest rates, foreign-exchange rates, and equity and commodity prices.
- **Operational risk** — The risk of loss arising from inadequate or failed processes or systems, human factors, or external events.
- **Insurance/Underwriting risk** — The risk of loss associated with either (i) fortuitous occurrences (e.g., fires, hurricanes, tortuous conduct) and/or (ii) the failure to consider the frequency of losses, severity of losses or the correlation of losses with multiple events.
- **Country risk** — The risk that economic, social and political conditions, and events in foreign countries will adversely affect our financial interests.
- **Liquidity risk** — The risk that our financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet our financial obligations, and to withstand unforeseen liquidity stress events (see Liquidity Management, Funding, and Regulatory Capital discussion within this MD&A).

While risk oversight is ultimately the responsibility of the Board, our governance structure starts within each line of business, including committees established to oversee risk in their respective areas. The lines of business are responsible for executing on risk strategies, policies, and controls that are fundamentally sound and compliant with global risk management policies and with applicable laws and regulations. The line of business risk committees, which report up to the Risk and Compliance Committee of the Board, monitor the performance within each portfolio and determine whether to amend any risk practices based upon portfolio trends.

In addition, the Global Risk Management and Compliance organizations are accountable for independently monitoring, measuring, and reporting on our various risks. They are also responsible for monitoring that our risks remain within the tolerances established by the Board, developing and maintaining policies, and implementing risk management methodologies.

All lines of business and global functions are subject to full and unrestricted audits by Audit Services. Audit Services reports to the Audit Committee of the Board, and is primarily responsible for assisting the Audit Committee in fulfilling its governance and oversight responsibilities. Audit Services is granted free and unrestricted access to any and all of our records, physical properties, technologies, management, and employees.

In addition, our Global Loan Review Group provides an independent assessment of the quality of Ally's credit risk portfolios and credit risk management practices. This group reports its findings directly to the Risk and Compliance Committee. The findings of this group help to strengthen our risk management practices and processes throughout the organization.

Management's Discussion and Analysis

Ally Financial Inc.

Loan and Lease Exposure

The following table summarizes the exposures from our loan and lease activities.

December 31, (\$ in millions)	2012	2011
Finance receivables and loans		
Dealer Financial Services	\$ 86,542	\$ 100,734
Mortgage operations	9,821	12,753
Corporate and Other	2,692	1,268
Total finance receivables and loans	99,055	114,755
Held-for-sale loans		
Dealer Financial Services	—	425
Mortgage operations	2,490	8,112
Corporate and Other	86	20
Total held-for-sale loans	2,576	8,557
Total on-balance sheet loans	\$ 101,631	\$ 123,312
Off-balance sheet securitized loans		
Dealer Financial Services	\$ 1,495	\$ —
Mortgage operations	119,384	326,975
Corporate and Other	—	—
Total off-balance sheet securitized loans	\$ 120,879	\$ 326,975
Operating lease assets		
Dealer Financial Services	\$ 13,550	\$ 9,275
Mortgage operations	—	—
Corporate and Other	—	—
Total operating lease assets	\$ 13,550	\$ 9,275
Serviced loans and leases		
Dealer Financial Services	\$ 134,122	\$ 122,881
Mortgage operations (a)	130,324	356,430
Corporate and Other	1,344	1,762
Total serviced loans and leases	\$ 265,790	\$ 481,073

(a) Includes primary mortgage loan-servicing portfolio only.

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. We primarily originate mortgage loans with the intent to sell them and, as such, retain only a small percentage of the loans that we originate or purchase. Mortgage loans that we do not intend to retain are sold to investors, primarily through securitizations guaranteed by GSEs. However, we may retain an interest or right to service these loans. We ultimately manage the associated risks based on the underlying economics of the exposure. Given our recent strategic actions, we intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages through a select group of correspondent lenders with the intent to retain within our held-for-investment portfolio.

- Finance receivables and loans** — Loans that we have the intent and ability to hold for the foreseeable future or until maturity or loans associated with an on-balance sheet securitization classified as secured financing. These loans are recorded at the principal amount outstanding, net of unearned income and premiums and discounts. Probable credit-related losses inherent in our finance receivables and loans carried at historical cost are reflected in our allowance for loan losses and recognized in current period earnings. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting our servicing and collection activities (including loan modifications and restructurings), and optimizing our product and geographic concentrations. Additionally, we had historically elected to carry certain mortgage loans of ResCap at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and were reflected in current period earnings. We used market-based instruments, such as derivatives, to hedge changes in the fair value of these loans. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Management's Discussion and Analysis

Ally Financial Inc.

- **Held-for-sale loans** — Loans that we have the intent to sell. These loans are recorded on our balance sheet at the lower of cost or estimated fair value and are evaluated by portfolio and product type. Changes in the recorded value are recognized in a valuation allowance and reflected in current period earnings. We manage the economic risks of these exposures, including market and credit risks, in various ways including the use of market-based instruments such as derivatives. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.
- **Off-balance sheet securitized loans** — Loans that we transfer off-balance sheet to nonconsolidated variable interest entities. We primarily report this exposure as cash, servicing rights, or retained interests (if applicable). Similar to finance receivables and loans, we manage the economic risks of these exposures, including credit risk, through activities including servicing and collections. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.
- **Operating lease assets** — The net book value of the automobile assets we lease are based on the expected residual values upon remarketing the vehicles at the end of the lease. We are exposed to fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and as such at contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. A valuation allowance related to lease credit losses is recorded directly against the lease rent receivable balance which is a component of Other Assets. An impairment to the carrying value of the assets may be deemed necessary if there is an unfavorable and unrecoverable change in the value of the recorded asset. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.
- **Serviced loans and leases** — Loans that we service on behalf of our customers or another financial institution. As such, these loans can be on or off our balance sheet. For our mortgage servicing rights, we record an asset or liability (at fair value) based on whether the expected servicing benefits will exceed the expected servicing costs. Changes in the fair value of the mortgage servicing rights are recognized in current period earnings. We also service consumer automobile loans. We do not record servicing rights assets or liabilities for these loans because we receive a fee that adequately compensates us for the servicing costs. We manage the economic risks of these exposures, including market and credit risks, in part through market-based instruments such as derivatives and securities. Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Credit Risk Management

Credit risk is defined as the potential failure to receive payments when due from a creditor in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. To mitigate the risk, we have implemented specific processes across all lines of business utilizing both qualitative and quantitative analyses. Credit risk is monitored by global and line of business committees and the Global Risk Management organization. Together they oversee the credit decisioning and management processes and monitor that credit risk exposures are managed in a safe-and-sound manner and are within our risk appetite. In addition, our Global Loan Review Group provides an independent assessment of the quality of our credit portfolios and credit risk management practices, and directly reports its findings to the Risk and Compliance Committee on a regular basis.

We have policies and practices that reflect our commitment to maintain an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, and assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations. In addition, we maintain limits and underwriting guidelines that reflect our risk appetite.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. To mitigate risk concentrations, we may take part in loan sales and syndications.

Additionally, we have implemented numerous initiatives in an effort to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we offer several types of assistance to aid our customers. Loss mitigation includes changing the maturity date, extending payments, and rewriting the loan terms. We have implemented these actions with the intent to provide the borrower with additional options in lieu of repossessing their vehicle. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

Furthermore, we manage our counterparty credit exposure based on the risk profile of the counterparty. Within our policies, we have established minimum standards and requirements for managing counterparty risk exposures in a safe-and-sound manner. Counterparty credit risk is derived from multiple exposure types, including derivatives, securities trading, securities financing transactions, financial futures, cash balances (e.g. due from depository institutions, restricted accounts and cash equivalents), and investment in debt securities. For more information on Derivative Counterparty Credit Risk, refer to Note 22 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc.

During 2012, the U.S. economy continued to expand and the labor market recovered further. Within the U.S. automotive portfolio, encouraging trends include higher automotive industry sales when compared to the previous year. Additionally, the housing market continued to recover with strong home price appreciation in late 2012 and existing home sales registered their highest annual level since 2007. We continue to be cautious with the outlook due to weak manufacturing activity, slow global economic growth and pending budgets cuts to the U.S. federal government.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At December 31, 2012, this primarily included \$86.5 billion of automobile finance receivables and loans and \$12.3 billion of mortgage finance receivables and loans. Within our on-balance sheet portfolio, we had historically elected to account for certain mortgage loans of ResCap at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Consolidated Statement of Income.

During 2012, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Consolidated Financial Statements for additional information.

The following table presents our total on-balance sheet consumer and commercial finance receivables and loans reported at carrying value before allowance for loan losses.

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Consumer						
Finance receivables and loans						
Loans at historical cost	\$ 63,536	\$ 73,452	\$ 642	\$ 567	\$ 1	\$ 4
Loans at fair value	—	835	—	210	—	—
Total finance receivables and loans	63,536	74,287	642	777	1	4
Loans held-for-sale	2,490	8,537	25	2,820	—	73
Total consumer loans	66,026	82,824	667	3,597	1	77
Commercial						
Finance receivables and loans						
Loans at historical cost	35,519	40,468	216	339	—	—
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	35,519	40,468	216	339	—	—
Loans held-for-sale	86	20	—	—	—	—
Total commercial loans	35,605	40,488	216	339	—	—
Total on-balance sheet loans	\$ 101,631	\$ 123,312	\$ 883	\$ 3,936	\$ 1	\$ 77

(a) Includes nonaccrual troubled debt restructured loans of \$419 million and \$934 million at December 31, 2012, and December 31, 2011, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. This includes no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2012, and \$42 million at December 31, 2011.

Total on-balance sheet loans outstanding at December 31, 2012, decreased \$21.7 billion to \$101.6 billion from December 31, 2011 reflecting a decrease of \$16.8 billion in the consumer portfolio and a decrease of \$4.9 billion in the commercial portfolio. The decrease in total on-balance sheet loans outstanding was primarily driven by the reclassification of foreign Automotive Finance operations to discontinued operations and the deconsolidation of ResCap, partially offset by domestic automobile originations which outpaced portfolio runoff. Refer to Note 1 and Note 2 to the Consolidated Financial Statements for additional information related to ResCap and discontinued operations, respectively.

The total TDRs outstanding at December 31, 2012, decreased \$744 million to \$1.2 billion from December 31, 2011, due to the deconsolidation of ResCap.

During the third quarter of 2012, the Office of the Comptroller of the Currency (OCC) advised the banks for which they serve as the primary bank regulatory agency that certain loans that are current, have been discharged in a Chapter 7 Bankruptcy and have not been reaffirmed by the borrower should be accounted for as TDRs and written down to collateral value regardless of their current payment history and expected continued performance. The OCC is not our primary regulator, and our primary regulator has not provided definitive guidance. It is expected that all of the banking regulators will be evaluating this issue in the first quarter of 2013; however, due to industry practice, we have determined that these loans should be accounted for as TDRs on a prospective basis. The write down based on the discounted expected cash flows of these assets has already been considered in our allowance for loan and lease losses recorded at December 31, 2012. The impact of any change will not be material.

Management's Discussion and Analysis

Ally Financial Inc.

Total nonperforming loans at December 31, 2012, decreased \$3.1 billion to \$883 million from December 31, 2011, reflecting a decrease of \$2.9 billion of consumer nonperforming loans and a decrease of \$123 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2011, was primarily due to the deconsolidation of ResCap. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements for additional information.

The following table includes consumer and commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

Year ended December 31, (\$ in millions)	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2012	2011	2012	2011
Consumer				
Finance receivables and loans at historical cost	\$ 507	\$ 514	0.7 %	0.7%
Commercial				
Finance receivables and loans at historical cost	(33)	39	(0.1)	0.1
Total finance receivables and loans at historical cost	\$ 474	\$ 553	0.4	0.5

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Net charge-offs were \$474 million for the year ended December 31, 2012, compared to \$553 million for the year ended December 31, 2011. The decrease in net charge-offs for the year ended December 31, 2012, was largely due to recoveries in the commercial portfolio. Loans held-for-sale are accounted for at the lower-of-cost or fair value, and therefore we do not record charge-offs.

The *Consumer Credit Portfolio* and *Commercial Credit Portfolio* discussions that follow relate to consumer and commercial finance receivables and loans recorded at historical cost. Finance receivables and loans recorded at historical cost have an associated allowance for loan losses. Finance receivables and loans measured at fair value were excluded from these discussions since those exposures are not accounted for within our allowance for loan losses.

Consumer Credit Portfolio

Our consumer portfolio primarily consists of automobile loans, first mortgages, and home equity loans (we ceased originating home equity loans in 2009). Loan losses in our consumer portfolio are influenced by general business and economic conditions including unemployment rates, bankruptcy filings, and home and used vehicle prices. Additionally, our consumer credit exposure is significantly concentrated in automobile lending (largely through GM and Chrysler dealerships). Due to our subvention relationships, we are able to mitigate some interest income exposure to certain consumer defaults by receiving a rate support payment directly from the automotive manufacturers at origination.

Credit risk management for the consumer portfolio begins with the initial underwriting and continues throughout a borrower's credit cycle. We manage consumer credit risk through our loan origination and underwriting policies, credit approval process, and servicing capabilities. We use proprietary credit-scoring models to differentiate the expected default rates of credit applicants enabling us to better evaluate credit applications for approval and to tailor the pricing and financing structure according to this assessment of credit risk. We regularly review the performance of the credit scoring models and update them for historical information and current trends. These and other actions mitigate but do not eliminate credit risk. Improper evaluations of a borrower's creditworthiness, fraud, and/or changes in the applicant's financial condition after approval could negatively affect the quality of our receivables portfolio, resulting in loan losses.

Our servicing activities are another key factor in managing consumer credit risk. Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for payoff quotes, and processing customer requests for account revisions (such as payment extensions and refinancings). Servicing activities are generally consistent across our operations; however, certain practices may be influenced by local laws and regulations.

During the year ended December 31, 2012, the credit performance of the consumer portfolio remained strong as our charge-off rate was relatively stable. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc.

The following table includes consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Domestic						
Consumer automobile	\$ 53,713	\$ 46,576	\$ 260	\$ 139	\$ —	\$ —
Consumer mortgage						
1st Mortgage	7,173	6,867	342	258	1	1
Home equity	2,648	3,102	40	58	—	—
Total domestic	63,534	56,545	642	455	1	1
Foreign						
Consumer automobile	2	16,883	—	89	—	3
Consumer mortgage						
1st Mortgage	—	24	—	23	—	—
Home equity	—	—	—	—	—	—
Total foreign	2	16,907	—	112	—	3
Total consumer finance receivables and loans	\$ 63,536	\$ 73,452	\$ 642	\$ 567	\$ 1	\$ 4

(a) Includes nonaccrual troubled debt restructured loans of \$373 million and \$180 million at December 31, 2012, and December 31, 2011, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2012, and December 31, 2011.

Total consumer outstanding finance receivables and loans decreased \$9.9 billion at December 31, 2012 compared with December 31, 2011. This decrease was related to the reclassification of foreign Automotive Finance operations to discontinued operations. This was partially offset by an increase in our core domestic business driven by automobile consumer loan originations, which outpaced portfolio runoff, primarily due to increased industry sales and growth in used and non-GM/Chrysler originations. Additionally, we continued to prudently expand our nonprime originations.

Total consumer nonperforming finance receivables and loans at December 31, 2012, increased \$75 million to \$642 million from December 31, 2011, reflecting an increase of \$32 million of consumer automobile nonperforming finance receivables and loans and an increase of \$43 million of consumer mortgage nonperforming finance receivables and loans. Nonperforming consumer domestic automotive finance receivables and loans increased due in part to seasoning of the domestic portfolio as well as increased TDRs as we continue to provide additional options in lieu of repossessing vehicles. Nonperforming consumer domestic mortgage finance receivables and loans increased primarily due to increased TDRs as we continue foreclosure prevention and loss mitigation procedures along with our participation in a variety of government-sponsored refinancing programs. Refer to Note 8 to the Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.0% and 0.8% at December 31, 2012 and December 31, 2011, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more increased \$290 million to \$1.1 billion at December 31, 2012, compared with December 31, 2011. The increase is primarily due to asset growth, prudent expansion of underwriting strategy, which was significantly narrowed during the recession, and seasoning of the portfolio.

Management's Discussion and Analysis

Ally Financial Inc.

The following table includes consumer net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

Year ended December 31, (\$ in millions)	Net charge-offs		Net charge-off ratios (a)	
	2012	2011	2012	2011
Domestic				
Consumer automobile	\$ 267	\$ 249	0.5%	0.6%
Consumer mortgage				
1st Mortgage	82	115	1.2	1.7
Home equity	56	74	2.0	2.3
Total domestic	405	438	0.7	0.8
Foreign				
Consumer automobile	102	72	0.6	0.4
Consumer mortgage				
1st Mortgage	—	4	4.4	1.2
Home equity	—	—	—	—
Total foreign	102	76	0.6	0.4
Total consumer finance receivables and loans	\$ 507	\$ 514	0.7	0.7

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs from total consumer automobile finance receivables and loans were \$369 million for the year ended December 31, 2012, compared to \$321 million for the year ended December 31, 2011. The \$18 million increase in net charge-offs from the domestic automobile finance receivables and loans for the year ended December 31, 2012, was driven primarily by higher outstandings as the net charge-off rate improved.

Our net charge-offs from total consumer mortgage receivables and loans were \$138 million for the year ended December 31, 2012, compared to \$193 million in 2011. The decrease was driven by the improved mix of remaining loans as the lower quality legacy loans continued to runoff.

The following table summarizes the unpaid principal balance of total consumer loan originations for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans and loans held-for-sale during the period.

Year ended December 31, (\$ in millions)	2012	2011
Domestic		
Consumer automobile	\$ 30,351	\$ 32,933
Consumer mortgage		
1st Mortgage	32,465	56,258
Home equity	—	—
Total domestic	62,816	89,191
Foreign		
Consumer automobile	9,653	9,983
Consumer mortgage		
1st Mortgage	—	1,403
Home equity	—	—
Total foreign	9,653	11,386
Total consumer loan originations	\$ 72,469	\$ 100,577

Total automobile-originated loans decreased \$2.9 billion for the year ended December 31, 2012, compared to 2011. The decrease was primarily due to lower retail penetration at both GM and Chrysler. Total mortgage-originated loans decreased \$25.2 billion for the year ended December 31, 2012. The decline in loan production was primarily driven by the reduction in correspondent lending.

Consumer loan originations retained on-balance sheet as held-for-investment were \$42.2 billion at December 31, 2012, compared to \$44.6 billion at December 31, 2011. The decrease was primarily due to lower retail penetration at both GM and Chrysler.

Management's Discussion and Analysis

Ally Financial Inc.

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration. Total automobile loans were \$53.7 billion and \$63.5 billion at December 31, 2012, and December 31, 2011, respectively. Total mortgage and home equity loans were \$9.8 billion and \$10.0 billion at December 31, 2012, and December 31, 2011, respectively.

December 31,	2012 (a)		2011	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	12.9%	5.8%	9.5%	5.5%
California	5.6	29.2	4.6	25.7
Florida	6.7	3.6	4.8	4.0
Michigan	5.0	4.1	4.0	4.8
Pennsylvania	5.2	1.6	3.6	1.6
Illinois	4.3	4.8	3.1	5.0
New York	4.6	2.0	3.5	2.3
Ohio	4.0	0.8	2.9	1.0
Georgia	3.7	1.9	2.5	1.8
North Carolina	3.3	2.0	2.2	2.1
Other United States	44.7	44.2	32.9	45.9
Foreign (b)	—	—	26.4	0.3
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2012.

(b) Foreign consumer finance receivables and loans as of December 31, 2012, was \$2 million. These remaining foreign balances are within Finland and the Czech Republic.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 21.0% and 16.4% of our total outstanding consumer finance receivables and loans at December 31, 2012, and December 31, 2011, respectively.

Concentrations in our Mortgage operations are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been amongst the most severe.

Reposessed and Foreclosed Assets

We classify an asset as reposessed or foreclosed (included in other assets on the Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on reposessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements.

Reposessed assets in our Automotive Finance operations at December 31, 2012, increased \$6 million to \$62 million from December 31, 2011. Foreclosed mortgage assets at December 31, 2012, decreased \$71 million to \$6 million from December 31, 2011, primarily due to the deconsolidation of ResCap.

Higher-Risk Mortgage Loans

Since 2009, we primarily focused our origination efforts on prime conforming and government-insured residential mortgages in the United States. However, we continued to hold mortgage loans originated in prior years that have features that expose us to potentially higher credit risk including high original loan-to-value mortgage loans (prime or nonprime), payment-option adjustable-rate mortgage loans (prime nonconforming), interest-only mortgage loans (classified as prime conforming or nonconforming for domestic production and prime nonconforming or nonprime for international production), and below-market rate (teaser) mortgages (prime or nonprime).

In circumstances when a loan has features such that it falls into multiple categories, it is classified to a category only once based on the following hierarchy: (1) high original loan-to-value (LTV) mortgage loans, (2) payment-option adjustable-rate mortgage loans, (3) interest-only mortgage loans, and (4) below-market rate (teaser) mortgages. Given the continued stress within the housing market, we believe this hierarchy provides the most relevant risk assessment of our nontraditional products.

- **High loan-to-value mortgages** — Defined as first-lien loans with original loan-to-value ratios equal to or in excess of 100% or second-lien loans that when combined with the underlying first-lien mortgage loan result in an original loan-to-value ratio equal to or in excess of 100%. We ceased originating these loans with the intent to retain during 2009.

Management's Discussion and Analysis

Ally Financial Inc.

- **Payment-option adjustable-rate mortgages** — Permit a variety of repayment options. The repayment options include minimum, interest-only, fully amortizing 30-year, and fully amortizing 15-year payments. The minimum payment option generally sets the monthly payment at the initial interest rate for the first year of the loan. The interest rate resets after the first year, but the borrower can continue to make the minimum payment. The interest-only option sets the monthly payment at the amount of interest due on the loan. If the interest-only option payment would be less than the minimum payment, the interest-only option is not available to the borrower. Under the fully amortizing 30- and 15-year payment options, the borrower's monthly payment is set based on the interest rate, loan balance, and remaining loan term. We ceased originating these loans during 2008.
- **Interest-only mortgages** — Allow interest-only payments for a fixed time. At the end of the interest-only period, the loan payment includes principal payments and can increase significantly. The borrower's new payment, once the loan becomes amortizing (i.e., includes principal payments), will be greater than if the borrower had been making principal payments since the origination of the loan. We ceased originating these loans with the intent to retain during 2010.
- **Below-market rate (teaser) mortgages** — Contain contractual features that limit the initial interest rate to a below-market interest rate for a specified time period with an increase to a market interest rate in a future period. The increase to the market interest rate could result in a significant increase in the borrower's monthly payment amount. We ceased originating these loans with the intent to retain during 2008.

The following table summarizes mortgage finance receivables and loans by higher-risk loan type. These finance receivables and loans are recorded at historical cost and reported at carrying value before allowance for loan losses.

December 31, (\$ in millions)	2012			2011		
	Outstanding	Nonperforming	Accruing past due 90 days or more	Outstanding	Nonperforming	Accruing past due 90 days or more
Interest-only mortgage loans (a)	\$ 2,063	\$ 125	\$ —	\$ 2,947	\$ 147	\$ —
Below-market rate (teaser) mortgages	192	3	—	248	6	—
Total higher-risk mortgage loans	\$ 2,255	\$ 128	\$ —	\$ 3,195	\$ 153	\$ —

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

High original LTV mortgage finance receivables and loans and payment-option adjustable-rate mortgage finance receivables and loans remained flat at \$1 million and \$3 million, respectively, at December 31, 2012 and December 31, 2011. There were no high original LTV mortgage loans or payment-option adjustable-rate mortgage loans classified as nonperforming or 90 days past due and still accruing at December 31, 2012 and December 31, 2011.

The allowance for loan losses was \$104 million, or 4.6%, of total higher-risk held-for-investment mortgage loans recorded at historical cost based on carrying value outstanding before allowance for loan losses at December 31, 2012.

Management's Discussion and Analysis

Ally Financial Inc.

The following table includes our five largest state concentrations based on our higher-risk mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses.

December 31, (\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Michigan	106	5	111
Other United States	968	107	1,075
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255
2011			
California	\$ 748	\$ 78	\$ 826
Virginia	274	10	284
Maryland	217	6	223
Illinois	153	8	161
Michigan	199	9	208
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	\$ 2,947	\$ 248	\$ 3,195

Commercial Credit Portfolio

Our commercial portfolio consists primarily of automotive loans (wholesale floorplan, dealer term loans including real estate loans, and automotive fleet financing), and some commercial finance loans. In general, the credit risk of our commercial portfolio is impacted by overall economic conditions in the countries in which we operate and the financial health of the automotive manufacturers that provide the inventory we floorplan. As part of our floorplan financing arrangements, we typically require repurchase agreements with the automotive manufacturer to repurchase new vehicle inventory under certain circumstances.

Our credit risk on the commercial portfolio is markedly different from that of our consumer portfolio. Whereas the consumer portfolio represents smaller-balance homogeneous loans that exhibit fairly predictable and stable loss patterns, the commercial portfolio exposures can be less predictable. We utilize an internal credit risk rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective and consistent credit risk management framework.

During the year ended December 31, 2012, the credit performance of the commercial portfolio remained strong as nonperforming finance receivables and loans and net charge-offs declined. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc.

The following table includes total commercial finance receivables and loans reported at carrying value before allowance for loan losses.

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2012	2011	2012	2011	2012	2011
Domestic						
Commercial and industrial						
Automobile	\$ 30,270	\$ 26,552	\$ 146	\$ 105	\$ —	\$ —
Mortgage	—	1,887	—	—	—	—
Other (c)	2,679	1,178	33	22	—	—
Commercial real estate						
Automobile	2,552	2,331	37	56	—	—
Mortgage	—	—	—	—	—	—
Total domestic	35,501	31,948	216	183	—	—
Foreign						
Commercial and industrial						
Automobile	—	8,265	—	118	—	—
Mortgage	—	24	—	—	—	—
Other (c)	18	63	—	15	—	—
Commercial real estate						
Automobile	—	154	—	11	—	—
Mortgage	—	14	—	12	—	—
Total foreign	18	8,520	—	156	—	—
Total commercial finance receivables and loans	\$ 35,519	\$ 40,468	\$ 216	\$ 339	\$ —	\$ —

(a) Includes nonaccrual troubled debt restructured loans of \$29 million and \$21 million at December 31, 2012, and December 31, 2011, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2012 and December 31, 2011.

(c) Other commercial primarily includes senior secured commercial lending.

Total commercial finance receivables and loans outstanding decreased \$4.9 billion to \$35.5 billion at December 31, 2012, from December 31, 2011. The domestic commercial and industrial outstandings increased \$3.3 billion primarily due to increased automotive industry sales and corresponding rise in inventories as well as ResCap's debtor-in-possession financing, partially offset by the wind-down of the mortgage warehouse lending's portfolio. The foreign commercial and industrial outstandings decreased \$8.3 billion primarily due to the reclassification of foreign Automotive Finance operations to discontinued operations.

Total domestic commercial nonperforming finance receivables and loans were \$216 million at December 31, 2012, an increase of \$33 million compared to December 31, 2011. However, portfolio performance was stable during 2012, and total nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans declined from 0.8% as of December 31, 2011 to 0.6% as of December 31, 2012.

Management's Discussion and Analysis

Ally Financial Inc.

The following table includes total commercial net charge-offs from finance receivables and loans at historical cost and related ratios reported at carrying value before allowance for loan losses.

Year ended December 31, (\$ in millions)	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2012	2011	2012	2011
Domestic				
Commercial and industrial				
Automobile	\$ 2	\$ 7	— %	— %
Mortgage	(1)	(3)	(0.1)	(0.3)
Other	(3)	(7)	(0.2)	(0.5)
Commercial real estate				
Automobile	(1)	6	—	0.3
Mortgage	—	(1)	—	n/m
Total domestic	(3)	2	—	—
Foreign				
Commercial and industrial				
Automobile	(2)	(1)	—	—
Mortgage	—	8	2.2	25.0
Other	(28)	2	(75.3)	0.8
Commercial real estate				
Automobile	—	1	0.3	0.3
Mortgage	—	27	(7.1)	60.9
Total foreign	(30)	37	(0.4)	0.4
Total commercial finance receivables and loans	\$ (33)	\$ 39	(0.1)	0.1

n/m = not meaningful

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the year for each loan category.

Our net charge-offs from commercial finance receivables and loans resulted in recoveries of \$33 million for the year ended December 31, 2012, compared to net charge-offs of \$39 million in 2011. The decrease in net charge-offs during 2012 was largely driven by strong recoveries in certain wind-down portfolios and an improved mix of loans in the existing portfolios.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were \$2.6 billion and \$2.5 billion at December 31, 2012, and December 31, 2011, respectively.

Management's Discussion and Analysis

Ally Financial Inc.

The following table presents the percentage of total commercial real estate finance receivables and loans by geographic region and property type. These finance receivables and loans are reported at carrying value before allowance for loan losses.

December 31,	2012	2011
Geographic region		
Texas	13.0%	12.4%
Michigan	12.6	14.1
Florida	11.7	12.4
California	9.3	9.3
New York	4.9	3.5
Virginia	3.9	4.1
North Carolina	3.9	2.1
Pennsylvania	3.3	2.9
Georgia	3.0	2.5
Tennessee	2.3	1.8
Other United States	32.1	28.3
Foreign	—	6.6
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	99.4%
Other	—	0.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential economic loss.

The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans are reported at carrying value before allowance for loan losses.

December 31,	2012	2011
Industry		
Automotive	85.7%	82.9%
Manufacturing	5.5	1.8
Services	4.9	1.9
Other	3.9	13.4
Total commercial criticized finance receivables and loans	100.0%	100.0%

Total criticized exposures declined \$1.4 billion to \$1.7 billion at December 31, 2012 from December 31, 2011, primarily due to the reclassification of foreign Automotive Finance operations to discontinued operations as well as improvements in dealer financial condition within the domestic automotive industry. The increase in our automotive criticized concentration rate was driven primarily by the decrease in overall criticized outstandings.

Management's Discussion and Analysis

Ally Financial Inc.

Selected Loan Maturity and Sensitivity Data

The table below shows the commercial finance receivables and loans portfolio and the distribution between fixed and floating interest rates based on the stated terms of the commercial loan agreements. This portfolio is reported at carrying value before allowance for loan losses.

December 31, 2012 (\$ in millions)	Within 1 year (a)		1-5 years		After 5 years		Total (b)
Commercial and industrial	\$	31,107	\$	1,798	\$	44	\$ 32,949
Commercial real estate		131		2,004		417	2,552
Total domestic		31,238		3,802		461	35,501
Foreign		3		15		—	18
Total commercial finance receivables and loans	\$	31,241	\$	3,817	\$	461	\$ 35,519
Loans at fixed interest rates			\$	1,809	\$	381	
Loans at variable interest rates				2,008		80	
Total commercial finance receivables and loans			\$	3,817	\$	461	

(a) Includes loans (e.g., floorplan) with revolving terms.

(b) Loan maturities are based on the remaining maturities under contractual terms.

Allowance for Loan Losses

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

(\$ in millions)	Consumer automobile		Consumer mortgage		Total consumer		Commercial	Total
Allowance at January 1, 2012	\$	766	\$	516	\$	1,282	\$ 221	\$ 1,503
Charge-offs								
Domestic		(438)		(149)		(587)	(8)	(595)
Foreign		(178)		—		(178)	(3)	(181)
Total charge-offs		(616)		(149)		(765)	(11)	(776)
Recoveries								
Domestic		171		11		182	11	193
Foreign		76		—		76	33	109
Total recoveries		247		11		258	44	302
Net charge-offs		(369)		(138)		(507)	33	(474)
Provision for loan losses		257		86		343	(14)	329
Other (a)		(79)		(12)		(91)	(97)	(188)
Allowance at December 31, 2012	\$	575	\$	452	\$	1,027	\$ 143	\$ 1,170
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2012 (b)		1.1%		4.6%		1.6%	0.4 %	1.2%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2012 (b)		0.5%		1.4%		0.7%	(0.1) %	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2012 (b)		221.3%		118.0%		159.8%	66.4 %	136.3%
Ratio of allowance for loan losses to net charge-offs at December 31, 2012		1.6		3.3		2.0	(4.3)	2.5

(a) Includes provision for loan losses relating to discontinued operations of \$65 million.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses at December 31, 2012, declined \$255 million compared to December 31, 2011. The decline reflects the reclassification of the foreign Automotive Finance operations to discontinued operations and the runoff of legacy portfolios, which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses declined \$78 million at December 31, 2012, compared to December 31, 2011, primarily related to the ongoing strength in dealer performance, the reclassification of foreign Automotive Finance operations to discontinued operations, and general overall improvement in the Commercial Finance Group's portfolio.

Management's Discussion and Analysis

Ally Financial Inc.

<i>(\$ in millions)</i>	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2011	\$ 970	\$ 580	\$ 1,550	\$ 323	\$ 1,873
Charge-offs					
Domestic	(435)	(205)	(640)	(27)	(667)
Foreign	(145)	(5)	(150)	(63)	(213)
Total charge-offs	(580)	(210)	(790)	(90)	(880)
Recoveries					
Domestic	186	16	202	25	227
Foreign	73	1	74	26	100
Total recoveries	259	17	276	51	327
Net charge-offs	(321)	(193)	(514)	(39)	(553)
Provision for loan losses	102	126	228	(67)	161
Other (a)	15	3	18	4	22
Allowance at December 31, 2011	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2011 (b)	1.2%	5.2%	1.7%	0.5%	1.3%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2011 (b)	0.5%	1.9%	0.7%	0.1%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2011 (b)	335.8%	152.1%	226.0%	65.3%	165.9%
Ratio of allowance for loans losses to net charge-offs at December 31, 2011	2.4	2.7	2.5	5.7	2.7

(a) Includes provision for loan losses relating to discontinued operations of \$58 million.

(b) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the unpaid principal balance, net of premiums and discounts.

The allowance for consumer loan losses was \$1.3 billion at December 31, 2011, compared to \$1.6 billion at December 31, 2010. The decline reflected overall improved credit quality of newer vintages reflecting tightened underwriting standards which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses was \$221 million at December 31, 2011, compared to \$323 million at December 31, 2010. The decline was primarily related to improvement in dealer performance and continued wind-down of non-core commercial assets.

Management's Discussion and Analysis

Ally Financial Inc.

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

December 31, (\$ in millions)	2012			2011		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
Consumer						
Domestic						
Consumer automobile	\$ 575	1.1%	49.2%	\$ 600	1.3%	39.9%
Consumer mortgage						
1st Mortgage	245	3.4	20.9	275	4.0	18.3
Home equity	207	7.8	17.7	237	7.7	15.8
Total domestic	1,027	1.6	87.8	1,112	2.0	74.0
Foreign						
Consumer automobile	—	—	—	166	1.0	11.1
Consumer mortgage						
1st Mortgage	—	—	—	4	14.5	0.2
Home equity	—	—	—	—	—	—
Total foreign	—	—	—	170	1.0	11.3
Total consumer loans	1,027	1.6	87.8	1,282	1.7	85.3
Commercial						
Domestic						
Commercial and industrial						
Automobile	55	0.2	4.7	62	0.2	4.0
Mortgage	—	—	—	1	—	0.1
Other	48	1.8	4.1	52	4.4	3.5
Commercial real estate						
Automobile	40	1.6	3.4	39	1.7	2.6
Mortgage	—	—	—	—	—	—
Total domestic	143	0.4	12.2	154	0.5	10.2
Foreign						
Commercial and industrial						
Automobile	—	—	—	48	0.6	3.2
Mortgage	—	—	—	10	43.1	0.7
Other	—	—	—	1	1.9	0.1
Commercial real estate						
Automobile	—	—	—	3	1.7	0.2
Mortgage	—	—	—	5	33.2	0.3
Total foreign	—	—	—	67	0.8	4.5
Total commercial loans	143	0.4	12.2	221	0.5	14.7
Total allowance for loan losses	\$ 1,170	1.2	100.0%	\$ 1,503	1.3	100.0%

Management's Discussion and Analysis

Ally Financial Inc.

Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

Year ended December 31, (\$ in millions)	2012	2011	2010
Consumer			
Domestic			
Consumer automobile	\$ 257	\$ 102	\$ 228
Consumer mortgage			
1st Mortgage	52	68	68
Home equity	34	58	83
Total domestic	343	228	379
Foreign			
Consumer automobile	—	—	(2)
Consumer mortgage			
1st Mortgage	—	—	—
Home equity	—	—	—
Total foreign	—	—	(2)
Total consumer loans	343	228	377
Commercial			
Domestic			
Commercial and industrial			
Automobile	(3)	(3)	2
Mortgage	(1)	(3)	(3)
Other	(10)	(51)	(47)
Commercial real estate			
Automobile	—	(10)	34
Mortgage	—	—	—
Total domestic	(14)	(67)	(14)
Foreign			
Commercial and industrial			
Automobile	—	—	(2)
Mortgage	—	—	—
Other	—	—	—
Commercial real estate			
Automobile	—	—	—
Mortgage	—	—	—
Total foreign	—	—	(2)
Total commercial loans	(14)	(67)	(16)
Total provision for loan losses	\$ 329	\$ 161	\$ 361

Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. The following factors most significantly influence lease residual risk. For additional information on our valuation of automobile lease assets and residuals, refer to the Critical Accounting Estimates — Valuation of Automobile Lease Assets and Residuals section within this MD&A.

- **Used vehicle market** — We have exposure to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle market prices heavily influence used vehicle prices.
- **Residual value projections** — We establish risk adjusted residual values at lease inception by consulting independently published guides and proprietary statistical models. The residual values are consistently monitored during the lease term. These values are

Management's Discussion and Analysis

Ally Financial Inc.

projections of expected values in the future (typically between two and four years) based on current assumptions for the respective make and model. Actual realized values often differ.

- **Remarketing abilities** — Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales.
- **Manufacturer vehicle and marketing programs** — Automotive manufacturers influence lease residual results in the following ways:
 - The brand image of automotive manufacturers and consumer demand for their products affect residual risk.
 - Automotive manufacturer marketing programs may influence the used vehicle market for those vehicles through programs such as incentives on new vehicles, programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of a new vehicle (referred to as pull-ahead programs), and special rate used vehicle programs.
 - Automotive manufacturers may provide support to us for certain residual deficiencies.

The following table summarizes the volume of our serviced lease terminations in the United States over recent periods. It also summarizes the average sales proceeds on 24-, 36-, and 48-month scheduled lease terminations for those same periods. The mix of terminated vehicles in 2012 was used to normalize results over previous periods to more clearly demonstrate market pricing trends.

Year ended December 31,	2012	2011	2010
Off-lease vehicles remarketed (<i>in units</i>)	63,315	248,624	376,203
Average sales proceeds on scheduled lease terminations (\$ per unit)			
24-month (a)	\$ 22,586	n/m	\$ 22,400
36-month (b)	n/m	n/m	n/m
48-month	18,124	16,134	14,289

n/m = not meaningful

(a) During 2011, 24-month lease terminations were not materially sufficient to create a historical comparison due to our temporary curtailment of leasing in 2009.

(b) The 36-month lease terminations were not materially sufficient to create a historical multi-year comparison from that term due to our temporary curtailment of leasing in 2009.

The number of off-lease vehicles remarketed in 2012 reached a historic low, declining 75% from 2011. The significant decrease was due to our temporary curtailment of leasing in late 2008 through 2009. Sales proceeds have strengthened since 2009 due primarily to the lower supply of attractive used vehicles, which can be largely attributed to the significant drop in new vehicle sales and leasing activity during the last economic downturn. For information on our Investment in Operating Leases, refer to Note 9 to the Consolidated Financial Statements.

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing, to retain mortgage servicing rights, and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 22 to the Consolidated Financial Statements for further information.

We are also exposed to foreign-currency risk arising from the possibility that fluctuations in foreign-exchange rates will affect future earnings or asset and liability values related to our global operations. We enter into hedges to mitigate foreign exchange risk.

We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets.

Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Management's Discussion and Analysis

Ally Financial Inc.

Fair Value Sensitivity Analysis

The following table and subsequent discussion presents a fair value sensitivity analysis of our assets and liabilities using isolated hypothetical movements in specific market rates. The analysis assumes adverse instantaneous, parallel shifts in market-exchange rates, interest rate yield curves, and equity prices. Additionally, since only adverse fair value impacts are included, the natural offset between asset and liability rate sensitivities that arise within a diversified balance sheet, such as ours, is not considered.

December 31, (\$ in millions)	2012		2011	
	Nontrading	Trading	Nontrading	Trading
Financial instruments exposed to changes in:				
Interest rates				
Estimated fair value	(a) \$	—	(a) \$	549
Effect of 10% adverse change in rates	(a)	—	(a)	(2)
Foreign-currency exchange rates				
Estimated fair value	\$ 2,791	\$ —	\$ 6,724	\$ —
Effect of 10% adverse change in rates	(279)	—	(672)	—
Equity prices				
Estimated fair value	\$ 1,152	\$ —	\$ 1,059	\$ —
Effect of 10% decrease in prices	(115)	—	(106)	—

(a) Refer to the next section titled *Net Interest Income Sensitivity Analysis* for information on the interest rate sensitivity of our nontrading financial instruments.

The fair value of our foreign-currency exchange-rate sensitive financial instruments decreased during the year ended December 31, 2012, compared to 2011, due to decreases in finance receivables and loans that were reclassified to discontinued operations partially offset by a decrease in foreign-denominated short-term borrowings and foreign-denominated long-term debt that were also reclassified to discontinued operations. The net decrease consequently drove the decrease in the fair value estimate and associated adverse 10% change in rates impact. The increase in the fair value of our equity sensitive financial instruments was due to a slightly higher equity investment balance compared to prior year. This change in equity exposure drove our increased sensitivity to a 10% decrease in equity prices.

Net Interest Income Sensitivity Analysis

We use net interest income sensitivity analysis as our primary metric to measure and manage the interest rate sensitivities of our nontrading financial instruments. Interest rate risk represents the most significant market risk to the nontrading exposures. We actively monitor the level of exposure so that movements in interest rates do not adversely affect future earnings.

We prepare forward-looking forecasts of net interest income, which take into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. Simulations are used to assess changes in net interest income in multiple interest rates scenarios relative to the baseline forecast. The changes in net interest income relative to the baseline are defined as the sensitivity. The net interest income sensitivity tests measure the potential change in our pretax net interest income over the following twelve months. A number of alternative rate scenarios are tested including immediate parallel shocks to the forward yield curve, nonparallel shocks to the forward yield curve, and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

Included in our forward-looking forecast is the planned sale of our international and Canadian operations. These instruments were moved to discontinued operations at year end 2012 based on their expected sale in 2013. Consequently, the interest income and expense from these instruments is not included in net interest income and their interest sensitivity is managed using a fair value approach. Therefore, we no longer include the interest sensitivity of these financial instruments in our net interest income simulations.

Our twelve-month pretax net interest income sensitivity based on the forward-curve was as follows.

Year ended December 31, (\$ in millions)	2012	2011
Parallel rate shifts		
-100 basis points	\$ (7)	\$ 73
+100 basis points	(46)	(84)
+200 basis points	48	88

The adverse change in net interest income in the -100 basis point scenario in the 2012 analysis is mainly due to the low interest rate environment as further declines in deposit and short funding rates are limited. The positive change in net interest income in the +200 basis point scenario is mainly due to income on certain commercial loans that have rate index floors. Interest income on these loans increases significantly as interest rates and the related rate index rises above the level of the floor.

Management's Discussion and Analysis

Ally Financial Inc.

The change in net interest income sensitivity from the prior year was due to the lower and flatter yield curve and to a lesser extent the planned sale of our international operations.

Operational Risk

We define operational risk as the risk of loss resulting from inadequate or failed processes or systems, human factors, or external events. Operational risk is an inherent risk element in each of our businesses and related support activities. Such risk can manifest in various ways, including errors, business interruptions, and inappropriate behavior of employees, and can potentially result in financial losses and other damage to us. Examples of operational risk include legal/compliance, vendor management, model, reputational, and representation and warranty obligation risks (See the Purchase Obligations discussion within this MD&A).

To monitor and control such risk, we maintain a system of policies and a control framework designed to provide a sound and well-controlled operational environment. This framework employs practices and tools designed to maintain risk governance, risk and control assessment and testing, risk monitoring, and transparency through risk reporting mechanisms. The goal is to maintain operational risk at appropriate levels in view of our financial strength, the characteristics of the businesses and the markets in which we operate, and the related competitive and regulatory environment.

Notwithstanding these risk and control initiatives, we may incur losses attributable to operational risks from time to time, and there can be no assurance these losses will not be incurred in the future.

Insurance / Underwriting Risk

In underwriting our vehicle service contracts and insurance policies, we assess the particular risk involved, including losses and loss adjustment expenses, and determine the acceptability of the risk as well as the categorization of the risk for appropriate pricing. We base our determination of the risk on various assumptions tailored to the respective insurance product. With respect to vehicle service contracts, assumptions include the quality of the vehicles produced, the price of replacement parts, repair labor rates in the future, and new model introductions. Insurance risk also includes event risk, which is synonymous with pure risk, hazard risk, or insurance risk, and presents no chance of gain, only of loss.

In some instances, reinsurance is used to reduce the risk associated with volatile businesses, such as catastrophe risk in U.S. dealer vehicle inventory insurance. Our commercial products business is covered by traditional catastrophe protection, aggregate stop loss protection, and an extension of catastrophe coverage for hurricane events. In addition, loss control techniques, such as hail nets or storm path monitoring to assist dealers in preparing for severe weather, help to mitigate loss potential.

We mitigate losses by the active management of claim settlement activities using experienced claims personnel and the evaluation of current period reported claims. Losses for these events may be compared to prior claims experience, expected claims, or loss expenses from similar incidents to assess the reasonableness of incurred losses.

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, we maintain reserves for reported losses, losses incurred but not reported, and loss adjustment expenses. The estimated values of our prior reported loss reserves and changes to the estimated values are routinely monitored by credentialed actuaries. Our reserve estimates are regularly reviewed by management; however, since the reserves are based on estimates and numerous assumptions, the ultimate liability may differ from the amount estimated.

Country Risk

We have exposures to obligors domiciled in foreign countries; and therefore, our portfolio is subject to country risk. Country risk is the risk that conditions in a foreign country will impair the value of our assets, restrict our ability to repatriate equity or profits, or adversely impact the ability of the guarantor to uphold their obligations to us. Country risk includes risks arising from the economic, political, and social conditions prevalent in a country, as well as the strengths and weaknesses in the legal and regulatory framework. These conditions may have potentially favorable or unfavorable consequences for our investments in a particular country.

Country risk is measured by determining our cross-border outstandings in accordance with Federal Financial Institutions Examination Council guidelines. Cross-border outstandings are reported as assets within the country of which the obligor or guarantor resides. Furthermore, outstandings backed by tangible collateral are reflected under the country in which the collateral is held. For securities received as collateral, cross-border outstandings are assigned to the domicile of the issuer of the securities. Resale agreements are presented based on the domicile of the counterparty.

Management's Discussion and Analysis

Ally Financial Inc.

The following table lists all countries in which cross-border outstandings exceed 1.0% of consolidated assets.

<i>(\$ in millions)</i>	Banks		Sovereign		Other		Net local country assets		Derivatives	Total cross-border outstandings (a)		
2012 (b)												
Canada	\$	396	\$	305	\$	190	\$	2,953	\$	6	\$	3,850
Germany		10		30		3		3,340		450		3,833
United Kingdom		265		—		16		2,348		237		2,866
2011 (b)												
Canada	\$	343	\$	250	\$	451	\$	3,746	\$	20	\$	4,810
Germany		47		32		5		3,219		576		3,879
United Kingdom		311		6		13		962		1,356		2,648

- (a) As we continue to execute on our strategy of selling or liquidating our nonstrategic operations, our total cross-border outstandings will significantly decline upon the completion of the transactions.
- (b) Our total cross-border exposure to Portugal, Ireland, Italy, Greece, and Spain was \$649 million and \$327 million as of December 31, 2012, and 2011, respectively, most of which was nonsovereign exposure.

Management's Discussion and Analysis

Ally Financial Inc.

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet changes in loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of liquidity include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, currency, and investor profiles. Further liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet uncertain cash flow obligations caused by unanticipated events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to their solvency.

The Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for monitoring Ally's liquidity position, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing the liquidity positions of Ally within prudent operating guidelines and targets approved by ALCO and the Risk and Compliance Committee of the Ally Financial Board of Directors. We manage liquidity risk at the business segment, legal entity, and consolidated levels. Each business segment, along with Ally Bank, prepares periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by Corporate Treasury. Corporate Treasury manages liquidity under baseline economic projections as well as more severe economic stressed environments. Corporate Treasury, in turn, plans, and executes our funding strategies.

Ally uses multiple measures to frame the level of liquidity risk, manage the liquidity position, or identify related trends as early warning indicators. These measures include coverage ratios that measure the sufficiency of the liquidity portfolio and stability ratios that measure longer-term structural liquidity. In addition, we have established several internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its structured funding strategy and risk management accountabilities.

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At December 31, 2012, we maintained \$15.6 billion of total available parent company liquidity and \$13.2 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the subsidiaries of Ally Insurance's holding company. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. At December 31, 2012, \$1.6 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank.

In December 2010, the Basel Committee on Banking Supervision issued "Basel III: International framework for liquidity risk measurement, standards and monitoring", which includes two minimum liquidity risk standards. The first standard is the Liquidity Coverage Ratio (LCR). The LCR measures the ratio of unencumbered, high-quality liquid assets to liquidity needs for a 30-calendar-day time horizon under a severe liquidity stress scenario specified by supervisors. The second standard is the Net Stable Funding Ratio (NSFR). The NSFR is structured to ensure that long term assets are funded with at least a minimum amount of stable liabilities in relation to their liquidity risk profiles. It aims to encourage better assessment of liquidity risk across all on- and off-balance sheet items. In January 2013, the Group of Governors and Heads of Supervision (GHOS), the oversight body of the Basel Committee on Banking Supervision unanimously endorsed amendments to the Liquidity Coverage Ratio announced in December 2010. A summary of changes include: a phased-in implementation with minimum ratio of 60% in 2015, growing by 10% per year to reach 100% by 2019; an expanded definition of high quality liquid assets; and adjustments to net cash outflows. The GHOS indicated that the NSFR will be a priority for the Basel Committee over the next two years and the scheduled implementation date remains unchanged at January 2018. We continue to monitor the potential impacts of these developments and expect to be able to meet the final requirements.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on our timely and cost-effective access to retail deposits and funding in different segments of the capital markets. We continue to be focused on maintaining and enhancing our liquidity. Our funding strategy largely focuses on the development of diversified funding sources across a global investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include unsecured debt capital markets, unsecured retail term notes, public and private asset-backed securitizations, committed and uncommitted credit facilities, brokered certificates of deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, unsecured bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and

Management's Discussion and Analysis

Ally Financial Inc.

results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company or nonbank funding.

We diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. Over the past few years, we have been focused on diversifying our funding sources, in particular at Ally Bank by growing retail deposits, expanding public and private securitization programs, maintaining the maturity profile of our brokered deposit portfolio while not exceeding a \$10.0 billion portfolio, establishing repurchase agreements, and continuing to access funds from the Federal Home Loan Banks.

Since 2009, we have been directing new bank-eligible assets in the United States to Ally Bank in order to reduce and minimize our nonbanking exposures and funding requirements and utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Ally Bank

Ally Bank raises deposits directly from customers through the direct banking channel via the internet and over the telephone. These deposits provide our Automotive Finance and Mortgage operations with a stable and low-cost funding source. At December 31, 2012, Ally Bank had \$46.9 billion of total external deposits, including \$35.0 billion of retail deposits.

At December 31, 2012, Ally Bank maintained cash liquidity of \$2.7 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$5.9 billion. In addition, at December 31, 2012, Ally Bank had unused capacity in committed secured funding facilities of \$6.2 billion, including an equal allocation of shared unused capacity of \$3.0 billion from a facility also available to the parent company. Our ability to access this unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize use of cash and secured facility capacity between entities, Ally Financial lends cash to Ally Bank from time to time under an intercompany agreement. Amounts outstanding on this loan are repayable to Ally Financial at any time. Ally Bank has total available liquidity of \$13.2 billion at December 31, 2012, which excludes the intercompany loan of \$1.6 billion.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating assets to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. During 2012, the deposit base at Ally Bank grew \$7.3 billion, ending the year at \$46.9 billion from \$39.6 billion at December 31, 2011. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market checking accounts, and our CDs. Strong retention rates continue to materially contribute to our growth in retail deposits. In the fourth quarter of 2012 we retained 93% of maturing CD balances up for renewal in the same period. In addition to retail and brokered deposits, Ally Bank had access to funding through a variety of other sources including FHLB advances, public securitizations, private secured funding arrangements, and the Federal Reserve's Discount Window. At December 31, 2012, debt outstanding from the FHLB totaled \$4.8 billion with no debt outstanding from the Federal Reserve. Also, as part of our liquidity and funding plans, Ally Bank utilizes certain securities as collateral to access funding from repurchase agreements with third parties. Repurchase agreements are generally short-term. At December 31, 2012, Ally Bank had no debt outstanding under repurchase agreements. Refer to Note 14 to the Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2011.

(\$ in millions)	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012	4th Quarter 2011	3rd Quarter 2011	2nd Quarter 2011	1st Quarter 2011
Number of retail accounts	1,219,791	1,142,837	1,082,753	1,036,468	976,877	919,670	851,991	798,622
Deposits								
Retail	\$ 35,041	\$ 32,139	\$ 30,403	\$ 29,323	\$ 27,685	\$ 26,254	\$ 24,562	\$ 23,469
Brokered	9,914	9,882	9,905	9,884	9,890	9,911	9,903	9,836
Other (a)	1,977	2,487	2,411	2,314	2,029	2,704	2,405	2,064
Total deposits	\$ 46,932	\$ 44,508	\$ 42,719	\$ 41,521	\$ 39,604	\$ 38,869	\$ 36,870	\$ 35,369

(a) Other deposits include mortgage escrow and other deposits (excluding intercompany deposits).

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During 2012, Ally Bank completed eleven term securitization transactions backed by retail and dealer floorplan automotive loans and lease notes raising \$11.8 billion. Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans

Management's Discussion and Analysis

Ally Financial Inc.

and leases for the life of the underlying asset creating an effective tool for managing interest rate and liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At December 31, 2012, Ally Bank had exclusive access to \$8.5 billion from committed credit facilities. Ally Bank also had access to a \$4.1 billion committed facility that is shared with the parent company.

Nonbank Funding

At December 31, 2012, the parent company maintained liquid cash in the amount of \$4.2 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$0.9 billion. In addition, at December 31, 2012, the parent company had available liquidity from unused capacity in committed credit facilities of \$7.2 billion, including an equal allocation of shared unused capacity of \$3.0 billion from a facility also available to Ally Bank. Parent company funding is defined as our consolidated operations less our Insurance operations and Ally Bank. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, the funding also relies on the execution of interest rate hedges. Funding sources at the parent company generally consist of longer-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. To optimize use of cash and secured facility capacity between entities, Ally Financial lends cash to Ally Bank from time to time under an intercompany agreement. Amounts outstanding on this loan are repayable to Ally Financial at any time. The parent company has total available liquidity of \$15.6 billion at December 31, 2012, which includes the intercompany loan of \$1.6 billion. The total available liquidity amount at December 31, 2012 also includes \$1.7 billion of availability that is sourced from certain committed funding arrangements generally reliant upon the origination of future automotive receivables over the next twelve months.

During 2012, we completed five transactions totaling \$3.6 billion in funding through the U.S. debt capital markets. We will continue to access the unsecured debt capital markets on an opportunistic basis to help pre-fund upcoming debt maturities. In addition, we have short-term and long-term unsecured debt outstanding from a legacy retail term note program known as SmartNotes. This program generally consisted of fixed-rate instruments with fixed-maturity dates ranging from 9 months to 30 years that were issued through a network of participating broker-dealers. During 2012, we launched a new retail term note program known as Ally Term Notes. There were \$7.9 billion and \$9.0 billion of combined retail term notes outstanding at December 31, 2012, and December 31, 2011, respectively.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were \$3.1 billion at December 31, 2012, compared to \$2.8 billion at December 31, 2011. Unsecured short-term bank loans also provide short-term funding. At December 31, 2012, we had \$167 million in short-term bank loans, a decrease of \$1.4 billion from December 31, 2011. Refer to Note 15 and Note 16 to the Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. During 2012, the parent company completed automotive-related transactions that included the renewal and extension of \$22.3 billion of committed secured funding capacity, the creation of incremental private secured funding capacity totaling \$7.1 billion, and \$2.4 billion in public term securitizations in Europe and Canada. In January 2013 we completed a public retail securitization using the Capital Auto Receivables Asset Trust (CARAT) platform, our first since 2008, raising more than \$1.5 billion. We continue to maintain significant funding capacity at the parent company to fund automotive-related assets, including a \$7.5 billion syndicated facility that can fund automotive retail and commercial loans, as well as leases. In March 2012, this facility was renewed by a syndicate of nineteen lenders and extended such that half of the capacity will mature in March 2013 and the other half will mature in March 2014. In addition to this facility, there are a variety of others that provide funding in various countries. At December 31, 2012, the parent company had \$30.3 billion of exclusive commitments globally in various facilities secured by automotive assets. The parent company also had access to a \$4.1 billion committed facility that is shared with Ally Bank.

Recent Funding Developments

In summary, during 2012, we completed funding transactions totaling more than \$28.0 billion and renewed key existing funding facilities as we realized access to both the public and private markets. Key funding highlights from 2012 and 2013 to date were as follows:

- We accessed the unsecured debt capital markets in February, June, August, and December of 2012 and raised \$3.6 billion.
- In 2012, we have continued to access the public asset-backed securitization markets completing eleven U.S. transactions that raised \$11.8 billion. Included within the total amount is Ally Bank's inaugural term lease transaction in the U.S. totaling \$1.3 billion in funding. Additionally, we completed European and Canadian (retail and dealer floorplan) transactions that raised \$1.9 billion and \$516 million, respectively.
- We created \$7.1 billion of new private capacity to fund automotive assets.
- We renewed and extended more than \$22.0 billion of key automotive funding facilities. The automotive facility renewal amount includes the March 2012 refinancing of \$15.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The \$15.0 billion capacity is secured by retail, lease and dealer floorplan automotive assets and is allocated to two separate \$7.5 billion facilities, one of which is available to the parent company and a Canadian subsidiary while the other is available to Ally Bank. Half of the capacity matures in March 2013 and the other half matures in March 2014. We are currently working on the renewal of the \$15.0 billion facility and expect to reduce the total capacity.

Management's Discussion and Analysis

Ally Financial Inc.

- In January 2013, Ally Financial issued its first public securitization since 2008 using its existing CARAT platform. This transaction raised more than \$1.5 billion in funding.
- In February 2013, Ally Bank issued a public dealer floorplan securitization. This deal raised \$1.0 billion in funding.

In October and December of 2012, we repaid \$2.9 billion and \$4.5 billion in debt issued under the FDIC's Temporary Liquidity Guarantee Program, respectively. As of December 31, 2012, there is no outstanding TLGP debt.

Funding Sources

The following table summarizes debt and other sources of funding and the amount outstanding under each category for the periods shown.

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2012 from 2011 levels. In addition, deposits represent a larger portion of the overall funding mix.

December 31, (\$ in millions)	Bank	Nonbank	Total	%
2012				
Secured financings	\$ 29,161	\$ 15,950	\$ 45,111	35
Institutional term debt	—	22,200	22,200	17
Retail debt programs (a)	—	13,451	13,451	10
Bank loans and other	2	164	166	—
Total debt (b)	29,163	51,765	80,928	62
Deposits (c)	46,932	983	47,915	38
Total on-balance sheet funding	\$ 76,095	\$ 52,748	\$ 128,843	100
2011				
Secured financings	\$ 25,533	\$ 27,432	\$ 52,965	37
Institutional term debt	—	22,456	22,456	15
Retail debt programs (a)	—	14,148	14,148	10
Temporary Liquidity Guarantee Program (d)	—	7,400	7,400	5
Bank loans and other	1	2,446	2,447	2
Total debt (b)	25,534	73,882	99,416	69
Deposits (c)	39,604	5,446	45,050	31
Total on-balance sheet funding	\$ 65,138	\$ 79,328	\$ 144,466	100
Off-balance sheet securitizations				
Mortgage loans	\$ —	\$ 60,630	\$ 60,630	
Total off-balance sheet securitizations	\$ —	\$ 60,630	\$ 60,630	

(a) Primarily includes \$7.9 billion and \$9.0 billion of Retail Term Notes at December 31, 2012 and December 31, 2011, respectively.

(b) Excludes fair value adjustment as described in Note 25 to the Consolidated Financial Statements.

(c) Bank deposits include retail, brokered, mortgage escrow, and other deposits. Nonbank deposits include dealer deposits. Intercompany deposits are not included.

(d) The \$7.4 billion of TLGP matured and was repaid in the fourth quarter of 2012.

Refer to Note 16 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at December 31, 2012.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Consolidated Balance Sheet.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At December 31, 2012, \$34.3 billion of our \$43.0 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2012, we had \$13.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Management's Discussion and Analysis

Ally Financial Inc.

Committed Funding Facilities

December 31, (\$ in billions)	Outstanding		Unused capacity (a)		Total capacity	
	2012	2011	2012	2011	2012	2011
Bank funding						
Secured - U.S.	\$ 3.8	\$ 5.8	\$ 4.7	\$ 3.7	\$ 8.5	\$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance — U.S.	—	—	—	0.5	—	0.5
Automotive Finance — International	0.1	0.3	—	—	0.1	0.3
Secured						
Automotive Finance — U.S. (b) (c)	12.9	4.2	5.4	10.2	18.3	14.4
Automotive Finance — International (b)	9.6	10.1	2.4	3.0	12.0	13.1
Mortgage operations	—	0.7	—	0.5	—	1.2
Total nonbank funding	22.6	15.3	7.8	14.2	30.4	29.5
Shared capacity (d)						
U.S.	1.0	1.5	3.0	2.5	4.0	4.0
International	0.1	0.1	—	—	0.1	0.1
Total committed facilities	\$ 27.5	\$ 22.7	\$ 15.5	\$ 20.4	\$ 43.0	\$ 43.1

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

(b) Total unused capacity includes \$2.2 billion as of December 31, 2012, and \$4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(c) Includes the secured facilities of our Commercial Finance Group.

(d) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

December 31, (\$ in billions)	Outstanding		Unused capacity		Total capacity	
	2012	2011	2012	2011	2012	2011
Bank funding						
Secured — U.S.						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.8	\$ 3.2	\$ 1.8	\$ 3.2
FHLB advances	4.8	5.4	0.4	—	5.2	5.4
Total bank funding	4.8	5.4	2.2	3.2	7.0	8.6
Nonbank funding						
Unsecured						
Automotive Finance — International	2.1	1.9	0.4	0.5	2.5	2.4
Secured						
Automotive Finance — International	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	—	—	—	0.1	—	0.1
Total nonbank funding	2.2	2.0	0.5	0.7	2.7	2.7
Total uncommitted facilities	\$ 7.0	\$ 7.4	\$ 2.7	\$ 3.9	\$ 9.7	\$ 11.3

Ally Bank Funding Facilities

Facilities for Automotive Finance Operations — Secured

At December 31, 2012, Ally Bank had exclusive access to \$8.5 billion from committed credit facilities. Ally Bank's largest facility is a \$7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. At December 31, 2012, the amount outstanding under this facility was \$3.8 billion. Ally Bank also had access to a \$4.1 billion committed facility that is shared with the parent company. In the event these facilities are not renewed in the future, the outstanding debt will be repaid over time as the underlying collateral amortizes.

Management's Discussion and Analysis

Ally Financial Inc.

Nonbank Funding Facilities

Facilities for Automotive Finance Operations — Unsecured

We maintain \$144 million in revolving committed unsecured bank facilities in our international operations, most of which mature in March 2013.

Facilities for Automotive Finance Operations — Secured

The parent company's largest facility is a \$7.5 billion revolving syndicated credit facility secured by automotive receivables. During the first quarter of 2012, we renewed this facility with half of this facility maturing in March 2013, and the remainder maturing in March 2014. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At December 31, 2012, there was \$7.5 billion outstanding under this facility.

In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities in multiple countries that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. At December 31, 2012, the parent company maintained exclusive access to \$30.3 billion of committed secured credit facilities and forward purchase commitments to fund automotive assets, and also had access to a \$4.1 billion committed facility that is shared with Ally Bank.

Cash Flows

Net cash provided by operating activities was \$5.0 billion for the year ended December 31, 2012, compared to \$5.5 billion for the same period in 2011. During the year ended December 31, 2012, the net cash inflow from sales and repayment of mortgage and automotive loans held-for-sale exceeded cash outflow from new originations and purchases of such loans by \$1.0 billion. During the year ended December 31, 2011, this activity resulted in a net cash inflow of \$0.9 billion.

Net cash used in investing activities was \$16.6 billion for the year ended December 31, 2012, compared to \$14.1 billion for the same period in 2011. The net cash outflow from finance receivables and loans decreased \$4.5 billion for the year ended December 31, 2012, compared to 2011. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by \$5.7 billion for the year ended December 31, 2012, compared to a net cash outflow of \$1.0 billion for the year ended December 31, 2011. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to a decrease in cash received on lease dispositions. Cash received from sales, maturities, and repayments of available-for-sale investment securities, net of purchases, increased \$0.7 billion during the year ended December 31, 2012, compared to 2011.

Net cash provided by financing activities for the year ended December 31, 2012, totaled \$8.0 billion, compared to \$10.1 billion in the same period in 2011. Cash provided by short-term debt increased \$2.2 billion in the year ended December 31, 2012, compared to 2011, while cash provided by bank deposits increased by \$1.7 billion. Cash used to repay long-term debt exceeded cash generated from long-term debt issuances by \$0.5 billion for the year ended December 31, 2012. In 2011, cash from issuances of long-term debt exceed repayments by \$4.3 billion.

Capital Planning and Stress Tests

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital action plan before Ally may take any proposed capital action covered by the new regime. Ally submitted its annual capital plan in January 2012, and then submitted a revised capital plan in June of 2012. In connection with its reviews, the FRB provided notice of non-objection to Ally's planned preferred dividends and interest on the trust preferred securities and subordinated debt. We continue to have active, frequent and constructive dialogue with the FRB, and have submitted the required 2013 capital plan on January 7, 2013.

Regulatory Capital

Refer to Note 21 to the Consolidated Financial Statements.

Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Management's Discussion and Analysis

Ally Financial Inc.

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior debt	Outlook	Date of last action
Fitch	B	BB-	Rating Watch Negative	April 18, 2012 (a)
Moody's	Not-Prime	B1	Positive	February 25, 2013 (b)
S&P	C	B+	Positive	May 17, 2012 (c)
DBRS	R-4	BB-Low	Review - Developing	May 15, 2012 (d)

(a) Fitch placed our senior debt on Rating Watch Negative and affirmed the short-term rating of B on April 18, 2012.

(b) Moody's confirmed our senior debt rating of B1 and changed the outlook to Positive on February 25, 2013.

(c) Standard & Poor's affirmed our senior debt rating of B+ and the short-term rating of C, and changed the outlook to Positive on May 17, 2012.

(d) DBRS placed our ratings Under Review - Developing on May 15, 2012.

Insurance Financial Strength Ratings

Substantially all of our Insurance operations have a Financial Strength Rating (FSR) and an Issuer Credit Rating (ICR) from the A.M. Best Company. The FSR is intended to be an indicator of the ability of the insurance company to meet its senior most obligations to policyholders. Lower ratings generally result in fewer opportunities to write business as insureds, particularly large commercial insureds, and insurance companies purchasing reinsurance have guidelines requiring high FSR ratings. On February 14, 2013, A.M. Best affirmed the FSR of B++ (good) and the ICR of BBB.

Off-balance Sheet Arrangements

Refer to Note 10 to the Consolidated Financial Statements.

Securitization

Securitization of assets allows us to diversify funding sources by enabling us to convert assets into cash earlier than what would have occurred in the normal course of business. Information regarding our securitization activities is further described in Note 10 to the Consolidated Financial Statements. As part of these activities, assets are generally sold to securitization entities. These securitization entities are separate legal entities that assume the risk and reward of ownership of the receivables. Neither we nor those subsidiaries are responsible for the other entities' debts, and the assets of the subsidiaries are not available to satisfy our claim or those of our creditors. In turn, the securitization entities establish separate trusts to which they transfer the assets in exchange for the proceeds from the sale of asset- or mortgage-backed securities issued by the trust. The trusts' activities are generally limited to acquiring the assets, issuing asset- or mortgage-backed securities, making payments on the securities, and periodically reporting to the investors. We may account for the transfer of assets as a sale if we either do not hold a significant variable interest or do not provide servicing or asset management functions for the financial assets held by the securitization entity.

Certain of our securitization transactions, while similar in legal structure to the transaction described in the foregoing do not meet the required criteria to be accounted for as off-balance sheet arrangements; therefore, they are accounted for as secured financings. As secured financings, the underlying automobile finance retail contracts, wholesale loans, automobile leases, commercial loans, or mortgage loans remain on our Consolidated Balance Sheet with the corresponding obligation (consisting of the beneficial interests issued by the securitization entity) reflected as debt. We recognize interest income on the finance receivables, automobile leases and loans, and interest expense on the beneficial interests issued by the securitization entity; and we provide for loan losses on the finance receivables and loans as incurred or adjust to fair value for fair value-elected loans. At December 31, 2012 and 2011, \$68.0 billion and \$78.5 billion of our total assets, respectively, were related to secured financings. Refer to Note 16 to the Consolidated Financial Statements for further discussion.

As part of our securitization activities, we typically agree to service the transferred assets for a fee, and we may earn other related ongoing income. The amount of the fees earned is disclosed in Note 11 to the Consolidated Financial Statements. We may also retain a portion of senior and subordinated interests issued by the trusts; these interests are reported as investment securities, or other assets on our Consolidated Balance Sheet and are disclosed in Note 6 and Note 13 to the Consolidated Financial Statements. For secured financings, retained interests are not recognized as a separate asset on our Consolidated Balance Sheet. Subordinate interests typically provide credit support to the more highly rated senior interest in a securitization transaction and may be subject to all or a portion of the first loss position related to the sold assets.

The FDIC, which regulates Ally Bank, promulgated safe harbor regulation for securitizations by banks. Compliance with this regulation requires the sponsoring bank to retain either five percent of each class of beneficial interests issued in the securitization or a representative sample of similar financial assets equal to five percent of the securitized financial assets to comply with the regulation. The retained interests or assets must be held for the life of the securitization and may not be sold, pledged or hedged, except that interest rate and currency hedging is permitted. This risk retention requirement adversely affects the efficiency of securitizations, because it reduces the amount of funds that can be raised against a given pool of financial assets.

We sometimes use derivative financial instruments to facilitate securitization activities, as further described in Note 22 to the Consolidated Financial Statements.

Management's Discussion and Analysis

Ally Financial Inc.

Our economic exposure related to the securitization trusts is generally limited to cash reserves, our other interests retained in financial asset sales, and our customary representation and warranty provisions described in Note 10 to the Consolidated Financial Statements. The trusts have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise by us, as servicer of a cleanup call option, when the servicing of the sold contracts becomes burdensome. In addition, the trusts do not invest in our equity or in the equity of any of our affiliates.

Purchase Obligations

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

Loan Repurchases and Obligations Related to Loan Sales

ResCap Bankruptcy Filing

As described in Note 1 and Note 29 to the Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the deconsolidation of ResCap, a significant portion of our representation and warranty reserve was eliminated. Representation and warranty reserve was \$105 million at December 31, 2012 with respect to Ally Bank's sold and serviced loans.

Overview

Ally Bank, within our Mortgage operations, sells loans that take the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, is provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Ally Bank at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Ally Bank to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole. See *Repurchase Process* below.

Originations

Representation and warranty risk-mitigation strategies include, but are not limited to, pursuing settlements with investors where economically beneficial in order to resolve a pipeline of demands in lieu of loan-by-loan assessments that could result in repurchasing loans, aggressively contesting claims we do not consider valid (rescinding claims), or seeking recourse against correspondent lenders from whom we purchased loans wherever appropriate.

The following table summarizes domestic mortgage loans sold by ResCap where Ally Bank maintained the mortgage servicing rights; and following the deconsolidation of ResCap, the loans that were sold by Ally Bank. The following table presents domestic mortgage loans sold categorized by GSE (original unpaid principal balance).

Year ended December 31, (\$ in billions)	2012	2011	2010	2009	2008	2007
Fannie Mae	\$ 21.5	\$ 33.8	\$ 35.2	\$ 21.1	\$ 17.7	\$ 6.7
Freddie Mac	6.9	15.8	15.7	8.5	8.6	2.3
Total sales (a)	\$ 28.4	\$ 49.6	\$ 50.9	\$ 29.6	\$ 26.3	\$ 9.0

(a) Representation and warranty obligations vary by loan and may not apply to all loans sold by Ally Bank.

Representation and Warranty Obligation Reserve Methodology

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses at Ally Bank. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Consolidated Statement of Income. The repurchase reserve at December 31, 2012, relates exclusively to GSE exposure. Ally Bank experienced a decrease in new claims for the year ended December 31, 2012 compared to 2011. The

Management's Discussion and Analysis

Ally Financial Inc.

decrease in repurchase claims was driven by significantly fewer new claims during the fourth quarter of 2012. The following table presents Ally Bank's new claims by GSEs (original unpaid principal balance).

Year ended December 31, (\$ in millions)	2012	2011
Fannie Mae	\$ 255	\$ 210
Freddie Mac	108	160
Total claims	\$ 363	\$ 370

The following table presents the total number and original unpaid principal balance (UPB) of loans related to unresolved representation and warranty demands (indemnification claims or repurchase demands). The table includes demands that we have requested be rescinded but have not been agreed to by the investor. Total unresolved representation and warranty demands where Ally Bank has requested the investor to rescind increased to \$23 million or 40% of outstanding claims at December 31, 2012, compared to \$11 million or 24% of outstanding claims at December 31, 2011.

December 31, (\$ in millions)	2012		2011	
	Number of Loans	Original UPB of Loans	Number of Loans	Original UPB of Loans
Fannie Mae	187	\$ 41	72	\$ 15
Freddie Mac	72	17	138	31
Total number of loans and unpaid principal balance	259	\$ 58	210	\$ 46

Repurchase Process

After receiving a claim under representation and warranty obligations, Ally Bank will review the claim to determine the appropriate response (e.g., appeal and provide or request additional information) and take appropriate action (rescind, repurchase the loan, or remit indemnification payment). Historically, repurchase demands were generally related to loans that became delinquent within the first few years following origination. As a result of market developments over the past several years, investor repurchase demand behavior has changed significantly. GSEs are more likely to submit claims for loans at any point in the loan's life cycle, including requests for loans that become delinquent or loans that incur a loss. Representation and warranty claims are generally reviewed on a loan-by-loan basis to validate if there has been a breach requiring a potential repurchase or indemnification payment. Ally Bank actively contests claims to the extent they are not considered valid. Ally Bank is not required to repurchase a loan or provide an indemnification payment where claims are not valid.

The risk of repurchase or indemnification and the associated credit exposure is managed through underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards. Ally Bank believes that, in general, the longer a loan performs prior to default, the less likely it is that an alleged breach of representation and warranty will be found to have a material and adverse impact on the loan's performance. When loans are repurchased, Ally Bank bears the related credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value.

The following table presents Ally Bank's new claims by vintage (original unpaid principal balance).

Year ended December 31, (\$ in millions)	2012	2011
Pre 2008	\$ 73	\$ 42
2008	181	149
Post 2008	109	179
Total claims	\$ 363	\$ 370

Private Mortgage Insurance

Mortgage insurance is required for certain consumer mortgage loans sold to the GSEs and certain securitization trusts. Mortgage insurance is typically required for first-lien consumer mortgage loans having a loan-to-value ratio at origination of greater than 80 percent. Mortgage insurers are, in certain circumstances, permitted to rescind existing mortgage insurance that covers consumer loans if they demonstrate certain loan underwriting requirements have not been met. Upon receipt of a rescission notice, Ally Bank will assess the notice and, if appropriate, refute the notice, or if the notice cannot be refuted, Ally Bank attempts to remedy the defect. In the event the mortgage insurance cannot be reinstated, Ally Bank may be obligated to repurchase the loan or provide an indemnification payment in the event of a loss, subject to contractual limitations. While Ally Bank makes every effort to reinstate the mortgage insurance, it has had limited success and as a result, most of these requests result in rescission of the mortgage insurance. At December 31, 2012, Ally Bank has approximately \$9 million in original unpaid principal balance of outstanding mortgage insurance rescission notices where it has not received a repurchase demand. However, this unpaid principal amount is not representative of expected future losses.

Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in an underlying agreement that is related to a guaranteed party. Our guarantees include standby letters of credit and certain

Management's Discussion and Analysis

Ally Financial Inc.

contract provisions regarding securitizations and sales. Refer to Note 28 to the Consolidated Financial Statements for more information regarding our outstanding guarantees to third parties.

Aggregate Contractual Obligations

The following table provides aggregated information about our outstanding contractual obligations disclosed elsewhere in our Consolidated Financial Statements.

December 31, 2012 (\$ in millions)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Description of obligation					
Long-term debt					
Total (a)	\$ 75,307	\$ 12,834	\$ 32,881	\$ 11,797	\$ 17,795
Scheduled interest payments for fixed-rate long-term debt	23,123	2,473	4,410	3,004	13,236
Estimated interest payments for variable-rate long-term debt (b)	1,053	437	516	94	6
Estimated net payments under interest rate swap agreements (b)	68	—	—	—	68
Originate/purchase mortgages or securities	4,249	4,249	—	—	—
Commitments to provide capital to investees	86	80	2	3	1
Home equity lines of credit	411	—	4	38	369
Lending commitments	768	184	176	380	28
Lease commitments	252	70	112	47	23
Purchase obligations	511	253	159	74	25
Bank certificates of deposit	31,084	15,688	10,469	4,927	—
Total	\$ 136,912	\$ 36,268	\$ 48,729	\$ 20,364	\$ 31,551

(a) Total amount reflects the remaining principal obligation and excludes original issue discount of \$1.8 billion and fair value adjustments of \$1.1 billion related to fixed-rate debt designated as a hedged item.

(b) Estimate utilized a forecasted variable interest model, when available, or the applicable variable interest rate as of the most recent reset date prior to December 31, 2012.

The foregoing table does not include our reserves for insurance losses and loss adjustment expenses, which total \$341 million at December 31, 2012. While payments due on insurance losses are considered contractual obligations because they related to insurance policies issued by us, the ultimate amount to be paid and the timing of payment for an insurance loss is an estimate subject to significant uncertainty. Furthermore, the timing on payment is also uncertain; however, the majority of the balance is expected to be paid out in less than five years. Similarly, due to uncertainty in the timing of future cash flows related to our unrecognized tax benefits, the contractual obligations detailed above do not include \$102 million in unrecognized tax benefits.

The following provides a description of the items summarized in the preceding table of contractual obligations.

Long-term Debt

Amounts represent the scheduled maturity of long-term debt at December 31, 2012, assuming that no early redemptions occur. The maturity of secured debt may vary based on the payment activity of the related secured assets. The amounts presented are before the effect of any unamortized discount or fair value adjustment. Refer to Note 15 and Note 16 to the Consolidated Financial Statements for additional information on our debt obligations.

Originate/Purchase Mortgages or Securities

As part of our Mortgage operations, we enter into commitments to originate and purchase mortgages and MBS. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Commitments to Provide Capital to Investees

As part of arrangements with specific private equity funds, we are obligated to provide capital to investees. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Home Equity Lines of Credit

We are committed to fund the future remaining balance on unused lines of credit on mortgage loans. The funding is subject to customary lending conditions, such as a satisfactory credit rating, delinquency status, and adequate home equity value. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Management's Discussion and Analysis

Ally Financial Inc.

Lending Commitments

Our Automotive Finance operations and Commercial Finance Group have outstanding revolving lending commitments with customers. The amounts presented represent the unused portion of those commitments at December 31, 2012. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Lease Commitments

We have obligations under various operating lease arrangements (primarily for real property) with noncancelable lease terms that expire after December 31, 2012. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Purchase Obligations

We enter into multiple contractual arrangements for various services. The arrangements represent fixed payment obligations under our most significant contracts and primarily relate to contracts with information technology providers. Refer to Note 28 to the Consolidated Financial Statements for additional information.

Bank Certificates of Deposit

Refer to Note 14 to the Consolidated Financial Statements for additional information.

Critical Accounting Estimates

Accounting policies are integral to understanding our Management's Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements; critical accounting estimates are described in this section. An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Our management has discussed the development, selection, and disclosure of these critical accounting estimates with the Audit Committee of the Board, and the Audit Committee has reviewed our disclosure relating to these estimates.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 25 to the Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 25 to the Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011
Assets at fair value	\$ 20,408	\$ 30,172
As a percentage of total assets	11%	16%
Liabilities at fair value	\$ 2,468	\$ 6,299
As a percentage of total liabilities	2%	4%
Assets at fair value using Level 3 inputs	\$ 1,288	\$ 4,666
As a percentage of assets at fair value	6%	15%
Liabilities at fair value using Level 3 inputs	\$ 3	\$ 878
As a percentage of liabilities at fair value	n/m	14%

n/m = not meaningful

Level 3 assets declined 72% or \$3.4 billion primarily due to the deconsolidation of ResCap during the year ended December 31, 2012, which resulted in a significant decline in mortgage servicing rights, mortgage loans held-for-sale, net, and consumer mortgage finance receivables and loans, net. Refer to Note 1 to the Consolidated Financial Statements for further information on the deconsolidation of ResCap. As the value of the consumer mortgage finance receivables and loans, net, declined, the value of the related on-balance sheet securitization debt also declined, which was the primary reason Level 3 liabilities declined by 99.9% or \$875 million.

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select

Management's Discussion and Analysis

Ally Financial Inc.

models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

Allowance for Loan Losses

We maintain an allowance for loan losses (the allowance) to absorb probable loan credit losses inherent in the held-for-investment portfolio, excluding those loans measured at fair value in accordance with applicable accounting standards. The allowance is maintained at a level that management considers to be adequate based upon ongoing quarterly assessments and evaluations of collectability and historical loss experience in our lending portfolio. The allowance is management's estimate of incurred losses in our lending portfolio and involves significant judgment. Management performs quarterly analysis of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance based on historical and current trends and other factors affecting credit losses. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, while amounts recovered on previously charged-off accounts increase the allowance. Determining the appropriateness of the allowance requires management to exercise significant judgment about matters that are inherently uncertain, including the timing, frequency, and severity of credit losses that could materially affect the provision for loan losses and, therefore, net income. The methodology for determining the amount of the allowance differs between the consumer automobile, consumer mortgage, and commercial portfolio segments. For additional information regarding our portfolio segments and classes, refer to Note 8 to the Consolidated Financial Statements. While we attribute portions of the allowance across our lending portfolios, the entire allowance is available to absorb probable loan losses inherent in our total lending portfolio.

The consumer portfolio segments consist of smaller-balance, homogeneous loans. Excluding certain loans that are identified as individually impaired, the allowance for each consumer portfolio segment (automobile and mortgage) is evaluated collectively. The allowance is based on aggregated portfolio segment evaluations that begin with estimates of incurred losses in each portfolio segment based on various statistical analyses. We leverage proprietary statistical models, including vintage and migration analyses, based on recent loss trends, to develop a systematic incurred loss reserve. These statistical loss forecasting models are utilized to estimate incurred losses and consider several credit quality indicators including, but not limited to, historical loss experience, estimated foreclosures or defaults based on observable trends, delinquencies, and general economic and business trends. Management believes these factors are relevant to estimate incurred losses and are updated on a quarterly basis in order to incorporate information reflective of the current economic environment, as changes in these assumptions could have a significant impact. In order to develop our best estimate of probable incurred losses inherent in the loan portfolio, management reviews and analyzes the output from the models and may adjust the reserves to take into consideration environmental, qualitative and other factors that may not be captured in the models. These adjustments are documented and reviewed through our risk management processes. Management reviews, updates, and validates its systematic process and loss assumptions on a periodic basis. This process involves an analysis of loss information, such as a review of loss and credit trends, a retrospective evaluation of actual loss information to loss forecasts, and other analyses.

The commercial loan portfolio segment is primarily composed of larger-balance, nonhomogeneous exposures within our Automotive Finance operations, Commercial Finance Group, and Mortgage operations. As of December 31, 2012, we no longer have any commercial loans within our mortgage operations. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loans' effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate. In addition to the specific allowances for impaired loans, loans that are not identified as individually impaired are grouped into pools based on similar risk characteristics and collectively evaluated. These allowances are based on historical loss experience, concentrations, current economic conditions, and performance trends within specific geographic locations. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. The critical assumptions underlying the allowance include: (1) segmentation of each portfolio based on common risk characteristics; (2) identification and estimation of portfolio indicators and other factors that management believes are key to estimating incurred credit losses; and (3) evaluation by management of borrower, collateral,

Management's Discussion and Analysis

Ally Financial Inc.

and geographic information. Management monitors the adequacy of the allowance and makes adjustments as the assumptions in the underlying analyses change to reflect an estimate of incurred loan losses at the reporting date, based on the best information available at that time. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans. If an automotive manufacturer is unable to fully honor its obligations, our ultimate loan losses could be higher. To the extent that actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce earnings.

Valuation of Automobile Lease Assets and Residuals

We have significant investments in vehicles in our operating lease portfolio. In accounting for operating leases, management must make a determination at the beginning of the lease contract of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from two to four years. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. Risk adjustments are determined at lease inception and are based on current auction results adjusted for key variables that historically have shown an impact on auction values (as further described in the Lease Residual Risk discussion in the Risk Management section of this MD&A). The customer is obligated to make payments during the term of the lease for the difference between the purchase price and the contract residual value plus a finance charge. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception. Management periodically performs a detailed review of the estimated realizable value of leased vehicles to assess the appropriateness of the carrying value of lease assets.

To account for residual risk, we depreciate automobile operating lease assets to estimated realizable value on a straight-line basis over the lease term. The estimated realizable value is initially based on the residual value established at contract inception. Over the life of the lease, management evaluates the adequacy of the estimate of the realizable value and may make adjustments to the extent the expected value of the vehicle at lease termination changes. Any adjustments would result in a change in the depreciation rate of the lease asset, thereby affecting the carrying value of the operating lease asset.

In addition to estimating the residual value at lease termination, we must also evaluate the current value of the operating lease assets and test for impairment to the extent necessary in accordance with applicable accounting standards. Impairment is determined to exist if the undiscounted expected future cash flows (including the expected residual value) are lower than the carrying value of the asset. There were no such impairment charges in 2012, 2011, or 2010.

Our depreciation methodology on operating lease assets considers management's expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used vehicle values. The critical assumptions underlying the estimated carrying value of automobile lease assets include: (1) estimated market value information obtained and used by management in estimating residual values, (2) proper identification and estimation of business conditions, (3) our remarketing abilities, and (4) automotive manufacturer vehicle and marketing programs. Changes in these assumptions could have a significant impact on the value of the lease residuals. Expected residual values include estimates of payments from automotive manufacturers related to residual support and risk-sharing agreements. To the extent an automotive manufacturer is not able to fully honor its obligation relative to these agreements, our depreciation expense would be negatively impacted.

Valuation of Mortgage Servicing Rights

Mortgage servicing rights represent the capitalized value of the right to receive future cash flows from the servicing of mortgage loans for others. Mortgage servicing rights are a significant source of value derived from the sale or securitization of mortgage loans. Because residential mortgage loans typically contain a prepayment option, borrowers may often elect to prepay their mortgage loans by refinancing at lower rates during declining interest rate environments. The borrower's ability to prepay is at times impacted by other factors in the current environment that may limit their eligibility to refinance (e.g. a high loan-to-value ratio). When this occurs, the stream of cash flows generated from servicing the original mortgage loan is terminated. As such, the market value of mortgage servicing rights has historically been very sensitive to changes in interest rates and tends to decline as market interest rates decline and increase as interest rates rise.

We capitalize mortgage servicing rights on residential mortgage loans that we have originated and purchased based on the fair market value of the servicing rights associated with the underlying mortgage loans at the time the loans are sold or securitized. GAAP requires that the value of mortgage servicing rights be determined based on market transactions for comparable servicing assets, if available. In the absence of representative market trade information, valuations should be based on other available market evidence and modeled market expectations of the present value of future estimated net cash flows that market participants would expect from servicing. When observable prices are not available, management uses internally developed discounted cash flow models to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants, combined with market-based assumptions for loan prepayment rates, interest rates, default rates and discount rates that management believes approximate yields required by investors for these assets. Servicing cash flows primarily include servicing fees, escrow account income, ancillary income and late fees, less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate. Management considers the best available information and exercises significant judgment in estimating and assuming values for key variables in the modeling and discounting process. All of our mortgage servicing rights are carried at estimated fair value.

Management's Discussion and Analysis

Ally Financial Inc.

We use the following key assumptions in our valuation approach.

- **Prepayment** — The most significant drivers of mortgage servicing rights value are actual and forecasted portfolio prepayment behavior. Prepayment speeds represent the rate at which borrowers repay their mortgage loans prior to scheduled maturity. Prepayment speeds are influenced by a number of factors such as the value of collateral, competitive market factors, government programs or incentives, or levels of foreclosure activity. However, the most significant factor influencing prepayment speeds is generally the interest rate environment. As interest rates rise, prepayment speeds generally slow, and as interest rates decline, prepayment speeds generally accelerate. When mortgage loans are paid or expected to be paid earlier than originally estimated, the expected future cash flows associated with servicing such loans are reduced. We primarily use third-party models to project residential mortgage loan payoffs. In other cases, we estimate prepayment speeds based on historical and expected future prepayment rates. We measure model performance by comparing prepayment predictions against actual results at both the portfolio and product level.
- **Discount rate** — The cash flows of our mortgage servicing rights are discounted at prevailing market rates, which include an appropriate risk-adjusted spread, which management believes approximates yields required by investors for these assets.
- **Base mortgage rate** — The base mortgage rate represents the current market interest rate for newly originated mortgage loans. This rate is a key component in estimating prepayment speeds of our portfolio because the difference between the current base mortgage rate and the interest rates on existing loans in our portfolio is an indication of the borrower's likelihood to refinance.
- **Cost to service** — In general, servicing cost assumptions are based on internally projected actual expenses directly related to servicing. These servicing cost assumptions are compared to market-servicing costs when market information is available. Our servicing cost assumptions include expenses associated with our activities related to loans in default.
- **Volatility** — Volatility represents the expected rate of change of interest rates. The volatility assumption used in our valuation methodology is intended to estimate the range of expected outcomes of future interest rates. We use implied volatility assumptions in connection with the valuation of our mortgage servicing rights. Implied volatility is defined as the expected rate of change in interest rates derived from the prices at which options on interest rate swaps, or swaptions, are trading. We update our volatility assumptions for the change in implied swaptions volatility during the period, adjusted by the ratio of historical mortgage to swaption volatility.

We also periodically perform a series of reasonableness tests as we deem appropriate, including the following.

- **Review and compare data provided by an independent third-party broker.** We evaluate and compare our fair value price, multiples, and underlying assumptions to data provided by independent third-party broker, including prepayment speeds, discount rates, cost to service, and fair value multiples.
- **Review and compare pricing of publicly traded interest-only securities.** We evaluate and compare our fair value to publicly traded interest-only stripped MBS by age and coupon for reasonableness.
- **Review and compare fair value price and multiples.** We evaluate and compare our fair value price and multiples to market fair value price and multiples in external surveys produced by third parties.
- **Compare actual monthly cash flows to projections.** We reconcile actual monthly cash flows to those projected in the mortgage servicing rights valuation. Based on the results of this reconciliation, we assess the need to modify the individual assumptions used in the valuation. This process ensures the model is calibrated to actual servicing cash flow results.
- **Review and compare recent bulk mortgage servicing right acquisition activity.** We evaluate market trades for reliability and relevancy and then consider, as appropriate, our estimate of fair value of each significant transaction to the traded price. Currently, there are limited market transactions that are directly observable, which are the best indicators of fair value. However, we continue to monitor and track market activity on an ongoing basis.

We generally expect our valuation to be within a reasonable range of that implied by these tests. Changes in these assumptions could have a significant impact on the determination of fair market value. In order to develop our best estimate of fair value, management reviews and analyzes the output from the models and may adjust the assumptions to take into consideration other factors that may not be captured. If we determine our valuation has exceeded the reasonable range, we may adjust it accordingly. At December 31, 2012, based on the market information obtained, we determined that our mortgage servicing rights valuations and assumptions used to value those servicing rights were reasonable and consistent with what an independent market participant would use to value the asset.

The assumptions used in modeling expected future cash flows of mortgage servicing rights have a significant impact on the fair value of mortgage servicing rights and potentially a corresponding impact to earnings. Refer to Note 11 to the Consolidated Financial Statements for sensitivity analysis.

Management's Discussion and Analysis

Ally Financial Inc.

Goodwill

The accounting for goodwill is discussed in Note 1 to the Consolidated Financial Statements. Goodwill is reviewed for potential impairment at the reporting unit level on an annual basis, as of August 31, or in interim periods if events or circumstances indicate a potential impairment. Goodwill is allocated to the reporting units at the date the goodwill is initially recorded. Once goodwill has been allocated to the reporting units, it generally no longer retains its identification with a particular acquisition, but instead becomes identified with the reporting unit as a whole. As a result, all of the fair value of each reporting unit is available to support the value of goodwill allocated to the unit. Goodwill impairment testing is performed at the reporting unit level, one level below the business segment. For more information on our segments, refer to Note 26 to the Consolidated Financial Statements.

Goodwill impairment testing involves management's judgment, requiring an assessment of whether the carrying value of the reporting unit can be supported by the fair value of the individual reporting unit using widely accepted valuation techniques, such as the market approach (earnings, transaction, pricing multiples and/or other market intelligence that would indicate what a market participant would pay) and the income approach (discounted cash flow methods). In applying these methodologies we utilize a number of factors, including actual operating results, future business plans, economic projections, and market data. A combination of methodologies is used and weighted appropriately for each reporting unit. If actual results differ from these estimates, it may have an adverse impact on the valuation of goodwill that could result in a reduction of the excess over carrying value and possible impairment of goodwill. At December 31, 2012, we did not have material goodwill at our reporting units that is at risk of failing Step 1 of the goodwill impairment test.

Legal and Regulatory Reserves

Our legal and regulatory reserves reflect management's best estimate of probable losses on legal and regulatory matters. As a legal or regulatory matter develops, management, in conjunction with internal and external counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency related to a legal or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make such loss contingency both probable and estimable. When the loss contingency related to a legal or regulatory matter is deemed to be both probable and estimable, we will establish a liability with respect to such loss contingency and record a corresponding amount to other operating expenses. To estimate the probable loss, we evaluate the individual facts and circumstances of the case including information learned through the discovery process, rulings on dispositive motions, settlement discussions, our prior history with similar matters and other rulings by courts, arbitrators or others. The reserves are continuously monitored and updated to reflect the most recent information related to each matter.

Additionally, in matters for which a loss event is not deemed probable, but rather reasonably possible to occur, we would attempt to estimate a loss or range of loss related to that event, if possible. For these matters, we do not record a liability. However, if we are able to estimate a loss or range of loss, we would disclose this loss, if it is material to our financial statements. To estimate a range of probable or reasonably possible loss, we evaluate each individual case in the manner described above. We do not accrue for matters for which a loss event is deemed remote.

For details regarding the nature of all material contingencies, refer to Note 29 to the Consolidated Financial Statements.

Loan Repurchase and Obligations Related to Loan Sales

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

Determination of Provision for Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in both the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and results of recent operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued and deconsolidated operations and incorporate assumptions about the amount of future state, federal and foreign pretax operating income. These assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

Management's Discussion and Analysis

Ally Financial Inc.

A valuation allowance of \$1.6 billion and \$2.1 billion was recorded against the net U.S. deferred tax asset balance as of December 31, 2012, and December 31, 2011, respectively. For the year ended December 31, 2012, our results from operations benefited \$1.3 billion from the release of U.S. federal and state valuation allowances and related effects on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

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. As of December 31, 2012, we determined that positive evidence existed to conclude that it is more likely than not that ordinary-in-character deferred tax assets are realizable, and therefore, we reduced the valuation allowance accordingly. Positive evidence in this assessment consisted of forecasts of future taxable income that are sufficient to realize net operating loss carryforwards before their expiration, coupled with our emergence from a cumulative three-year U.S. pretax loss (after removing the effects of non-recurring charges and discontinued operations). Certain U.S. deferred tax assets remain offset with a valuation allowance as discussed below.

We believe it is more likely than not that the benefit for certain U.S. net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$1.6 billion on the deferred tax assets relating to these carryforwards. In particular, the deferred tax assets and liabilities as of December 31, 2012, reflect the U.S. income tax effects of the anticipated sale of entities held-for-sale at net book value. In concluding to maintain a valuation allowance against our capital loss carryforwards, we considered the positive evidence that we have entered into agreements to sell our held-for-sale entities for amounts in excess of book value. We also considered and ultimately weighted more heavily the negative evidence that we have historically had difficulty generating significant capital gains; capital loss carryforwards have a relatively short carryforward period; the timing of disposal of the held-for-sale entities is uncertain; and the disposal of the held-for-sale entities are subject to various levels of regulatory approval in numerous countries. Successful completion during 2013 of the sales of entities currently held-for-sale may result in capital gains that would allow us to realize capital loss carryforwards. A related reversal of valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization.

For additional information regarding our provision for income taxes, refer to Note 23 to the Consolidated Financial Statements.

Recently Issued Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for further information related to recently adopted and recently issued accounting standards.

Management's Discussion and Analysis

Ally Financial Inc.

Statistical Table

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Annual Report.

Net Interest Margin Table

The following table presents an analysis of net interest margin excluding discontinued operations for the periods shown.

Year ended December 31, (\$ in millions)	2012			2011			2010		
	Average balance (a)	Interest income/ interest expense	Yield/ rate	Average balance (a)	Interest income/ interest expense	Yield/ rate	Average balance (a)	Interest income/ interest expense	Yield/ rate
Assets									
Interest-bearing cash and cash equivalents	\$ 10,610	\$ 24	0.23%	\$ 10,336	\$ 15	0.15%	\$ 11,966	\$ 30	0.25%
Trading assets	261	10	3.83	321	8	2.49	110	1	0.91
Investment securities (b)	12,336	262	2.12	13,082	325	2.48	10,146	303	2.99
Loans held-for-sale, net	2,759	98	3.55	4,517	180	3.98	8,218	340	4.14
Finance receivables and loans, net (c) (d)	95,311	4,539	4.76	83,162	4,189	5.04	64,343	3,882	6.03
Investment in operating leases, net (e)	11,185	980	8.76	7,968	988	12.40	8,827	1,332	15.09
Total interest-earning assets	132,462	5,913	4.46	119,386	5,705	4.78	103,610	5,888	5.68
Noninterest-bearing cash and cash equivalents	1,794			1,118			359		
Other assets (f)	50,719			61,846			74,718		
Allowance for loan losses	(1,234)			(1,513)			(2,002)		
Total assets	\$ 183,741			\$ 180,837			\$ 176,685		
Liabilities									
Interest-bearing deposit liabilities	\$ 42,478	\$ 645	1.52%	\$ 37,535	\$ 615	1.64%	\$ 30,548	\$ 580	1.90%
Short-term borrowings	3,852	71	1.84	3,605	61	1.69	4,299	45	1.05
Long-term debt (g) (h) (i)	77,057	3,336	4.33	71,441	3,930	5.50	64,428	4,207	6.53
Total interest-bearing liabilities (g) (h) (j)	123,387	4,052	3.28	112,581	4,606	4.09	99,275	4,832	4.87
Noninterest-bearing deposit liabilities	2,261			2,238			2,072		
Total funding sources (h) (k)	125,648	4,052	3.22	114,819	4,606	4.01	101,347	4,832	4.77
Other liabilities (l)	39,173			45,949			54,676		
Total liabilities	164,821			160,768			156,023		
Total equity	18,920			20,069			20,662		
Total liabilities and equity	\$ 183,741			\$ 180,837			\$ 176,685		
Net financing revenue		\$ 1,861			\$ 1,099			\$ 1,056	
Net interest spread (m)			1.18%			0.69%			0.81%
Net interest spread excluding original issue discount (m)			1.49%			1.57%			2.16%
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (m)			1.55%			1.63%			2.23%
Net yield on interest-earning assets (n)			1.40%			0.92%			1.02%
Net yield on interest-earning assets excluding original issue discount (n)			1.66%			1.68%			2.18%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

(b) Excludes income on equity investments of \$30 million, \$25 million, and \$17 million at December 31, 2012, 2011, and 2010, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements.

(d) Includes other interest income of \$4 million, \$8 million, and \$7 million at December 31, 2012, 2011, and 2010, respectively.

(e) Includes gains on sale of \$116 million, \$217 million, and \$555 million at December 31, 2012, 2011, and 2010, respectively. Excluding these gains on sale, the annualized yield would be 7.72%, 9.68%, and 8.80% at December 31, 2012, 2011, and 2010, respectively.

(f) Includes average balances of assets of discontinued operations.

(g) Includes the effects of derivative financial instruments designated as hedges.

(h) Average balance includes \$1,927 million, \$2,522 million, and \$3,710 million related to original issue discount at December 31, 2012, 2011, and 2010, respectively. Interest expense includes original issue discount amortization of \$336 million, \$912 million, and \$1,204 million during the year ended December 31, 2012, 2011, and 2010, respectively.

(i) Excluding original issue discount the rate on long-term debt was 3.80%, 4.08%, and 4.41% at December 31, 2012, 2011, and 2010, respectively.

(j) Excluding original issue discount the rate on total interest-bearing liabilities was 2.97%, 3.21%, and 3.52% at December 31, 2012, 2011, and 2010, respectively.

(k) Excluding original issue discount the rate on total funding sources was 2.91%, 3.15%, and 3.45% at December 31, 2012, 2011, and 2010, respectively.

(l) Includes average balances of liabilities of discontinued operations.

(m) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

(n) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

Management's Discussion and Analysis

Ally Financial Inc.

The following table presents an analysis of the changes in net interest income, volume and rate.

Year ended December 31, (\$ in millions)	2012 vs 2011 Increase (decrease) due to (a)			2011 vs 2010 Increase (decrease) due to (a)		
	Volume	Yield/rate	Total	Volume	Yield/rate	Total
Assets						
Interest-bearing cash and cash equivalents	\$ —	\$ 9	\$ 9	\$ (4)	\$ (11)	\$ (15)
Trading assets	(2)	4	2	4	3	7
Investment securities	(18)	(45)	(63)	78	(56)	22
Loans held-for-sale, net	(64)	(18)	(82)	(148)	(12)	(160)
Finance receivables and loans, net	588	(238)	350	1,016	(709)	307
Investment in operating leases, net	331	(339)	(8)	(121)	(223)	(344)
Total interest-earning assets	\$ 835	\$ (627)	\$ 208	\$ 825	\$ (1,008)	\$ (183)
Liabilities						
Interest-bearing deposit liabilities	\$ 77	\$ (47)	\$ 30	\$ 121	\$ (86)	\$ 35
Short-term borrowings	4	6	10	(8)	24	16
Long-term debt	291	(885)	(594)	428	(705)	(277)
Total interest-bearing liabilities	\$ 372	\$ (926)	\$ (554)	\$ 541	\$ (767)	\$ (226)
Net financing revenue	\$ 463	\$ 299	\$ 762	\$ 284	\$ (241)	\$ 43

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

Management's Discussion and Analysis

Ally Financial Inc.

Outstanding Finance Receivables and Loans

The following table presents the composition of our on-balance sheet finance receivables and loans.

December 31, (\$ in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ 53,713	\$ 46,576	\$ 34,604	\$ 12,514	\$ 16,281
Consumer mortgage					
1st Mortgage	7,173	6,997	7,057	7,960	13,542
Home equity	2,648	3,575	3,964	4,238	7,777
Total domestic	63,534	57,148	45,625	24,712	37,600
Foreign					
Consumer automobile	2	16,883	16,650	17,731	21,705
Consumer mortgage					
1st Mortgage	—	256	742	405	4,604
Home equity	—	—	—	1	54
Total foreign	2	17,139	17,392	18,137	26,363
Total consumer loans	63,536	74,287	63,017	42,849	63,963
Commercial					
Domestic					
Commercial and industrial					
Automobile (a)	30,270	26,552	24,944	19,604	16,913
Mortgage	—	1,887	1,540	1,572	1,627
Other	2,679	1,178	1,795	2,688	3,257
Commercial real estate					
Automobile	2,552	2,331	2,071	2,008	1,941
Mortgage	—	—	1	121	1,696
Total domestic	35,501	31,948	30,351	25,993	25,434
Foreign					
Commercial and industrial					
Automobile (b)	—	8,265	8,398	7,943	10,749
Mortgage	—	24	41	96	195
Other	18	63	312	437	960
Commercial real estate					
Automobile	—	154	216	221	167
Mortgage	—	14	78	162	260
Total foreign	18	8,520	9,045	8,859	12,331
Total commercial loans	35,519	40,468	39,396	34,852	37,765
Total finance receivables and loans (c)	\$ 99,055	\$ 114,755	\$ 102,413	\$ 77,701	\$ 101,728
Loans held-for-sale	\$ 2,576	\$ 8,557	\$ 11,411	\$ 20,625	\$ 7,919

(a) Amount includes Notes Receivable from General Motors of \$3 million at December 31, 2009.

(b) Amounts include no Notes Receivable from General Motors at December 31, 2012 and \$529 million, \$484 million, \$908 million, and \$1.7 billion at December 31, 2011, 2010, 2009, and 2008, respectively.

(c) Includes historical cost, fair value, and repurchased loans.

Management's Discussion and Analysis

Ally Financial Inc.

Nonperforming Assets

The following table summarizes the nonperforming assets in our on-balance sheet portfolio.

December 31, (\$ in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ 260	\$ 139	\$ 129	\$ 267	\$ 294
Consumer mortgage					
1st Mortgage	342	316	452	782	2,547
Home equity	40	91	108	114	540
Total domestic	642	546	689	1,163	3,381
Foreign					
Consumer automobile	—	89	78	119	125
Consumer mortgage					
1st Mortgage	—	142	261	33	1,034
Home equity	—	—	—	—	—
Total foreign	—	231	339	152	1,159
Total consumer (a)	642	777	1,028	1,315	4,540
Commercial					
Domestic					
Commercial and industrial					
Automobile	146	105	261	281	1,448
Mortgage	—	—	—	37	140
Other	33	22	37	856	64
Commercial real estate					
Automobile	37	56	193	256	153
Mortgage	—	—	1	56	1,070
Total domestic	216	183	492	1,486	2,875
Foreign					
Commercial and industrial					
Automobile	—	118	35	66	7
Mortgage	—	—	40	35	—
Other	—	15	97	131	19
Commercial real estate					
Automobile	—	11	6	24	2
Mortgage	—	12	70	141	143
Total foreign	—	156	248	397	171
Total commercial (b)	216	339	740	1,883	3,046
Total nonperforming finance receivables and loans	858	1,116	1,768	3,198	7,586
Foreclosed properties	8	82	150	255	787
Repossessed assets (c)	62	56	47	58	95
Total nonperforming assets	\$ 928	\$ 1,254	\$ 1,965	\$ 3,511	\$ 8,468
Loans held-for-sale	\$ 25	\$ 2,820	\$ 3,273	\$ 3,390	\$ 731

(a) Interest revenue that would have been accrued on total consumer finance receivables and loans at original contractual rates was \$54 million during the year ended December 31, 2012. Interest income recorded for these loans was \$23 million during the year ended December 31, 2012.

(b) Interest revenue that would have been accrued on total commercial finance receivables and loans at original contractual rates was \$21 million during the year ended December 31, 2012. Interest income recorded for these loans was \$15 million during the year ended December 31, 2012.

(c) Repossessed assets exclude \$3 million, \$3 million, \$14 million, \$23 million, and \$34 million of repossessed operating lease assets at December 31, 2012, 2011, 2010, 2009, and 2008, respectively.

Management's Discussion and Analysis

Ally Financial Inc.

Accruing Finance Receivables and Loans Past Due 90 Days or More

The following table presents our on-balance sheet accruing loans past due 90 days or more as to principal and interest.

December 31, (\$ in millions)	2012	2011	2010	2009	2008
Consumer					
Domestic					
Consumer automobile	\$ —	\$ —	\$ —	\$ —	\$ 19
Consumer mortgage					
1st Mortgage	1	1	1	1	33
Home equity	—	—	—	—	—
Total domestic	1	1	1	1	52
Foreign					
Consumer automobile	—	3	5	5	40
Consumer mortgage					
1st Mortgage	—	—	—	1	—
Home equity	—	—	—	—	—
Total foreign	—	3	5	6	40
Total consumer	1	4	6	7	92
Commercial					
Domestic					
Commercial and industrial					
Automobile	—	—	—	—	—
Mortgage	—	—	—	—	—
Other	—	—	—	—	—
Commercial real estate					
Automobile	—	—	—	—	—
Mortgage	—	—	—	—	—
Total domestic	—	—	—	—	—
Foreign					
Commercial and industrial					
Automobile	—	—	—	—	—
Mortgage	—	—	—	—	—
Other	—	—	—	3	—
Commercial real estate					
Automobile	—	—	—	—	—
Mortgage	—	—	—	—	—
Total foreign	—	—	—	3	—
Total commercial	—	—	—	3	—
Total accruing finance receivables and loans past due 90 days or more	\$ 1	\$ 4	\$ 6	\$ 10	\$ 92
Loans held-for-sale	\$ —	\$ 73	\$ 25	\$ 33	\$ 7

Management's Discussion and Analysis

Ally Financial Inc.

Allowance for Loan Losses

The following table presents an analysis of the activity in the allowance for loan losses on finance receivables and loans.

<i>(\$ in millions)</i>	2012	2011	2010	2009	2008
Balance at January 1,	\$ 1,503	\$ 1,873	\$ 2,445	\$ 3,433	\$ 2,755
Cumulative effect of change in accounting principles (a)	—	—	222	—	(616)
Charge-offs					
Domestic	(595)	(667)	(1,297)	(3,380)	(2,192)
Foreign	(181)	(213)	(349)	(633)	(347)
Write-downs related to transfers to held-for-sale	—	—	—	(3,438)	—
Total charge-offs	(776)	(880)	(1,646)	(7,451)	(2,539)
Recoveries					
Domestic	193	227	363	276	219
Foreign	109	100	85	76	71
Total recoveries	302	327	448	352	290
Net charge-offs	(474)	(553)	(1,198)	(7,099)	(2,249)
Provision for loan losses	329	161	361	3,584	1,701
Other (b)	(188)	22	43	2,527	1,842
Balance at December 31,	\$ 1,170	\$ 1,503	\$ 1,873	\$ 2,445	\$ 3,433

(a) Effect of change in accounting principle due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

(b) Includes provision for loan losses relating to discontinued operations of \$65 million, \$58 million, \$77 million, \$2.6 billion, and \$1.7 billion at the years ended December 31, 2012, 2011, 2010, 2009, and 2008, respectively.

Management's Discussion and Analysis

Ally Financial Inc.

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

December 31, (\$ in millions)	2012		2011		2010		2009		2008	
	Amount	% of total								
Consumer										
Domestic										
Consumer automobile	\$ 575	49.2	\$ 600	39.9	\$ 769	41.0	\$ 772	31.6	\$ 1,115	32.5
Consumer mortgage										
1st Mortgage	245	20.9	275	18.3	322	17.2	387	15.8	525	15.3
Home equity	207	17.7	237	15.8	256	13.7	251	10.3	177	5.2
Total domestic	1,027	87.8	1,112	74.0	1,347	71.9	1,410	57.7	1,817	53.0
Foreign										
Consumer automobile	—	—	166	11.1	201	10.7	252	10.2	279	8.1
Consumer mortgage										
1st Mortgage	—	—	4	0.2	2	0.1	2	0.1	409	11.9
Home equity	—	—	—	—	—	—	—	—	31	0.9
Total foreign	—	—	170	11.3	203	10.8	254	10.3	719	20.9
Total consumer loans	1,027	87.8	1,282	85.3	1,550	82.7	1,664	68.0	2,536	73.9
Commercial										
Domestic										
Commercial and industrial										
Automobile	55	4.7	62	4.0	73	3.9	157	6.4	178	5.2
Mortgage	—	—	1	0.1	—	—	10	0.4	93	2.7
Other	48	4.1	52	3.5	97	5.2	322	13.2	65	1.9
Commercial real estate										
Automobile	40	3.4	39	2.6	54	2.9	—	—	—	—
Mortgage	—	—	—	—	—	—	54	2.2	458	13.3
Total domestic	143	12.2	154	10.2	224	12.0	543	22.2	794	23.1
Foreign										
Commercial and industrial										
Automobile	—	—	48	3.2	33	1.7	54	2.2	45	1.3
Mortgage	—	—	10	0.7	12	0.7	20	0.8	3	0.1
Other	—	—	1	0.1	39	2.1	111	4.6	9	0.3
Commercial real estate										
Automobile	—	—	3	0.2	2	0.1	—	—	—	—
Mortgage	—	—	5	0.3	13	0.7	53	2.2	46	1.3
Total foreign	—	—	67	4.5	99	5.3	238	9.8	103	3.0
Total commercial loans	143	12.2	221	14.7	323	17.3	781	32.0	897	26.1
Total allowance for loan losses	\$ 1,170	100.0	\$ 1,503	100.0	\$ 1,873	100.0	\$ 2,445	100.0	\$ 3,433	100.0

Management's Discussion and Analysis

Ally Financial Inc.

Deposit Liabilities

The following table presents the average balances and interest rates paid for types of domestic deposits.

Year ended December 31, (<i>\$ in millions</i>)	2012		2011		2010	
	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate
Domestic deposits						
Noninterest-bearing deposits	\$ 2,262	—%	\$ 2,237	—%	\$ 2,071	—%
Interest-bearing deposits						
Savings and money market checking accounts	10,953	0.88	9,696	0.88	8,015	1.21
Certificates of deposit	29,972	1.64	26,109	1.77	21,153	2.04
Dealer deposits	1,515	3.81	1,685	3.87	1,288	4.00
Total domestic deposit liabilities	\$ 44,702	1.44%	\$ 39,727	1.55%	\$ 32,527	1.78%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

The following table presents the amount of domestic certificates of deposit in denominations of \$100 thousand or more segregated by time remaining until maturity.

December 31, 2012 (<i>\$ in millions</i>)	Three months or less		Over three months through six months		Over six months through twelve months		Over twelve months		Total
	\$		\$		\$		\$		
Domestic certificates of deposit (\$100,000 or more)	\$	1,735	\$	1,793	\$	2,779	\$	5,666	\$ 11,973

Quantitative and Qualitative Disclosures about Market Risk

Ally Financial Inc.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk and the Operational Risk sections of Item 7, Management's Discussion and Analysis.

Management's Report on Internal Control over Financial Reporting

Ally Financial Inc.

Item 8. Financial Statements and Supplementary Data

Ally management is responsible for establishing and maintaining effective internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Senior Executive Vice President of Finance and Corporate Planning to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted, under the supervision of the Company's Chief Executive Officer and Senior Executive Vice President of Finance and Corporate Planning, an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, management concluded that at December 31, 2012, Ally's internal control over financial reporting was effective based on the COSO criteria.

The independent registered public accounting firm, Deloitte & Touche LLP, has audited the Consolidated Financial Statements of Ally and has issued an attestation report on our internal control over financial reporting at December 31, 2012, as stated in its report, which is included herein.

/S/ MICHAEL A. CARPENTER

Michael A. Carpenter
Chief Executive Officer
March 1, 2013

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Senior Executive Vice President of Finance and Corporate Planning
March 1, 2013

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ally Financial Inc.:

We have audited the accompanying Consolidated Balance Sheet of Ally Financial Inc. and subsidiaries (the “Company”) as of December 31, 2012 and 2011, and the related Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2013, expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Detroit, Michigan

March 1, 2013 (July 8, 2013 as to Note 2, *Discontinued and Held-for-Sale Operations*, Note 22, *Derivative Instruments and Hedging Activities*, and Note 31, *Subsequent Events*)

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Ally Financial Inc.:

We have audited the internal control over financial reporting of Ally Financial Inc. and subsidiaries (the “Company”) as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, as stated in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2012, of the Company and our report dated March 1, 2013 (July 8, 2013 as to Note 2, *Discontinued and Held-for-Sale Operations*, Note 22, *Derivative Instruments and Hedging Activities*, and Note 31, *Subsequent Events*), expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Detroit, Michigan

March 1, 2013

Consolidated Statement of Income

Ally Financial Inc.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	\$ 4,539	\$ 4,189	\$ 3,882
Interest on loans held-for-sale	98	180	340
Interest on trading assets	10	8	1
Interest and dividends on available-for-sale investment securities	292	350	320
Interest-bearing cash	24	15	30
Operating leases	2,379	1,929	2,583
Total financing revenue and other interest income	7,342	6,671	7,156
Interest expense			
Interest on deposits	645	615	580
Interest on short-term borrowings	71	61	45
Interest on long-term debt	3,336	3,930	4,207
Total interest expense	4,052	4,606	4,832
Depreciation expense on operating lease assets	1,399	941	1,251
Net financing revenue	1,891	1,124	1,073
Other revenue			
Servicing fees	409	525	522
Servicing asset valuation and hedge activities, net	(4)	(434)	(617)
Total servicing income, net	405	91	(95)
Insurance premiums and service revenue earned	1,055	1,153	1,342
Gain on mortgage and automotive loans, net	379	229	587
Loss on extinguishment of debt	(148)	(64)	(124)
Other gain on investments, net	146	258	501
Other income, net of losses	737	621	461
Total other revenue	2,574	2,288	2,672
Total net revenue	4,465	3,412	3,745
Provision for loan losses	329	161	361
Noninterest expense			
Compensation and benefits expense	1,106	993	1,087
Insurance losses and loss adjustment expenses	454	452	511
Other operating expenses	2,062	1,983	2,023
Total noninterest expense	3,622	3,428	3,621
Income (loss) from continuing operations before income tax expense	514	(177)	(237)
Income tax (benefit) expense from continuing operations	(856)	42	97
Net income (loss) from continuing operations	1,370	(219)	(334)
(Loss) income from discontinued operations, net of tax	(174)	62	1,363
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Income

Ally Financial Inc.

Year ended December 31, (<i>\$ in millions except per share data</i>)	2012	2011	2010
Net income (loss) attributable to common shareholders			
Net income (loss) from continuing operations	\$ 1,370	\$ (219)	\$ (334)
Preferred stock dividends — U.S. Department of Treasury	(535)	(534)	(963)
Preferred stock dividends	(267)	(260)	(282)
Impact of preferred stock conversion or amendment (a)	—	32	(616)
Net income (loss) from continuing operations attributable to common shareholders (b)	568	(981)	(2,195)
(Loss) income from discontinued operations, net of tax	(174)	62	1,363
Net income (loss) attributable to common shareholders	\$ 394	\$ (919)	\$ (832)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	800,597
Diluted weighted-average common shares outstanding (b)	1,330,970	1,330,970	800,597
Basic earnings per common share			
Net income (loss) from continuing operations	\$ 427	\$ (738)	\$ (2,742)
(Loss) income from discontinued operations, net of tax	(131)	47	1,703
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)
Diluted earnings per common share (b)			
Net income (loss) from continuing operations	\$ 427	\$ (738)	\$ (2,742)
(Loss) income from discontinued operations, net of tax	(131)	47	1,703
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)

(a) Refer to Note 18 to the Consolidated Financial Statements for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2011 and 2010, respectively, net income (loss) from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Ally Financial Inc.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029
Other comprehensive income (loss), net of tax			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	331	196	320
Less: Net realized gains reclassified to net income	141	284	497
Net change	190	(88)	(177)
Translation adjustments and net investment hedges			
Translation adjustments	184	(237)	165
Hedges	(168)	173	(182)
Net change	16	(64)	(17)
Cash flow hedges			
Net unrealized (losses) gains arising during the period	(4)	—	33
Defined benefit pension plans			
Net losses, prior service costs, and transition obligations arising during the period	(36)	(27)	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(58)	(7)	(19)
Net change	22	(20)	(40)
Other comprehensive income (loss), net of tax	224	(172)	(201)
Cumulative effect of change in accounting principle (a)	—	—	(4)
Comprehensive income (loss)	\$ 1,420	\$ (329)	\$ 824

(a) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheet

Ally Financial Inc.

December 31, (<i>\$ in millions</i>)	2012	2011
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,073	\$ 2,475
Interest-bearing	6,440	10,560
Total cash and cash equivalents	7,513	13,035
Trading assets		
	—	622
Investment securities		
	14,178	15,135
Loans held-for-sale, net (\$2,490 and \$3,919 fair value-elected)		
	2,576	8,557
Finance receivables and loans, net		
Finance receivables and loans, net (\$— and \$835 fair value-elected)	99,055	114,755
Allowance for loan losses	(1,170)	(1,503)
Total finance receivables and loans, net	97,885	113,252
Investment in operating leases, net		
	13,550	9,275
Mortgage servicing rights		
	952	2,519
Premiums receivable and other insurance assets		
	1,609	1,853
Other assets		
	11,908	18,741
Assets of operations held-for-sale		
	32,176	1,070
Total assets	\$ 182,347	\$ 184,059
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 1,977	\$ 2,029
Interest-bearing	45,938	43,021
Total deposit liabilities	47,915	45,050
Short-term borrowings		
	7,461	7,680
Long-term debt (\$— and \$830 fair value-elected)		
	74,561	92,885
Interest payable		
	932	1,587
Unearned insurance premiums and service revenue		
	2,296	2,576
Accrued expenses and other liabilities (\$— and \$29 fair value-elected)		
	6,585	14,664
Liabilities of operations held-for-sale		
	22,699	337
Total liabilities	162,449	164,779
Equity		
Common stock and paid-in capital		
	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury		
	5,685	5,685
Preferred stock		
	1,255	1,255
Accumulated deficit		
	(7,021)	(7,415)
Accumulated other comprehensive income		
	311	87
Total equity	19,898	19,280
Total liabilities and equity	\$ 182,347	\$ 184,059

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheet

Ally Financial Inc.

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.

December 31, (<i>\$ in millions</i>)	2012	2011
Assets		
Loans held-for-sale, net	\$ —	\$ 9
Finance receivables and loans, net		
Finance receivables and loans, net (\$— and \$835 fair value-elected)	31,510	40,935
Allowance for loan losses	(144)	(210)
Total finance receivables and loans, net	31,366	40,725
Investment in operating leases, net	6,060	4,389
Other assets	2,868	3,029
Assets of operations held-for-sale	12,139	—
Total assets	\$ 52,433	\$ 48,152
Liabilities		
Short-term borrowings	\$ 400	\$ 795
Long-term debt (\$— and \$830 fair value-elected)	26,461	33,143
Interest payable	1	14
Accrued expenses and other liabilities	16	405
Liabilities of operations held-for-sale	9,686	—
Total liabilities	\$ 36,564	\$ 34,357

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Changes in Equity

Ally Financial Inc.

<i>(\$ in millions)</i>	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income	Total equity
Balance at January 1, 2010 (a)	\$ 13,829	\$ 10,893	\$ 1,287	\$ (5,732)	\$ 464	\$ 20,741
Capital contributions	15					15
Net income				1,029		1,029
Preferred stock dividends - U.S. Department of Treasury				(963)		(963)
Preferred stock dividends				(282)		(282)
Dividends to shareholders				(11)		(11)
Conversion of preferred stock and related amendment (b)	5,824	(5,208)		(616)		—
Other comprehensive loss					(205)	(205)
Other (c)				74		74
Balance at December 31, 2010 (a)	\$ 19,668	\$ 5,685	\$ 1,287	\$ (6,501)	\$ 259	\$ 20,398
Net loss				(157)		(157)
Preferred stock dividends — U.S. Department of Treasury				(534)		(534)
Preferred stock dividends				(260)		(260)
Series A preferred stock amendment (b)			(32)	32		—
Other comprehensive loss					(172)	(172)
Other (c)				5		5
Balance at December 31, 2011	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,415)	\$ 87	\$ 19,280
Net income				1,196		1,196
Preferred stock dividends — U.S. Department of Treasury				(535)		(535)
Preferred stock dividends				(267)		(267)
Other comprehensive income					224	224
Balance at December 31, 2012	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,021)	\$ 311	\$ 19,898

(a) Includes decreases of \$46 million and \$45 million, respectively, for the years ended December 31, 2010 and 2009, from previously reported balances for the correction of immaterial errors. Refer to Note 1 for further detail.

(b) Refer to Note 18 to the Consolidated Financial Statements for further detail.

(c) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Cash Flows

Ally Financial Inc.

Year ended December 31, (\$ in millions)	2012	2011	2010
Operating activities			
Net income (loss)	\$ 1,196	\$ (157)	\$ 1,029
Reconciliation of net income (loss) to net cash provided by operating activities			
Depreciation and amortization	2,381	2,713	4,146
Other impairment	19	40	170
Changes in fair value of mortgage servicing rights	677	1,606	872
Provision for loan losses	405	217	469
Gain on sale of loans, net	(527)	(459)	(1,014)
Net gain on investment securities	(177)	(294)	(520)
Loss on extinguishment of debt	148	64	123
Originations and purchases of loans held-for-sale	(33,075)	(60,270)	(73,823)
Proceeds from sales and repayments of loans held-for-sale	34,073	61,187	80,093
Impairment and accruals related to Residential Capital, LLC deconsolidation	1,192	—	—
Net change in			
Trading securities	595	(483)	(39)
Deferred income taxes	(1,491)	(198)	(272)
Interest payable	(311)	(98)	177
Other assets	802	(311)	1,240
Other liabilities	(595)	1,390	(504)
Other, net	(263)	546	(540)
Net cash provided by operating activities	5,049	5,493	11,607
Investing activities			
Purchases of available-for-sale securities	(12,816)	(19,377)	(24,116)
Proceeds from sales of available-for-sale securities	7,662	14,232	17,872
Proceeds from maturities and repayment of available-for-sale securities	5,673	4,965	4,527
Net increase in finance receivables and loans	(11,943)	(16,998)	(17,344)
Proceeds from sales of finance receivables and loans	2,332	2,868	3,138
Purchases of operating lease assets	(7,444)	(6,528)	(3,551)
Disposals of operating lease assets	1,745	5,517	8,627
Proceeds from sale of business units, net (a)	516	50	161
Net cash effect from deconsolidation of Residential Capital, LLC	(539)	—	—
Other, net	(1,741)	1,143	3,119
Net cash used in investing activities	(16,555)	(14,128)	(7,567)

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Cash Flows

Ally Financial Inc.

Year ended December 31, (\$ in millions)	2012	2011	2010
Financing activities			
Net change in short-term borrowings	2,694	514	(3,629)
Net increase in bank deposits	7,580	5,840	6,556
Proceeds from issuance of long-term debt	39,401	44,754	39,002
Repayments of long-term debt	(39,909)	(40,473)	(49,530)
Dividends paid	(802)	(819)	(1,253)
Other, net	(927)	234	869
Net cash provided by (used in) financing activities	8,037	10,050	(7,985)
Effect of exchange-rate changes on cash and cash equivalents	(58)	49	102
Net (decrease) increase in cash and cash equivalents	(3,527)	1,464	(3,843)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	(1,995)	(99)	725
Cash and cash equivalents at beginning of year	13,035	11,670	14,788
Cash and cash equivalents at end of year	\$ 7,513	\$ 13,035	\$ 11,670
Supplemental disclosures			
Cash paid for			
Interest	\$ 5,311	\$ 5,630	\$ 5,531
Income taxes	404	507	517
Noncash items			
Increase in finance receivables and loans due to a change in accounting principle (c)	—	—	17,990
Increase in long-term debt due to a change in accounting principle (c)	—	—	17,054
Transfer of mortgage servicing rights into trading securities through certification	—	266	—
Conversion of preferred stock to common equity	—	—	5,208
Other disclosures			
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	127	241	1,324
Consolidation of loans, net	—	—	137
Consolidation of variable interest entity debt	—	—	78
Deconsolidation of loans, net	—	—	1,969
Deconsolidation of variable interest entity debt	—	—	1,903

(a) The amounts are net of cash and cash equivalents of \$147 million at December 31, 2012, \$88 million at December 31, 2011, and \$1.2 billion at December 31, 2010 of business units at the time of disposition.

(b) Cash flows of discontinued operations are reflected within operating, investing, and financing activities in the Consolidated Statement of Cash Flows. The cash balance of these operations is reported as assets of operations held-for-sale on the Consolidated Balance Sheet.

(c) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Notes to Consolidated Financial Statements

Ally Financial Inc.

1. Description of Business, Basis of Presentation, and Changes in Significant Accounting Policies

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is a leading, independent, diversified, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (online and telephonic) banking market.

Residential Capital, LLC

On May 14, 2012 (the Petition Date), Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). In connection with the filings in May, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtors' estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

On November 21, 2012, the Bankruptcy Court entered orders approving the sale of the Debtors' (i) mortgage servicing platform (the Platform Sale) to Ocwen Loan Servicing, LLC and Walter Investment Management Corp. and (ii) "whole-loan" portfolio (the Whole-Loan Sale) to Berkshire Hathaway Inc. under section 363 of the Bankruptcy Code, and not as part of the Plan as originally contemplated. The Whole-Loan Sale closed on February 5, 2013, and the Platform Sale closed on February 15, 2013.

As of the Petition Date, institutional investors in residential mortgage-backed securities (RMBS Investors) issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to settle alleged representation and warranty claims against the Debtors' estates in exchange for a total \$8.7 billion allowed claim in the Debtors' bankruptcy cases, subject to the applicable securitization trustees' acceptance of the terms of the settlements (the RMBS Settlements). The RMBS Investors also signed separate plan support agreements (PSAs) with the Debtors and AFI in support of the Plan at the time of entering into the RMBS Settlements. To date, RMBS Investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to the RMBS Settlements. These 336 securitizations have an aggregate original principal balance of approximately \$189 billion (out of a total of 392 outstanding securitizations with an original principal balance of \$221 billion). The RMBS Settlements are subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing to consider such approval in late May 2013. The PSAs are not part of this scheduled Bankruptcy Court hearing. A number of creditors have raised objections to the RMBS Settlements, and the trustees representing the securitization trusts and AFI have filed statements in support of the Debtors' motion to approve the RMBS Settlements. Separately, the Debtors have failed to meet several Plan milestones in their bankruptcy cases, each of which has given the RMBS Investors the right to terminate the PSAs upon three business days advance written notice to the Debtors and AFI. The RMBS Investors have not given the Debtors and AFI such a notice to date, but have the right to do so at any time. If the RMBS Settlements were not approved or the RMBS Investors were to decide not to support any proposed plan, it could adversely impact the likelihood that any such proposed plan is approved by the Bankruptcy Court. AFI continues to support the RMBS Settlements at this time.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the Examiner's investigation. The investigation includes, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors proposed to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. In the Examiner's original work plan, the Examiner estimated that his investigation and related report would be completed six months from approximately August 6, 2012. However, on February 7, 2013 the Examiner informed the Bankruptcy Court in the third supplement to the work plan that the investigation and related report will not be completed until early May 2013.

On December 26, 2012, the Bankruptcy Court, in an effort to facilitate plan negotiations, entered an order appointing bankruptcy judge James M. Peck, Esq. as mediator to assist the parties in resolving certain issues relating to the formulation and confirmation of the Plan. There can be no assurance that the mediation process will continue or will ultimately lead to a successful agreement among the parties.

Notes to Consolidated Financial Statements

Ally Financial Inc.

On February 26, 2013, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed with the Bankruptcy Court a response to the Debtors' motions for appointment of a chief restructuring officer and to extend their exclusive period to file a chapter 11 plan, which, among other things, states that the Creditors' Committee supports such extension through and including April 30, 2013, and during such time the Creditors' Committee will agree not to bring any claims against AFI. The response further states that the Debtors consent to the Creditors' Committee seeking standing in the Bankruptcy Court to prosecute and/or settle the Debtors' alleged claims against AFI and agree to settle claims against AFI only with Creditors' Committee consent.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors. If the Bankruptcy Court approves the motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material. The Debtors have requested that the motion be heard at a hearing on March 21, 2013.

We are currently named as defendants in various lawsuits relating to ResCap mortgage-backed securities and certain other mortgage-related matters, which are described in more detail in Note 29. Substantially all of these matters are currently subject to orders entered by the Bankruptcy Court staying the matters through either March 31, 2013 or April 30, 2013. Unless the Debtors seek and obtain Bankruptcy Court approval to extend these stay orders, these matters are expected to proceed against us once the applicable stay orders expire.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows. We would have strong legal and factual defenses with respect to any such claims, and would vigorously defend them.

As a result of the bankruptcy filing, effective May 14, 2012, we have deconsolidated ResCap from our financial statements. Based on our assessment of the effect of the deconsolidation of ResCap, obligations under the Plan, and other impacts related to the Chapter 11 filing, we recorded a charge of \$1.2 billion during 2012, within our (loss) income from discontinued operations, net of tax. This charge primarily consists of the impairment of Ally's \$442 million equity investment in ResCap and the \$750 million cash contribution to be made by us to the Debtors' estate described above. As of December 31, 2012, we have \$1.3 billion of financing due from ResCap, which is classified as Finance Receivables and Loans, net on our Consolidated Balance Sheet. We maintain no allowance or impairment against these receivables because management considers them to be fully collectible. At December 31, 2012, our hedging arrangements with ResCap were fully collateralized. Additionally, under a shared services agreement (SSA), each entity agreed to provide services to the other for a period of one year. The SSA will automatically renew each year unless either entity provides written notice of nonrenewal to the other party at least three months prior to the expiration. The SSA fees received by Ally and the expenses paid to ResCap will be reflected within the Consolidated Statement of Income as a reduction or increase of noninterest expense. Because of the uncertain nature of the bankruptcy proceedings, we cannot predict the ultimate financial impact to Ally. Refer to Note 29 for additional information regarding these bankruptcy proceedings.

Consolidation and Basis of Presentation

The Consolidated Financial Statements include our accounts and accounts of our majority-owned subsidiaries after eliminating all significant intercompany balances and transactions and include all variable interest entities (VIEs) in which we are the primary beneficiary. Refer to Note 10 for further details on our VIEs. 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.

We operate our international subsidiaries in a similar manner as we operate in the United States of America (U.S. or United States), subject to local laws or other circumstances that may cause us to modify our procedures accordingly. The financial statements of subsidiaries that operate outside of the United States generally are measured using the local currency as the functional currency. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income. Income and expense items are translated at average exchange rates prevailing during the reporting period.

Correction of Immaterial Error

We have revised our consolidated financial statements for the years ended December 31, 2010 and 2009, for the correction of an immaterial error related to the accounting for a fair value derivative hedge associated with a specific bond affected by our 2008 bond exchange. The correction of the error resulted in an increase in long-term debt and an associated increase in interest on long-term debt that reduced previously reported net income by \$46 million and \$45 million for the years ended December 31, 2010 and 2009, respectively. Total equity at December 31, 2010 has also been reduced by \$91 million compared to amounts previously reported. We concluded based on our quantitative and qualitative analysis that these related amounts are not material to our results of operations or financial condition.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period 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.

Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and certain highly liquid investment securities with maturities of three months or less from the date of purchase. Cash and cash equivalents that have restrictions on our ability to withdraw the funds are included in other assets on our Consolidated Balance Sheet. The book value of cash equivalents approximates fair value because of the short maturities of these instruments. Certain securities with original maturities less than 90 days that are held as a portion of longer-term investment portfolios, primarily held by our Insurance operations, are classified as investment securities.

Securities

Our portfolio of securities includes government securities, corporate bonds, asset- and mortgage-backed securities (MBS), interests in securitization trusts, equity securities, and other investments. Securities are classified based on management's intent. Our trading assets primarily consisted of MBS and retained and purchased interests in certain securitizations. The trading assets are carried at fair value with changes in fair value recorded in current period earnings. All other securities are classified as available-for-sale and carried at fair value with unrealized gains and losses included in accumulated other comprehensive income or loss, on an after-tax basis. Premiums and discounts on debt securities are amortized as an adjustment to investment yield generally over the stated maturity of the security. We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. 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 our intent and ability to hold the investment.

Once a decline in fair value of an equity 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. Noncredit component losses of a debt security are recorded in other comprehensive income (loss) when we do not intend to sell the security or it is not more likely than not that we will have to sell the security prior to the security's anticipated recovery. Noncredit component losses are amortized over the remaining life of the debt security by offsetting the recorded value of the asset.

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 investment securities refer to Note 6.

Loans Held-for-sale

Loans held-for-sale may include consumer automobile, consumer mortgage, and commercial receivables and loans. Loans held-for-sale are carried at either fair value because of the fair value option election or lower of cost or estimated fair value. Loan origination fees, as well as discount points and incremental direct origination costs, are initially recorded as an adjustment of the cost basis of the loan and are reflected in the gain or loss on sale of loans when sold. Fair value is determined by type of loan and is generally based on contractually established commitments from investors, current investor yield requirements, current secondary market pricing, or cash flow models using market-based yield requirements. Our fair value option election loans primarily consist of conforming and government-insured mortgage loans. Refer to Note 7 for information on loans held-for-sale and Note 25 for information on fair value measurement.

Finance Receivables and Loans

Finance receivables and loans are reported at the principal amount outstanding, net of unearned income, premiums and discounts, and allowances. Unearned income, which includes unearned rate support received from an automotive manufacturer on certain automotive loans and deferred origination fees reduced by origination costs, is amortized over the contractual life of the related finance receivable or loan using the effective interest method. We make incentive payments for consumer auto loan originations to automotive dealers under our Ally Dealer Rewards Program and account for these payments as direct loan origination costs. Loan commitment fees are generally deferred and amortized over the commitment period. For information on finance receivables and loans, refer to Note 8.

We classify finance receivables and loans between loans held-for-sale and loans held-for-investment based on management's assessment of our intent and ability to hold loans for the foreseeable future or until maturity. Management's intent and ability with respect to certain loans may change from time to time depending on a number of factors including economic, liquidity, and capital conditions. Management's view of the foreseeable future is based on the longest reasonably reliable net income, liquidity, and capital forecast period.

Our portfolio segments are based on the level at which we develop and document our methodology for determining the allowance for loan losses. Additionally, the classes of finance receivables are based on several factors including the method for monitoring and assessing credit risk, the method of measuring carrying value, and the risk characteristics of the finance receivable. Based on an evaluation of our

Notes to Consolidated Financial Statements

Ally Financial Inc.

process for developing the allowance for loan losses including the nature and extent of exposure to credit risk arising from finance receivables, we have determined our portfolio segments to be consumer automobile, consumer mortgage, and commercial.

- **Consumer automobile** — Consists of retail automobile financing for new and used vehicles.
- **Consumer mortgage** — Consists of the following classes of finance receivables.
 - **1st Mortgage** — Consists of residential mortgage loans that are secured in a first-lien position and have priority over all other liens or claims on the respective collateral.
 - **Home equity** — Consists of residential home equity loans or mortgages with a subordinate-lien position.
- **Commercial** — Consists of the following classes of finance receivables.
 - **Commercial and Industrial**
 - **Automobile** — Consists of financing operations to fund dealer purchases of new and used vehicle through wholesale or floorplan financing. Additional commercial offerings include automotive dealer term loans, revolving lines of credit, and dealer fleet financing.
 - **Mortgage** — Consists primarily of warehouse lending.
 - **Other** — Consists of senior secured commercial lending.
 - **Commercial Real Estate**
 - **Automobile** — Consists of term loans to finance dealership land and buildings.
 - **Mortgage** — Related primarily to activities within our business capital group, which provides financing to residential land developers and homebuilders. These activities are in wind-down and do not represent a material component of our business.

Nonaccrual Loans

Revenue recognition is suspended when any finance receivables and loans are placed on nonaccrual status. Generally, all classes of finance receivables and loans are placed on nonaccrual status when principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Exceptions include commercial real estate loans that are placed on nonaccrual status when delinquent for 60 days. These loans are reported as nonperforming loans in Note 8. Revenue accrued, but not collected, at the date finance receivables and loans are placed on nonaccrual status is reversed and subsequently recognized only to the extent it is received in cash or until it qualifies for return to accrual status. However, where there is doubt regarding the ultimate collectability of loan principal, all cash received is applied to reduce the carrying value of such loans. Finance receivables and loans are restored to accrual status only when contractually current and the collection of future payments is reasonably assured.

Generally, we recognize all classes of loans as past due when they are 30 days delinquent on making a contractually required payment.

Impaired Loans

All classes of loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

For all classes of consumer loans, impaired loans are loans that have been modified in troubled debt restructurings.

All classes of commercial loans are considered impaired on an individual basis and reported as 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 all classes of impaired loans, income recognition is consistent with that of nonaccrual loans discussed above. For collateral dependent loans, if the recorded investment in impaired loans exceeds the fair value of the collateral, a charge-off is recorded consistent with the TDR discussion below.

Troubled Debt Restructurings (TDRs)

When the terms of finance receivables or loans are modified, consideration must be given as to whether or not the modification results in a TDR. A modification is considered to be a TDR when both a) the borrower is experiencing financial difficulty and b) we grant a concession to the borrower. These considerations require significant judgment and vary by portfolio segment. In all cases, the cumulative impacts of all modifications are considered at the time of the most recent modification.

For all classes of consumer loans, various qualitative factors are utilized for assessing the financial difficulty of the borrower. These include, but are not limited to, the borrowers default status on any of its debts, bankruptcy and recent changes in financial circumstances (loss

Notes to Consolidated Financial Statements

Ally Financial Inc.

of job, etc.). A concession has been granted when as a result of the modification we do not expect to collect all amounts due, including interest accrued at the original contract rate. Types of modifications that may be considered concessions include but are not limited to extensions of terms at a rate that does not constitute a market rate, a reduction, deferral or forgiveness of principal or interest owed and loans that have been discharged in a Chapter 7 Bankruptcy and have not been reaffirmed by the borrower.

In addition to the modifications noted above, in our consumer automobile class of loans we also provide extensions or deferrals of payments to borrowers who we deem to be experiencing only temporary financial difficulty. In these cases, there are limits within our operational policies to minimize the number of times a loan can be extended, as well as limits to the length of each extension, including a cumulative cap over the life of the loan. Before offering an extension or deferral, we evaluate the capacity of the customer to make the scheduled payments after the deferral period. During the deferral period, we continue to accrue and collect interest on the loan as part of the deferral agreement. We grant these extensions or deferrals when we expect to collect all amounts due including interest accrued at the original contract rate.

A restructuring that results in only a delay in payment that is deemed to be insignificant is not a concession and such modification is not considered to be a TDR. In order to assess whether a restructuring that results in a delay in payment is insignificant, we consider the amount of the restructured payments subject to delay in conjunction with the unpaid principal balance or the collateral value of the loan, whether or not the delay is significant with respect to the frequency of payments under the original contract, or the loan's original expected duration. In the cases where payment extensions on our automobile loan portfolio cumulatively extend beyond 90 days and are more than 10% of the original contractual term or any cumulative extension beyond 180 days, we deem the delay in payment to be more than insignificant, and as such, classify these types of modifications as TDRs. Otherwise, we believe that the modifications do not represent a concessionary modification and accordingly, they are not classified as TDRs.

For all classes of commercial loans, similar qualitative factors are considered when assessing the financial difficulty of the borrower. In addition to the factors noted above, consideration is also given to the borrower's forecasted ability to service the debt in accordance with the contractual terms, possible regulatory actions and other potential business disruptions (e.g. the loss of a significant customer or other revenue stream). Consideration of a concession is also similar for commercial loans. In addition to the factors noted above, consideration is also given to whether additional guarantees or collateral have been provided.

For all loans, TDR classification typically results from our loss mitigation activities. For loans held-for-investment that are not carried at fair value and are TDRs, impairment is typically measured based on the differences between the net carrying value of the loan and the present value of the expected future cash flows of the loan. The loan may also be measured for impairment based on the fair value of the underlying collateral less costs to sell for loans that are collateral dependent. We recognize impairment by either establishing a valuation allowance or recording a charge-off.

The financial impacts of modifications that meet the definition of a TDR are reported in the period in which they are identified as TDRs. Additionally, if a loan that is classified as a TDR redefaults within twelve months of the modification, we are required to disclose such instances of redefault. For the purpose of this disclosure, we have determined that a loan is considered to have redefaulted when the loan meets the requirements for evaluation under our charge-off policy except for commercial loans where redefault is defined as 90 days past due.

Our policy is to generally place all TDRs on nonaccrual status until the loan has been brought fully current, the collection of contractual principal and interest is reasonably assured, and six consecutive months of repayment performance is achieved. In certain cases, if a borrower has been current up to the time of the modification and repayment of the debt subsequent to the modification is reasonably assured, we may choose to continue to accrue interest on the loan.

Charge-offs

As a general rule, consumer automobile loans are written down to estimated collateral value, less costs to sell, once a loan becomes 120 days past due. Consumer first-lien mortgage loans, which consists of our entire 1st mortgage class and a subset of our home equity class that are secured by real estate in a first-lien position are written down to the estimated fair value of the collateral, less costs to sell, once a mortgage loan becomes 180 days past due. Second-lien consumer mortgage loans within our home equity class are charged off at 180 days past due. Second-lien consumer mortgage loans in bankruptcy that are 60 days past due are fully charged off within 60 days of receipt of notification of filing from the bankruptcy court. Consumer automobile and first-lien consumer mortgage loans in bankruptcy that are 60 days past due are written down to the estimated fair value of the collateral, less costs to sell, within 60 days of receipt of notification of discharge from the bankruptcy court. Regardless of other timelines noted within this policy, loans are considered collateral dependent at the time foreclosure or repossession proceedings begin and are charged off to the estimated fair value of the underlying collateral, less costs to sell at that time.

Commercial loans are individually evaluated and where collectability of the recorded balance is in doubt are written down to the estimated fair value of the collateral less costs to sell. Generally, all commercial loans are charged off when it becomes unlikely that the borrower is willing or able to repay the remaining balance of the loan and any underlying collateral is not sufficient to recover the outstanding principal. Collateral dependent loans are charged-off to the fair market value of collateral less costs to sell and non-collateral dependent loans are fully written-off.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Allowance for Loan Losses

The allowance for loan losses (the allowance) is management's estimate of incurred losses in the lending portfolios. We determine the amount of the allowance required for each of our portfolio segments based on its relative risk characteristics. The evaluation of these factors for both consumer and commercial finance receivables and loans involves complex, subjective judgments. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, net of amounts recovered on previously charged-off accounts.

The allowance is comprised of two components: specific reserves established for individual loans evaluated as impaired and portfolio-level reserves established for large groups of typically smaller balance homogeneous loans that are collectively evaluated for impairment. We evaluate the adequacy of the allowance based on the combined total of these two components. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Measurement of impairment for specific reserves is generally determined on a loan-by-loan basis. Loans determined to be specifically impaired are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, an observable market price, or the estimated fair value of the collateral less estimated costs to sell, whichever is determined to be the most appropriate. When these measurement values are lower than the carrying value of that loan, impairment is recognized. Loans that are not identified as individually impaired are pooled with other loans with similar risk characteristics for evaluation of impairment for the portfolio-level allowance.

For the purpose of calculating portfolio-level reserves, we have grouped our loans into three portfolio segments: consumer automobile, consumer mortgage, and commercial. The allowance consists of the combination of a quantitative assessment component based on statistical models, a retrospective evaluation of actual loss information to loss forecasts, and includes a qualitative component based on management judgment. Management takes into consideration relevant qualitative factors, including external and internal trends such as the impacts of changes in underwriting standards, collections and account management effectiveness, geographic concentrations, and economic events, among other factors, that have occurred but are not yet reflected in the quantitative assessment component. All qualitative adjustments are adequately documented, reviewed, and approved through our established risk governance processes. Refer to Note 8 for information on the allowance for loan losses.

Consumer Loans

Our consumer automobile and consumer mortgage portfolio segments are reviewed for impairment based on an analysis of loans that are grouped into common risk categories (i.e., past due status, loan or lease type, collateral type, borrower, industry or geographic concentrations). We perform periodic and systematic detailed reviews of our lending portfolios to identify inherent risks and to assess the overall collectability of those portfolios. Loss models are utilized for these portfolios, which consider a variety of credit quality indicators including, but not limited to, historical loss experience, current economic conditions, anticipated repossessions or foreclosures based on portfolio trends, delinquencies and credit scores, and expected loss factors by loan type.

Consumer Automobile Portfolio Segment

The allowance for loan losses within the consumer automobile portfolio segment is calculated using proprietary statistical models and other risk indicators applied to pools of loans with similar risk characteristics, including credit bureau score and loan-to-value ratios to arrive at an estimate of incurred losses in the portfolio. These statistical loss forecasting models are utilized to estimate incurred losses and consider a variety of factors including, but not limited to, historical loss experience, estimated defaults based on portfolio trends, delinquencies, and general economic and business trends. These statistical models predict forecasted losses inherent in the portfolio based on both vintage and migration analyses.

The forecasted losses consider historical factors such as frequency (the number of contracts that we expect to default) and loss severity (the expected loss on a per vehicle basis). The loss severity within the consumer automobile portfolio segment is impacted by the market values of vehicles that are repossessed. Vehicle market values are affected by numerous factors including vehicles supply, the condition of the vehicle upon repossession, the overall price and volatility of gasoline or diesel fuel, consumer preference related to specific vehicle segments, and other factors. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The quantitative assessment component may be supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred but are not yet reflected in the forecasted losses and may affect the performance of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our consumer automobile portfolio segment did not change during 2012.

Consumer Mortgage Portfolio Segment

The allowance for loan losses within the consumer mortgage portfolio segment is calculated by using proprietary statistical models based on pools of loans with similar risk characteristics, including credit score, loan-to-value, loan age, documentation type, product type, and loan purpose, to arrive at an estimate of incurred losses in the portfolio. These statistical loss forecasting models are utilized to estimate incurred

Notes to Consolidated Financial Statements

Ally Financial Inc.

losses and consider a variety of factors including, but not limited to, historical loss experience, estimated foreclosures or defaults based on portfolio trends, delinquencies, and general economic and business trends.

The forecasted losses are statistically derived based on a suite of behavioral based transition models. This transition framework predicts various stages of delinquency, default, and voluntary prepayment over the course of the life of the loan. The transition probability is a function of the loan and borrower characteristics and economic variables and considers historical factors such as frequency (the number of contracts that we expect to default) and loss severity (the expected loss on a per loan basis). When a default event is predicted, a severity model is applied to estimate future loan losses. Loss severity within the consumer mortgage portfolio segment is impacted by the market values of foreclosed properties, which is affected by numerous factors, including geographic considerations and the condition of the foreclosed property. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The quantitative assessment component is supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred but are not yet reflected in the forecasted losses and may affect the credit quality of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our consumer mortgage portfolio segment did not change during 2012.

Commercial

The allowance for loan losses within the commercial portfolio is comprised of reserves established for specific loans evaluated as impaired and portfolio-level reserves based on nonimpaired loans grouped into pools based on similar risk characteristics and collectively evaluated.

A commercial loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loan's effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate.

Loans not identified as impaired are grouped into pools based on similar risk characteristics and collectively evaluated. Our risk rating models use historical loss experience, concentrations, current economic conditions, and performance trends. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. In assessing the risk rating of a particular loan, several factors are considered including an evaluation of historical and current information involving subjective assessments and interpretations. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans.

The quantitative assessment component may be supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred and may affect the credit quality of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our commercial portfolio segment did not change during 2012.

Securitizations and Variable Interest Entities

We securitize, sell, and service consumer automobile loans, operating leases, wholesale loans, and consumer mortgage loans. Securitization transactions typically involve the use of variable interest entities and are accounted for either as sales or secured financings. We may retain economic interests in the securitized and sold assets, which are generally retained in the form of senior or subordinated interests, interest- or principal-only strips, cash reserve accounts, residual interests, and servicing rights.

In order to conclude whether or not a variable interest entity is required to be consolidated, careful consideration and judgment must be given to our continuing involvement with the variable interest entity. In circumstances where we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, we would conclude that we would consolidate the entity, which would also preclude us from recording an accounting sale on the transaction. In the case of a consolidated variable interest entity, the accounting is consistent with a secured financing, i.e., we continue to carry the loans and we record the related securitized debt on our balance sheet. Unrecorded economic interests in consolidated variable interest entities can be determined as the difference between the recognized assets and recognized liabilities.

In transactions where either one or both of the power or economic criteria mentioned above are not met, we then must determine whether or not we achieve a sale for accounting purposes. In order to achieve a sale for accounting purposes, the assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond our control. If we were to fail any of the

Notes to Consolidated Financial Statements

Ally Financial Inc.

three criteria for sale accounting, the accounting would be consistent with the preceding paragraph (i.e., a secured borrowing). Refer to Note 10 for discussion on variable interest entities.

Gains or losses on off-balance sheet securitizations take into consideration the fair value of the retained interests including the value of certain servicing assets or liabilities, if any, which are initially recorded at fair value at the date of sale. The estimate of the fair value of the retained interests and servicing requires us to exercise significant judgment about the timing and amount of future cash flows from the interests. Refer to Note 25 for a discussion of fair value estimates.

Gains or losses on off-balance sheet securitizations and sales are reported in gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income for consumer automobile loans, wholesale loans, and consumer mortgage loans. Declines in the fair value of retained interests, other than servicing, below the carrying amount are reflected in other comprehensive income, or as other (loss) gain on investments, net, in our Consolidated Statement of Income if such declines are determined to be other-than-temporary or if the interests are classified as trading. Retained interests, as well as any purchased securities, are generally included in available-for-sale investment securities, trading investment securities, or other assets. Designation as available-for-sale or trading depends on management's intent. Securities that are noncertificated and cash reserve accounts related to securitizations are included in other assets on our Consolidated Balance Sheet.

We retain servicing responsibilities for all of our consumer automobile loan, operating lease, and wholesale loan securitizations and for the majority of our consumer mortgage loan securitizations. We may receive servicing fees based on the securitized loan balances and certain ancillary fees, all of which are reported in servicing fees in the Consolidated Statement of Income. We also retain the right to service the consumer mortgage loans sold in securitization transactions involving the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively the Government-sponsored Enterprises or GSEs) and private investors. We also serve as the collateral manager in the securitizations of commercial investment securities.

Whether on- or off-balance sheet, the investors in the securitization trusts generally have no recourse to our assets outside of customary market representation and warranty repurchase provisions.

Mortgage Servicing Rights

Primary servicing rights represent our right to service consumer residential mortgages securitized by us or through the GSEs and third-party whole-loan sales. Primary servicing involves the collection of payments from individual borrowers and the distribution of these payments to the investors or master servicer. Master-servicing rights represented our right to service mortgage- and asset-backed securities and whole-loan packages issued for investors. Master-servicing involved the collection of borrower payments from primary servicers and the distribution of those funds to investors in mortgage- and asset-backed securities and whole-loan packages. We also purchased and sold primary and master-servicing rights through transactions with other market participants.

We capitalize the value expected to be realized from performing specified mortgage servicing activities for others as mortgage servicing rights (MSRs) when the expected future cash flows from servicing are projected to be more than adequate compensation for such activities. These capitalized servicing rights are purchased or retained upon sale or securitization of mortgage loans. MSRs are not recorded on securitizations accounted for as secured financings.

We measure all mortgage servicing assets and liabilities at fair value. We define our servicing rights based on both the availability of market inputs and the manner in which we manage the risks of our servicing assets and liabilities. We leverage all available relevant market data to determine the fair value of our recognized servicing assets and liabilities.

Since quoted market prices for MSRs are not readily available, we estimate the fair value of MSRs by determining the present value of future expected cash flows using modeling techniques that incorporate management's best estimates of key variables including expected cash flows, prepayment speeds, and return requirements commensurate with the risks involved. Cash flow assumptions are modeled using our internally forecasted revenue and expenses, and where possible, the reasonableness of assumptions is periodically validated through comparisons to market data. Prepayment speed estimates are determined from historical prepayment rates on similar assets or obtained from third-party data. Return requirement assumptions are determined using data obtained from market participants, where available, or based on current relevant interest rates plus a risk-adjusted spread. We also consider other factors that can impact the value of the MSRs, such as surety provider termination clauses and servicer terminations that could result if we failed to materially comply with the covenants or conditions of our servicing agreements and did not remedy the failure. Since many factors can affect the estimate of the fair value of MSRs, we regularly evaluate the major assumptions and modeling techniques used in our estimate and review these assumptions against market comparables, if available. We monitor the actual performance of our MSRs by regularly comparing actual cash flow, credit, and prepayment experience to modeled estimates. Refer to Note 11 for further discussion of our servicing activities.

Reposessed and Foreclosed Assets

Assets are classified as reposessed and foreclosed and included in other assets when physical possession of the collateral is taken regardless of whether foreclosure proceedings have taken place. Reposessed and foreclosed assets are carried at the lower of the outstanding balance at the time of repossession or foreclosure or the fair value of the asset less estimated costs to sell. Losses on the revaluation of reposessed and foreclosed assets are charged to the allowance for loan losses at the time of repossession. Declines in value after repossession are charged to other operating expenses for loans and depreciation expense for operating lease assets as incurred.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Goodwill and Other Intangibles

Goodwill and other intangible assets, net of accumulated amortization, are reported in other assets. In accordance with applicable accounting standards, goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired, including identifiable intangibles. Goodwill is reviewed for impairment utilizing a two-step process. The first step of the impairment test requires us to define the reporting units and compare the fair value of each of these reporting units to the respective carrying value. The fair value of the reporting units in our impairment test 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 to compute the amount of the impairment, if any. Applicable accounting standards require goodwill to be tested for impairment annually at the same time every year and whenever an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Our annual goodwill impairment assessment is performed as of August 31 of each year. Refer to Note 13 for further discussion on goodwill.

Investment in Operating Leases

Investment in operating leases represents the automobiles that are underlying the leases and is reported at cost, less accumulated depreciation and net of impairment charges and origination fees or costs. Depreciation of vehicles is generally provided on a straight-line basis to an estimated residual value over the lease term. Manufacturer support payments that we receive are treated as a reduction to the cost-basis in the underlying lease asset and are recognized over the life of the contract as a reduction to depreciation expense. We periodically evaluate our depreciation rate for leased vehicles based on projected residual values. Income from operating lease assets that includes lease origination fees, net of lease origination costs, is recognized as operating lease revenue on a straight-line basis over the scheduled lease term.

We have significant investments in the residual values of assets in our operating lease portfolio. The residual values represent an estimate of the values of the assets at the end of the lease contracts. At contract inception, we generally determine the projected residual values based on independent data, including independent guides of vehicle residual values, and analysis. Realization of the residual values is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and may make adjustments to the depreciation rates to the extent the expected value of the vehicle (including any residual support payments) at lease termination changes. In addition to estimating the residual value at lease termination, we also evaluate the current value of the operating lease asset and test for impairment to the extent necessary based on market considerations and portfolio characteristics. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset. If our operating lease assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. The accrual of revenue on operating leases is generally discontinued at the time an account is determined to be uncollectible, at the earliest of time of repossession, within 60 days of bankruptcy notification and greater than 60 days past due, or greater than 120 days past due.

When a lease vehicle is returned to us, the asset is reclassified from investment in operating leases, net, to other assets and recorded at the lower-of-cost or estimated fair value, less costs to sell, on our Consolidated Balance Sheet.

Impairment of Long-lived Assets

The carrying value of long-lived assets (including property and equipment) are evaluated for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable from the estimated undiscounted future cash flows expected to result from their use and eventual disposition. Recoverability of assets to be held and used is measured by a comparison of their carrying amount to future net undiscounted cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. No material impairment was recognized in 2012, 2011, or 2010.

An impairment test on an asset group to be sold or otherwise disposed of is performed upon occurrence of a triggering event or when certain criteria are met (e.g., the asset is planned to be disposed of within twelve months, appropriate levels of authority have approved the sale, there is an active program to locate a buyer, etc), which cause the disposal group to be classified as held-for-sale. Long-lived assets held-for-sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell. If the carrying value of the assets held-for-sale exceeds the fair value less cost to sell, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets less cost to sell. During 2012, 2011, and 2010, impairment losses were recognized on asset groups that were classified as held-for-sale or disposed of by sale. Refer to Note 2 for a discussion of discontinued and held-for-sale operations.

Property and Equipment

Property and equipment stated at cost, net of accumulated depreciation and amortization, are reported in other assets on our Consolidated Balance Sheet. Included in property and equipment are certain buildings, furniture and fixtures, leasehold improvements, company vehicles, IT hardware and software, and capitalized software costs. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which generally ranges from three to thirty years. Capitalized software is generally amortized on a straight-line basis over its useful life, which generally ranges from three to five years. Capitalized software that is not expected to provide substantive service potential or for which development costs significantly exceed the amount originally expected is considered impaired and written down to fair value. Software expenditures that are considered general, administrative, or of a maintenance nature are expensed as incurred.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Unearned Insurance Premiums and Service Revenue

Insurance premiums, net of premiums ceded to reinsurers, and service revenue are earned over the terms of the policies. The portion of premiums and service revenue written applicable to the unexpired terms of the policies is recorded as unearned insurance premiums or unearned service revenue. For extended service and maintenance contracts, premiums and service revenues are earned on a basis proportionate to the anticipated cost emergence. For other short duration contracts, premiums and unearned service revenue are earned on a pro rata basis. For further information, refer to Note 3.

Deferred Policy Acquisition Costs

Commissions, including compensation paid to sellers of vehicle service contracts and other costs of acquiring insurance that are primarily related to and vary with the production of business, are deferred and recorded in other assets. Deferred policy acquisition costs are amortized over the terms of the related policies and service contracts on the same basis as premiums and revenue are earned except for direct response advertising costs, which are amortized over their expected future benefit. We group costs incurred for acquiring like contracts and consider anticipated investment income in determining the recoverability of these costs.

Reserves for Insurance Losses and Loss Adjustment Expenses

Reserves for insurance losses and loss adjustment expenses are reported in accrued expenses and other liabilities. They are established for the unpaid cost of insured events that have occurred as of a point in time. More specifically, the reserves for insurance losses and loss adjustment expenses represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. Estimates for salvage and subrogation recoverable are recognized at the time losses are incurred and netted against provision for insurance losses and loss adjustment expenses. Reserves are established for each business at the lowest meaningful level of homogeneous data. Since the reserves are based on estimates, the ultimate liability may vary from such estimates. The estimates are regularly reviewed and adjustments, which can potentially be significant, are included in earnings in the period in which they are deemed necessary.

Legal and Regulatory Reserves

Reserves for legal and regulatory matters are established when those matters present loss contingencies that are both probable and estimable, with a corresponding amount recorded to other noninterest expense. In cases where we have an accrual for losses, it is our policy to include an estimate for probable and estimable legal expenses related to the case. If, at the time of evaluation, the loss contingency related to a litigation or regulatory matter is not both probable and estimable, we do not establish an accrued liability. We continue to monitor legal and regulatory matters for further developments that could affect the requirement to establish a liability or that may impact the amount of a previously established liability. There may be exposure to loss in excess of any amounts recognized. For certain other matters where the risk of loss is determined to be reasonably possible, estimable, and material to the financial statements, disclosure regarding details of the matter and an estimated range of loss is required. The estimated range of possible loss does not represent our maximum loss exposure. Financial statement disclosure is also required for matters that are deemed probable or reasonably possible, material to the financial statements, but for which an estimated range of loss is not possible to determine. While we believe our reserves are adequate, the outcome of legal and regulatory proceedings is extremely difficult to predict and we may settle claims or be subject to judgments for amounts that differ from our estimates. For information regarding the nature of all material contingencies, refer to Note 29.

Loan Repurchase and Obligations Related to Loan Sales

Our Mortgage operations sell loans that take the form of securitizations guaranteed by the GSEs or by whole-loan purchasers. In addition, we infrequently sell securities to investors through private-label securitizations. In connection with these activities we provide to the GSEs, investors, whole-loan purchasers, and financial guarantors (monolines) various representations and warranties related to the loans sold. These representations and warranties generally relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation and compliance with applicable laws. Generally, the representations and warranties described in Note 29 may be enforced at any time over the life of the loan. Historically, ResCap assumed all of the customary representation and warranty obligations for loans purchased from Ally Bank and subsequently sold into the secondary market. A significant portion of our representation and warranty obligations were eliminated as a result of the deconsolidation of ResCap. As a result of the deconsolidation of ResCap, we recorded a representation and warranty reserve to Ally Bank. See Note 29 for additional information.

Upon a breach of a representation, we correct the breach in a manner conforming to the provisions of the sale agreement. This may require us either to repurchase the loan or to indemnify (make-whole) a party for incurred losses or provide other recourse to a GSE or investor. Repurchase demands and claims for indemnification payments are reviewed on a loan-by-loan basis to validate if there has been a breach requiring repurchase or a make-whole payment. We actively contest claims to the extent we do not consider them valid. In cases where we repurchase loans, we bear the credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value and subsequently at the lower of cost or market. We seek to manage the risk of repurchase and associated credit exposure through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards.

The reserve for representation and warranty obligations reflects management's best estimate of probable lifetime loss. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical and estimated future loss experience, which includes projections of future home price changes as well as other

Notes to Consolidated Financial Statements

Ally Financial Inc.

qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in other liabilities on our Consolidated Balance Sheet, and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the reserve when additional relevant information becomes available. Changes in the liability are recorded as other operating expenses in our Consolidated Statement of Income.

Earnings per Common Share

We compute basic earnings (loss) per common share by dividing net income (loss) from continuing operations attributable to common shareholders after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period. We compute diluted earnings (loss) per common share by dividing net income (loss) from continuing operations after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period plus the dilution resulting from the conversion of convertible preferred stock, if applicable.

Derivative Instruments and Hedging Activities

We primarily use derivative instruments for risk management purposes. Derivatives that were held for trading purposes were limited to those entered into by our broker-dealer. Some of our derivative instruments are designated in qualifying hedge accounting relationships; other derivative instruments do not qualify for hedge accounting or are not elected to be designated in a qualifying hedging relationship. In accordance with applicable accounting standards, all derivative financial instruments, whether designated for hedge accounting or not, are required to be recorded on the balance sheet as assets or liabilities and measured at fair value. Additionally, we report derivative financial instruments on the Consolidated Balance Sheet primarily on a gross basis. For additional information on derivative instruments and hedging activities, refer to Note 22.

At inception of a hedge accounting relationship, we designate each qualifying derivative financial instrument as a hedge of the fair value of a specifically identified asset or liability (fair value hedge); as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or as a hedge of the foreign-currency exposure of a net investment in a foreign operation. We formally document all relationships between hedging instruments and hedged items and risk management objectives for undertaking various hedge transactions. Both at the hedge's inception and on an ongoing basis, we formally assess whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in the current period earnings. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative financial instruments is recorded in accumulated other comprehensive income, and recognized in the income statement when the hedged cash flows affect earnings. For a derivative designated as hedging the foreign-currency exposure of a net investment in a foreign operation, the gain or loss is reported in accumulated other comprehensive income as part of the cumulative translation adjustment. The ineffective portions of fair value, cash flow, and net investment hedges are immediately recognized in earnings, along with the portion of the change in fair value that is excluded from the assessment of hedge effectiveness, if any.

The hedge accounting treatment described herein is no longer applied if a derivative financial instrument is terminated or the hedge designation is removed or is assessed to be no longer highly effective. For these terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the asset or liability and are recognized into income over the remaining life of the asset or liability. For terminated cash flow hedges, unless it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument previously recognized remain in accumulated other comprehensive income, and are reclassified into earnings in the same period that the hedged cash flows affect earnings. The previously recognized net derivative gain or loss for a net investment hedge continues to remain in accumulated other comprehensive income until earnings are impacted by sale or liquidation of the associated foreign operation. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

Changes in the fair value of derivative financial instruments held for risk management purposes that are not designated for hedge accounting under GAAP and changes in the fair value of derivative financial instruments held for trading purposes are reported in current period earnings.

Loan Commitments

We enter into commitments to purchase and make loans whereby the interest rate on the loans is set prior to funding (i.e., interest rate lock commitments). Interest rate lock commitments for mortgage loans to be originated for sale and all purchase commitments are derivative financial instruments carried at fair value in accordance with applicable accounting standards with changes in fair value included within current period earnings. The fair value of purchase and interest rate lock commitments include expected net future cash flows related to the associated servicing of the loan. Servicing assets are recognized as distinct assets once they are contractually separated from the underlying loan by sale or securitization. Day-one gains or losses on derivative interest rate lock commitments are recognized when applicable.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. For additional information regarding our provision for income taxes, refer to Note 23.

We recognize the financial statement effects of uncertain income tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Also, we recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively.

Share-based Compensation

Under accounting guidance for share-based compensation, compensation cost recognized includes cost for share-based awards. For certain share-based awards compensation cost is ratably charged to expense over the applicable service periods. For other share-based awards, the awards require liability treatment and are remeasured quarterly at fair value until they are paid, with changes in fair value charged to compensation expense in the period in which the change occurs. Refer to Note 24 for a discussion of our share-based compensation plans.

Foreign Exchange

Foreign-denominated assets and liabilities resulting from foreign-currency transactions are valued using period-end foreign-exchange rates and the results of operations and cash flows are determined using approximate weighted average exchange rates for the period. Translation adjustments are related to foreign subsidiaries using local currency as their functional currency and are reported as a separate component of accumulated other comprehensive income. We may elect to enter into foreign-currency derivatives to mitigate our exposure to changes in foreign-exchange rates. Refer to Derivative Instruments and Hedging Activities above for a discussion of our hedging activities of the foreign-currency exposure of a net investment in a foreign operation.

Recently Adopted Accounting Standards

Financial Services - Insurance - Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26)

As of January 1, 2012, we adopted Accounting Standards Update (ASU) 2010-26, which amends ASC 944, *Financial Services - Insurance*. The amendments in this ASU specify which costs incurred in the acquisition of new and renewal insurance contracts should be capitalized. All other acquisition-related costs should be expensed as incurred. If the initial application of the amendments in this ASU results in the capitalization of acquisition costs that had not been previously capitalized, an entity may elect not to capitalize those types of costs. Both retrospective application and early adoption was permitted. We elected prospective application and did not early adopt the ASU. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Fair Value Measurement - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04)

As of January 1, 2012, we adopted ASU 2011-04, which amends ASC 820, *Fair Value Measurements*. The amendments in this ASU clarify how to measure fair value and it contains new disclosure requirements to provide more transparency into Level 3 fair value measurements. It is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU must be applied prospectively. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Intangibles-Goodwill and Other - Testing Goodwill for Impairment (ASU 2011-08)

As of January 1, 2012, we adopted ASU 2011-08, which amends ASC 350, *Intangibles-Goodwill and Other*. This ASU permits the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not more than the carrying amount, the two-step impairment test would not be required. Otherwise, further evaluation under the existing two-step framework would be required. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Balance Sheet - Disclosures about Offsetting Assets and Liabilities (ASU 2011-11 and ASU 2013-01)

As of January 1, 2013, we adopted ASU 2011-11, which amends ASC 210, *Balance Sheet*. This ASU contains new disclosure requirements regarding the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. In addition, we adopted ASU 2013-01, which simply clarified the scope of ASU 2011-11. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 and ASU 2013-01 were required to be applied

Notes to Consolidated Financial Statements

Ally Financial Inc.

retrospectively. Since the guidance relates only to disclosure of information, the adoption did not have an impact to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

Comprehensive Income - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)

In February, 2013 the FASB issued ASU 2013-02, which amends ASC 220, *Comprehensive Income*. The ASU contains new requirements related to the presentation and disclosure of items that are reclassified out of other comprehensive income. The new requirements will give financial statement users a more comprehensive view of items that are reclassified out of other comprehensive income. ASU 2013-02 is effective for us on January 1, 2013, and is to be applied prospectively. Since the guidance relates only to presentation and disclosure of information, adoption is not expected to have a material effect on our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

We classify operations as discontinued when operations and cash flows will be eliminated from our ongoing operations and we do not expect to retain any significant continuing involvement in their operations after the respective sale transactions. For all periods presented, all of the operating results for these discontinued operations have been removed from continuing operations and presented separately as discontinued operations, net of tax, in the Consolidated Statement of Income. The Notes to the Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

Select Mortgage Operations

During the first quarter of 2013, the operations of ResCap were classified as discontinued. During the second quarter of 2012, we sold the Canadian mortgage operations of ResMor Trust. During 2010, we sold certain international operations. These operations included residential mortgage loan origination, acquisition, servicing, asset management, sale, and securitizations in the United Kingdom and continental Europe.

Select Insurance Operations

During the fourth quarter of 2011, we committed to sell our U.K.-based operations that provide vehicle service contracts and insurance products in Europe and Latin America. On February 28, 2013, we sold our U.K.-based operations to a wholly owned subsidiary of AmTrust Financial Services, Inc. Additionally, during the fourth quarter of 2012, we committed to sell our Mexican insurance business, ABA Seguros, to the ACE Group. In connection with the classification of these Insurance operations as held-for-sale we recognized a pretax loss of \$55 million during the year ended December 31, 2012. The loss represents the impairment recognized to present the operations at the lower-of-cost or fair value. The fair value was determined using sales agreements with third-party purchasers (a Level 2 fair value input). We expect to complete the ABA Seguros sale during the first half of 2013.

During the second quarter of 2011, we completed the sale of our U.K. consumer property and casualty insurance business. During 2010, we completed the sale of our U.S. consumer property and casualty insurance business.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust (Ally Canada) to Royal Bank of Canada. On February 1, 2013, we completed the sale of Ally Canada. Refer to Note 31 for more information regarding the sale. Additionally, during the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. No impairment was recognized to present the operations at the lower-of-cost or fair value. We expect to complete the sales by region during 2013.

During the first quarter of 2012, we completed the sale of our Venezuela operations. During the first quarter of 2011, we completed the sale of our Ecuador operations. During 2010, we completed the sale of our Argentina and Poland operations and our full-service leasing operations in Australia, Belgium, France, Poland, and the United Kingdom. We also ceased operations in Australia and Russia and classified them as discontinued during 2010.

Select Corporate and Other Operations

During the fourth quarter of 2012, we ceased operations at our Commercial Finance operations' European division and classified it as discontinued.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Select Financial Information

Select financial information of discontinued operations is summarized below. The pretax income or loss, including direct costs to transact, includes any impairment recognized to present the operations at the lower-of-cost or fair value. Fair value was based on the estimated sales price, which could differ from the ultimate sales price due to price volatility, changing interest rates, changing foreign-currency rates, and future economic conditions.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Select Mortgage operations			
Total net revenue	\$ 439	\$ 562	\$ 2,071
Pretax (loss) income including direct costs to transact a sale (a)	(1,282)	(811)	678
Tax (benefit) expense (b)	(443)	2	14
Select Insurance operations			
Total net revenue	\$ 625	\$ 710	\$ 976
Pretax income including direct costs to transact a sale (a)	86	145	31
Tax expense (b)	53	39	19
Select Automotive Finance operations			
Total net revenue	\$ 1,503	\$ 1,690	\$ 1,646
Pretax income including direct costs to transact a sale (a)	786	820	698
Tax expense (b)	235	92	17
Select Corporate and Other operations			
Total net revenue	\$ 11	\$ 7	\$ 22
Pretax income	83	44	3
Tax expense (benefit)	2	3	(3)

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.

(b) Includes certain income tax activity recognized by Corporate and Other.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Held-for-sale Operations

The assets and liabilities of operations held-for-sale are summarized below.

December 31, 2012 (<i>\$ in millions</i>)	Select Insurance operations (a)	Select Automotive Finance operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	\$ 8	\$ 100	\$ 108
Interest-bearing	119	1,918	2,037
Total cash and cash equivalents	127	2,018	2,145
Investment securities	576	424	1,000
Finance receivables and loans, net			
Finance receivables and loans, net	—	25,835	25,835
Allowance for loan losses	—	(208)	(208)
Total finance receivables and loans, net	—	25,627	25,627
Investment in operating leases, net	—	144	144
Premiums receivable and other insurance assets	277	—	277
Other assets	94	2,942	3,036
Impairment on assets of held-for-sale operations	(53)	—	(53)
Total assets	\$ 1,021	\$ 31,155	\$ 32,176
Liabilities			
Interest-bearing deposit liabilities	\$ —	\$ 3,907	\$ 3,907
Short-term borrowings	—	2,800	2,800
Long-term debt	—	13,514	13,514
Interest payable	—	177	177
Unearned insurance premiums and service revenue	506	—	506
Accrued expenses and other liabilities	297	1,498	1,795
Total liabilities	\$ 803	\$ 21,896	\$ 22,699

(a) Includes our U.K.-based operations that provide vehicle service contracts and insurance products, and ABA Seguros.

(b) Includes our Canadian and Other International entities (including full-service leasing operations and other automotive finance operations).

Notes to Consolidated Financial Statements

Ally Financial Inc.

December 31, 2011 (\$ in millions)	Select Mortgage operations (a)	Select Insurance operations (b)	Select Automotive Finance operations (c)	Total held-for-sale operations
Assets				
Cash and cash equivalents				
Noninterest-bearing	\$ —	\$ 4	\$ 55	\$ 59
Interest-bearing	—	54	38	92
Total cash and cash equivalents	—	58	93	151
Investment securities	—	186	—	186
Loans held-for-sale, net	260	—	—	260
Finance receivables and loans, net				
Finance receivables and loans, net	285	—	11	296
Allowance for loan losses	—	—	(1)	(1)
Total finance receivables and loans, net	285	—	10	295
Investment in operating leases, net	—	—	91	91
Premiums receivable and other insurance assets	—	77	—	77
Other assets	140	14	30	184
Impairment on assets of held-for-sale operations	—	—	(174)	(174)
Total assets	\$ 685	\$ 335	\$ 50	\$ 1,070
Liabilities				
Unearned insurance premiums and service revenue	\$ —	\$ 130	\$ —	\$ 130
Accrued expenses and other liabilities	80	99	28	207
Total liabilities	\$ 80	\$ 229	\$ 28	\$ 337

(a) Includes the Canadian mortgage operations of ResMor Trust.

(b) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.

(c) Includes the operations of Venezuela and our full-service leasing operations.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Recurring Fair Value

The following table displays the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. Refer to Note 25 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

(\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
December 31, 2012				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 555	\$ 42	\$ —	\$ 597
Corporate debt	—	76	—	76
Other	—	327	—	327
Other assets				
Derivative assets:				
Interest rate contracts	—	22	9	31
Total assets	\$ 555	\$ 467	\$ 9	\$ 1,031
Liabilities				
Accrued expenses and other liabilities:				
Derivative liabilities				
Interest rate contracts	\$ —	\$ 24	\$ 11	\$ 35
Foreign currency contracts	—	1	18	19
Total liabilities	\$ —	\$ 25	\$ 29	\$ 54
December 31, 2011				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	\$ 171	\$ 15	\$ —	\$ 186
Other assets				
Interest retained in financial asset sales	—	—	66	66
Total assets	\$ 171	\$ 15	\$ 66	\$ 252

3. Insurance Premiums and Service Revenue Earned

The following table is a summary of insurance premiums and service revenue written and earned.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Written	Earned	Written	Earned	Written	Earned
Insurance premiums						
Direct	\$ 332	\$ 335	\$ 342	\$ 309	\$ 330	\$ 308
Assumed	44	49	38	76	210	281
Gross insurance premiums	376	384	380	385	540	589
Ceded	(141)	(109)	(129)	(126)	(229)	(228)
Net insurance premiums	235	275	251	259	311	361
Service revenue	826	780	788	894	718	981
Insurance premiums and service revenue written and earned	\$ 1,061	\$ 1,055	\$ 1,039	\$ 1,153	\$ 1,029	\$ 1,342

Notes to Consolidated Financial Statements

Ally Financial Inc.

4. Other Income, Net of Losses

Details of other income, net of losses, were as follows.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Mortgage processing fees and other mortgage income	\$ 475	\$ 236	\$ 223
Late charges and other administrative fees	83	82	92
Remarketing fees	63	96	126
Securitization income	45	199	16
Fair value adjustment on derivatives (a)	(30)	(125)	(189)
Other, net	101	133	193
Total other income, net of losses	\$ 737	\$ 621	\$ 461

(a) Refer to Note 22 for a description of derivative instruments and hedging activities.

5. Other Operating Expenses

Details of other operating expenses were as follows.

Year ended December 31, (<i>\$ in millions</i>)	2012	2011	2010
Insurance commissions	382	431	510
Lease and loan administration	325	201	181
Technology and communications	317	342	320
Mortgage representation and warranty obligation, net	171	—	—
Professional services	149	171	168
Advertising and marketing	145	150	136
Regulatory and licensing fees	118	124	113
Premises and equipment depreciation	76	70	58
Vehicle remarketing and repossession	52	84	123
Occupancy	50	47	53
State and local non-income taxes	14	46	38
Other	263	317	323
Total other operating expenses	\$ 2,062	\$ 1,983	\$ 2,023

Notes to Consolidated Financial Statements

Ally Financial Inc.

6. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale securities were as follows.

December 31, (\$ in millions)	2012				2011			
	Amortized cost	Gross unrealized		Fair value	Amortized cost	Gross unrealized		Fair value
		gains	losses			gains	losses	
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 2,212	\$ 3	\$ (1)	\$ 2,214	\$ 1,535	\$ 13	\$ (2)	\$ 1,546
U.S. states and political subdivisions	—	—	—	—	1	—	—	1
Foreign government	295	8	—	303	765	20	(1)	784
Mortgage-backed residential (a)	6,779	130	(3)	6,906	7,266	87	(41)	7,312
Asset-backed	2,309	32	(1)	2,340	2,600	28	(13)	2,615
Corporate debt	1,209	57	(3)	1,263	1,486	23	(18)	1,491
Other	—	—	—	—	326	1	—	327
Total debt securities	12,804	230	(8)	13,026	13,979	172	(75)	14,076
Equity securities	1,193	32	(73)	1,152	1,188	25	(154)	1,059
Total available-for-sale securities (b)	\$ 13,997	\$ 262	\$ (81)	\$ 14,178	\$ 15,167	\$ 197	\$ (229)	\$ 15,135

(a) Residential mortgage-backed securities include agency-backed bonds totaling \$4,983 million and \$6,114 million at December 31, 2012, and December 31, 2011, 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 \$16 million at December 31, 2012, and December 31, 2011, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

(\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2012										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 2,214	0.9%	\$ 422	—%	\$ 682	0.7%	\$ 1,110	1.4%	\$ —	—%
Foreign government	303	2.5	1	2.2	136	1.8	166	3.0	—	—
Mortgage-backed residential	6,906	2.7	—	—	—	—	35	4.3	6,871	2.7
Asset-backed	2,340	2.1	—	—	1,543	2.0	510	1.7	287	3.3
Corporate debt	1,263	5.1	9	3.2	560	4.0	596	6.0	98	5.8
Total available-for-sale debt securities	\$ 13,026	2.4	\$ 432	0.1	\$ 2,921	2.0	\$ 2,417	2.6	\$ 7,256	2.6
Amortized cost of available-for-sale debt securities	\$ 12,804		\$ 431		\$ 2,880		\$ 2,369		\$ 7,124	
December 31, 2011										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 1,546	0.9%	\$ 231	—%	\$ 1,202	0.9%	\$ 113	2.2%	\$ —	—%
U.S. states and political subdivisions	1	5.4	—	—	—	—	—	—	1	5.4
Foreign government	784	4.4	77	7.7	506	4.3	201	3.3	—	—
Mortgage-backed residential	7,312	2.5	3	4.8	2	6.3	189	2.6	7,118	2.5
Asset-backed	2,615	2.1	—	—	1,599	1.9	574	1.9	442	3.2
Corporate debt	1,491	4.9	19	4.9	741	4.4	606	5.6	125	4.7
Other	327	1.4	316	1.3	—	—	11	4.6	—	—
Total available-for-sale debt securities	\$ 14,076	2.6	\$ 646	1.7	\$ 4,050	2.4	\$ 1,694	3.5	\$ 7,686	2.6
Amortized cost of available-for-sale debt securities	\$ 13,979		\$ 644		\$ 4,026		\$ 1,678		\$ 7,631	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

The balances of cash equivalents were \$3.4 billion and \$5.6 billion at December 31, 2012, and December 31, 2011, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

Year ended December 31, (\$ in millions)	2012	2011	2010
Gross realized gains	\$ 241	\$ 297	\$ 536
Gross realized losses	(34)	(28)	(34)
Other-than-temporary impairment	(61)	(11)	(1)
Net realized gains	\$ 146	\$ 258	\$ 501

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table presents interest and dividends on available-for-sale securities.

Year ended December 31, (\$ in millions)	2012	2011	2010
Taxable interest	\$ 262	\$ 325	\$ 293
Taxable dividends	30	25	17
Interest and dividends exempt from U.S. federal income tax	—	—	10
Interest and dividends on available-for-sale securities	\$ 292	\$ 350	\$ 320

Certain available-for-sale securities were sold at a loss in 2012, 2011, and 2010 as a result of market conditions within these respective periods (e.g., a downgrade in the rating of a debt security). The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of December 31, 2012, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of December 31, 2012, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at December 31, 2012. Refer to Note 1 for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

December 31, (\$ in millions)	2012				2011			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss						
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 244	\$ (1)	\$ —	\$ —	\$ 179	\$ (2)	\$ —	\$ —
Foreign government	11	—	—	—	197	(1)	—	—
Mortgage-backed residential	493	(2)	23	(1)	2,302	(39)	45	(2)
Asset-backed	143	(1)	1	—	994	(13)	1	—
Corporate debt	120	(2)	15	(1)	444	(16)	30	(2)
Total temporarily impaired debt securities	1,011	(6)	39	(2)	4,116	(71)	76	(4)
Temporarily impaired equity securities	380	(39)	218	(34)	770	(148)	18	(6)
Total temporarily impaired available-for-sale securities	\$ 1,391	\$ (45)	\$ 257	\$ (36)	\$ 4,886	\$ (219)	\$ 94	\$ (10)

7. Loans Held-for-Sale, Net

The composition of loans held-for-sale, net, was as follows.

December 31, (\$ in millions)	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ —	\$ —	\$ —	\$ 425	\$ —	\$ 425
Consumer mortgage						
1st Mortgage	2,490	—	2,490	7,360	12	7,372
Home equity	—	—	—	740	—	740
Total consumer mortgage (a)	2,490	—	2,490	8,100	12	8,112
Commercial and industrial						
Other	86	—	86	20	—	20
Total loans held-for-sale (b)	\$ 2,576	\$ —	\$ 2,576	\$ 8,545	\$ 12	\$ 8,557

(a) Fair value option-elected domestic consumer mortgages were \$2.5 billion and \$3.9 billion at December 31, 2012, and December 31, 2011, respectively. Refer to Note 25 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized premiums of \$26 million at December 31, 2012, and net unamortized discounts of \$221 million at December 31, 2011.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table summarizes held-for-sale mortgage loans reported at carrying value by higher-risk loan type.

December 31, (\$ in millions)	2012		2011	
High original loan-to-value (greater than 100%) mortgage loans	\$	378	\$	423
Payment-option adjustable-rate mortgage loans		—		12
Interest-only mortgage loans		10		298
Below-market rate (teaser) mortgages		—		169
Total higher-risk mortgage loans held-for-sale	\$	388	\$	902

8. Finance Receivables and Loans, Net

The composition of finance receivables and loans, net, reported at carrying value before allowance for loan losses was as follows.

December 31, (\$ in millions)	2012			2011		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	\$ 53,713	\$ 2	\$ 53,715	\$ 46,576	\$ 16,883	\$ 63,459
Consumer mortgage						
1st Mortgage	7,173	—	7,173	6,867	24	6,891
Home equity	2,648	—	2,648	3,102	—	3,102
Total consumer mortgage	9,821	—	9,821	9,969	24	9,993
Commercial						
Commercial and industrial						
Automobile	30,270	—	30,270	26,552	8,265	34,817
Mortgage	—	—	—	1,887	24	1,911
Other	2,679	18	2,697	1,178	63	1,241
Commercial real estate						
Automobile	2,552	—	2,552	2,331	154	2,485
Mortgage	—	—	—	—	14	14
Total commercial	35,501	18	35,519	31,948	8,520	40,468
Loans at fair value (a)	—	—	—	603	232	835
Total finance receivables and loans (b)	\$ 99,035	\$ 20	\$ 99,055	\$ 89,096	\$ 25,659	\$ 114,755

(a) Includes domestic consumer mortgages at fair value as a result of fair value option election. Refer to Note 25 for additional information.

(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$895 million and \$2.9 billion at December 31, 2012, and December 31, 2011, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans.

<i>(\$ in millions)</i>	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 221	\$ 1,503
Charge-offs				
Domestic	(438)	(149)	(8)	(595)
Foreign	(178)	—	(3)	(181)
Total charge-offs	(616)	(149)	(11)	(776)
Recoveries				
Domestic	171	11	11	193
Foreign	76	—	33	109
Total recoveries	247	11	44	302
Net charge-offs	(369)	(138)	33	(474)
Provision for loan losses	257	86	(14)	329
Other (a)	(79)	(12)	(97)	(188)
Allowance at December 31, 2012	\$ 575	\$ 452	\$ 143	\$ 1,170
Allowance for loan losses				
Individually evaluated for impairment	\$ 16	\$ 186	\$ 26	\$ 228
Collectively evaluated for impairment	556	266	117	939
Loans acquired with deteriorated credit quality	3	—	—	3
Finance receivables and loans at historical cost				
Ending balance	53,715	9,821	35,519	99,055
Individually evaluated for impairment	260	873	1,538	2,671
Collectively evaluated for impairment	53,425	8,948	33,981	96,354
Loans acquired with deteriorated credit quality	30	—	—	30

(a) Includes provision for loan losses relating to discontinued operations of \$65 million.

Notes to Consolidated Financial Statements

Ally Financial Inc.

<i>(\$ in millions)</i>	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2011	\$ 970	\$ 580	\$ 323	\$ 1,873
Charge-offs				
Domestic	(435)	(205)	(27)	(667)
Foreign	(145)	(5)	(63)	(213)
Total charge-offs	(580)	(210)	(90)	(880)
Recoveries				
Domestic	186	16	25	227
Foreign	73	1	26	100
Total recoveries	259	17	51	327
Net charge-offs	(321)	(193)	(39)	(553)
Provision for loan losses	102	126	(67)	161
Other (a)	15	3	4	22
Allowance at December 31, 2011	\$ 766	\$ 516	\$ 221	\$ 1,503
Allowance for loan losses				
Individually evaluated for impairment	\$ 7	\$ 172	\$ 61	\$ 240
Collectively evaluated for impairment	749	344	160	1,253
Loans acquired with deteriorated credit quality	10	—	—	10
Finance receivables and loans at historical cost				
Ending balance	63,459	9,993	40,468	113,920
Individually evaluated for impairment	69	606	464	1,139
Collectively evaluated for impairment	63,302	9,387	40,004	112,693
Loans acquired with deteriorated credit quality	88	—	—	88

(a) Includes provision for loan losses relating to discontinued operations of \$58 million.

The following table presents information about significant sales of finance receivables and loans recorded at historical cost and transfers of finance receivables and loans from held-for-investment to held-for-sale.

December 31, (<i>\$ in millions</i>)	2012	2011
Consumer automobile	\$ 1,960	\$ 3,279
Consumer mortgage	40	107
Commercial	96	34
Total sales and transfers	\$ 2,096	\$ 3,420

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table presents an analysis of our past due finance receivables and loans, net, recorded at historical cost reported at carrying value before allowance for loan losses.

December 31, (\$ 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
2012						
Consumer automobile	\$ 920	\$ 213	\$ 138	\$ 1,271	\$ 52,444	\$ 53,715
Consumer mortgage						
1st Mortgage	66	37	156	259	6,914	7,173
Home equity	15	6	18	39	2,609	2,648
Total consumer mortgage	81	43	174	298	9,523	9,821
Commercial						
Commercial and industrial						
Automobile	—	—	16	16	30,254	30,270
Mortgage	—	—	—	—	—	—
Other	—	—	1	1	2,696	2,697
Commercial real estate						
Automobile	—	—	8	8	2,544	2,552
Mortgage	—	—	—	—	—	—
Total commercial	—	—	25	25	35,494	35,519
Total consumer and commercial	\$ 1,001	\$ 256	\$ 337	\$ 1,594	\$ 97,461	\$ 99,055
2011						
Consumer automobile	\$ 802	\$ 162	\$ 179	\$ 1,143	\$ 62,316	\$ 63,459
Consumer mortgage						
1st Mortgage	91	35	162	288	6,603	6,891
Home equity	21	11	18	50	3,052	3,102
Total consumer mortgage	112	46	180	338	9,655	9,993
Commercial						
Commercial and industrial						
Automobile	—	1	126	127	34,690	34,817
Mortgage	—	—	—	—	1,911	1,911
Other	—	—	1	1	1,240	1,241
Commercial real estate						
Automobile	2	1	34	37	2,448	2,485
Mortgage	—	2	12	14	—	14
Total commercial	2	4	173	179	40,289	40,468
Total consumer and commercial	\$ 916	\$ 212	\$ 532	\$ 1,660	\$ 112,260	\$ 113,920

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table presents the carrying value before allowance for loan losses of our finance receivables and loans recorded at historical cost on nonaccrual status.

December 31, (\$ in millions)	2012	2011
Consumer automobile	\$ 260	\$ 228
Consumer mortgage		
1st Mortgage	342	281
Home equity	40	58
Total consumer mortgage	382	339
Commercial		
Commercial and industrial		
Automobile	146	223
Mortgage	—	—
Other	33	37
Commercial real estate		
Automobile	37	67
Mortgage	—	12
Total commercial	216	339
Total consumer and commercial finance receivables and loans	\$ 858	\$ 906

Management performs a quarterly analysis of the consumer automobile, consumer mortgage, and commercial portfolios using a range of credit quality indicators to assess the adequacy of the allowance based on historical and current trends. The tables below present the population of loans by quality indicators for our consumer automobile, consumer mortgage, and commercial portfolios.

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 for additional information.

December 31, (\$ in millions)	2012			2011		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	\$ 53,455	\$ 260	\$ 53,715	\$ 63,231	\$ 228	\$ 63,459
Consumer mortgage						
1st Mortgage	6,831	342	7,173	6,610	281	6,891
Home equity	2,608	40	2,648	3,044	58	3,102
Total consumer mortgage	\$ 9,439	\$ 382	\$ 9,821	\$ 9,654	\$ 339	\$ 9,993

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

December 31, (\$ in millions)	2012			2011		
	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	\$ 28,978	\$ 1,292	\$ 30,270	\$ 32,464	\$ 2,353	\$ 34,817
Mortgage	—	—	—	1,760	151	1,911
Other	2,417	280	2,697	883	358	1,241
Commercial real estate						
Automobile	2,440	112	2,552	2,305	180	2,485
Mortgage	—	—	—	—	14	14
Total commercial	\$ 33,835	\$ 1,684	\$ 35,519	\$ 37,412	\$ 3,056	\$ 40,468

(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.

Notes to Consolidated Financial Statements

Ally Financial Inc.

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.

The following table presents information about our impaired finance receivables and loans recorded at historical cost.

December 31, (\$ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
2012					
Consumer automobile	\$ 260	\$ 260	\$ 90	\$ 170	\$ 16
Consumer mortgage					
1st Mortgage	811	725	123	602	137
Home equity	147	148	1	147	49
Total consumer mortgage	958	873	124	749	186
Commercial					
Commercial and industrial					
Automobile	146	146	54	92	7
Mortgage	—	—	—	—	—
Other	33	33	9	24	7
Commercial real estate					
Automobile	37	37	9	28	12
Mortgage	—	—	—	—	—
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	\$ 1,434	\$ 1,349	\$ 286	\$ 1,063	\$ 228
2011					
Consumer automobile	\$ 69	\$ 69	\$ —	\$ 69	\$ 7
Consumer mortgage					
1st Mortgage	516	508	83	425	126
Home equity	97	98	—	98	46
Total consumer mortgage	613	606	83	523	172
Commercial					
Commercial and industrial					
Automobile	222	222	64	158	22
Mortgage	—	—	—	—	—
Other	37	37	25	12	5
Commercial real estate					
Automobile	68	68	32	36	18
Mortgage	12	12	1	11	5
Total commercial	339	339	122	217	50
Total consumer and commercial finance receivables and loans	\$ 1,021	\$ 1,014	\$ 205	\$ 809	\$ 229

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following tables present average balance and interest income for our impaired finance receivables and loans.

Year ended December 31, (\$ in millions)	2012		2011		2010	
	Average balance	Interest income	Average balance	Interest income	Average balance	Interest income
Consumer automobile	\$ 131	\$ 12	\$ 35	\$ 2	\$ —	\$ —
Consumer mortgage						
1st Mortgage	598	24	463	18	405	15
Home equity	95	4	90	4	79	4
Total consumer mortgage	693	28	553	22	484	19
Commercial						
Commercial and industrial						
Automobile	178	8	303	19	335	13
Mortgage	5	—	19	6	53	2
Other	32	6	84	1	650	6
Commercial real estate						
Automobile	64	1	126	7	275	3
Mortgage	6	—	40	1	137	6
Total commercial	285	15	572	34	1,450	30
Total consumer and commercial finance receivables and loans	\$ 1,109	\$ 55	\$ 1,160	\$ 58	\$ 1,934	\$ 49

Troubled Debt Restructurings

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives, such as the Home Affordable Modification Program (HAMP) are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we offer several types of assistance to aid our customers including changing the maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were \$1.2 billion at December 31, 2012, reflecting an increase of \$441 million from December 31, 2011. Refer to Note 1 for additional information.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table presents information related to finance receivables and loans recorded at historical cost modified in connection with a troubled debt restructuring during the period.

Year ended December 31, (\$ in millions)	2012 (a)			2011		
	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	36,285	\$ 407	\$ 295	6,411	\$ 85	\$ 85
Consumer mortgage						
1st Mortgage	1,664	412	327	375	133	132
Home equity	1,305	24	23	888	51	47
Total consumer mortgage	2,969	436	350	1,263	184	179
Commercial						
Commercial and industrial						
Automobile	9	15	15	2	5	5
Mortgage	—	—	—	1	38	28
Other	—	—	—	2	11	10
Commercial real estate						
Automobile	8	14	13	5	12	11
Mortgage	—	—	—	2	4	3
Total commercial	17	29	28	12	70	57
Total consumer and commercial finance receivables and loans	39,271	\$ 872	\$ 673	7,686	\$ 339	\$ 321

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

The following table presents information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a troubled debt restructuring. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 for additional information) except for commercial finance receivables and loans where redefault is defined as 90 days past due.

Year ended December 31, (\$ in millions)	2012 (a)			2011		
	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	2,290	\$ 26	\$ 12	420	\$ 4	\$ 2
Consumer mortgage						
1st Mortgage	112	16	1	11	2	—
Home equity	41	3	2	28	2	1
Total consumer mortgage	153	19	3	39	4	1
Commercial						
Commercial and industrial						
Automobile	4	3	—	1	3	—
Commercial real estate						
Automobile	3	3	—	—	—	—
Total commercial	7	6	—	1	3	—
Total consumer and commercial finance receivables and loans	2,450	\$ 51	\$ 15	460	\$ 11	\$ 3

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

At December 31, 2012, and December 31, 2011, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were \$25 million and \$45 million, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Concentration Risk

Consumer

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represent an aggregate of 21.0% of our total outstanding consumer loans at December 31, 2012.

Concentrations in our mortgage portfolio are closely monitored given the volatility of the housing markets. Our consumer mortgage loan concentrations in California, Florida, and Michigan receive particular attention as the real estate value depreciation in these states has been the most severe.

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by state and foreign concentration.

December 31,	2012 (a)		2011	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	12.9%	5.8%	9.5%	5.5%
California	5.6	29.2	4.6	25.7
Florida	6.7	3.6	4.8	4.0
Michigan	5.0	4.1	4.0	4.8
Pennsylvania	5.2	1.6	3.6	1.6
Illinois	4.3	4.8	3.1	5.0
New York	4.6	2.0	3.5	2.3
Ohio	4.0	0.8	2.9	1.0
Georgia	3.7	1.9	2.5	1.8
North Carolina	3.3	2.0	2.2	2.1
Other United States	44.7	44.2	32.9	45.9
Foreign (b)	—	—	26.4	0.3
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2012.

(b) Foreign consumer finance receivables and loans as of December 31, 2012, was \$2 million. These remaining foreign balances are within Finland and the Czech Republic.

Consumer Higher-Risk Mortgage

The following table summarizes held-for-investment mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses by higher-risk loan type.

December 31, (\$ in millions)	2012	2011
Interest-only mortgage loans (a)	\$ 2,063	\$ 2,947
Below-market rate (teaser) mortgages	192	248
Total higher-risk mortgage finance receivables and loans	\$ 2,255	\$ 3,195

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table presents our five largest state concentrations within our held-for-investment mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses by higher-risk loan type.

December 31, (\$ in millions)	Interest-only mortgage loans	Below-market rate (teaser) mortgages	Total higher-risk mortgage loans
2012			
California	\$ 500	\$ 60	\$ 560
Virginia	216	9	225
Maryland	166	5	171
Illinois	107	6	113
Michigan	106	5	111
Other United States	968	107	1,075
Total higher-risk mortgage loans	\$ 2,063	\$ 192	\$ 2,255
2011			
California	\$ 748	\$ 78	\$ 826
Virginia	274	10	284
Maryland	217	6	223
Illinois	153	8	161
Michigan	199	9	208
Other United States	1,356	137	1,493
Total higher-risk mortgage loans	\$ 2,947	\$ 248	\$ 3,195

Commercial Real Estate

The commercial real estate portfolio consists of loans issued primarily to automotive dealers. The following table shows the percentage of total commercial real estate finance receivables and loans reported at carrying value before allowance for loan losses by geographic region and property type.

December 31,	2012	2011
Geographic region		
Texas	13.0%	12.4%
Michigan	12.6	14.1
Florida	11.7	12.4
California	9.3	9.3
New York	4.9	3.5
Virginia	3.9	4.1
North Carolina	3.9	2.1
Pennsylvania	3.3	2.9
Georgia	3.0	2.5
Tennessee	2.3	1.8
Other United States	32.1	28.3
Foreign	—	6.6
Total commercial real estate finance receivables and loans	100.0%	100.0%
Property type		
Automotive dealers	100.0%	99.4%
Other	—	0.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

Notes to Consolidated Financial Statements

Ally Financial Inc.

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed as criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. The following table presents the percentage of total commercial criticized finance receivables and loans reported at carrying value before allowance for loan losses by industry concentrations.

December 31,	2012	2011
Industry		
Automotive	85.7%	82.9%
Manufacturing	5.5	1.8
Services	4.9	1.9
Other	3.9	13.4
Total commercial criticized finance receivables and loans	100.0%	100.0%

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

December 31, (\$ in millions)	2012	2011
Vehicles and other equipment	\$ 16,009	\$ 11,160
Accumulated depreciation	(2,459)	(1,885)
Investment in operating leases, net	\$ 13,550	\$ 9,275

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.

Year ended December 31, (\$ in millions)	2012	2011	2010
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 1,515	\$ 1,158	\$ 1,806
Remarketing gains	(116)	(217)	(555)
Depreciation expense on operating lease assets	\$ 1,399	\$ 941	\$ 1,251

The following table presents the future lease nonresidual rental payments due from customers for equipment on operating leases.

Year ended December 31, (\$ in millions)	
2013	\$ 2,573
2014	1,705
2015	618
2016	27
2017 and after	—
Total	\$ 4,923

10. Securitizations and Variable Interest Entities

Overview

We are involved in several types of securitization and financing transactions that utilize special-purpose entities (SPEs). A SPE is an entity that is designed to fulfill a specified limited need of the sponsor. Our principal use of SPEs is to obtain liquidity and favorable capital treatment by securitizing certain of our financial assets.

The SPEs involved in securitization and other financing transactions are generally considered variable interest entities (VIEs). VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. Due to the deconsolidation of ResCap, our mortgage securitization activity and involvement with certain mortgage-related VIEs has substantially changed. Refer to Note 1 for additional information related to ResCap.

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, other commercial loans, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Consolidated Balance Sheet. We securitize consumer

Notes to Consolidated Financial Statements

Ally Financial Inc.

and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We previously securitized consumer mortgage loans through private-label mortgage securitizations and through transactions involving the Government National Mortgage Association (Ginnie Mae). We refer to Fannie Mae, Freddie Mac, and Ginnie Mae collectively as the Government-Sponsored Enterprises or GSEs. During 2012 and 2011, our consumer mortgage loans were primarily securitized through the GSEs.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred loans and entitle the investors to specified cash flows generated from the securitized loans. In addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, making certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and previously master servicing (i.e., servicing the beneficial interests that result from the securitization transactions). Certain securitization entities also require the servicer to advance scheduled principal and interest payments due on the beneficial interests issued by the entity regardless of whether cash payments are received on the underlying transferred financial assets. Accordingly, we are required to provide these servicing advances when applicable. Refer to Note 11 for additional information regarding our servicing rights.

The GSEs provide a guarantee of the payment of principal and interest on the beneficial interests issued in securitizations. In private-label securitizations, cash flows from the assets initially transferred into the securitization entity represent the sole source for payment of distributions on the beneficial interests issued by the securitization entity and for payments to the parties that perform services for the securitization entity, such as the servicer or the trustee. In certain private-label securitization transactions, a liquidity facility may exist to provide temporary liquidity to the entity. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. In previous certain private-label securitizations, monoline insurance may have existed to cover certain shortfalls to certain investors in the beneficial interests issued by the securitization entity. As noted above, in certain private-label securitizations, the servicer is required to advance scheduled principal and interest payments due on the beneficial interests regardless of whether cash payments are received on the underlying transferred financial assets. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain private-label securitization transactions may have previously allowed for the acquisition of additional loans subsequent to the initial loan transfer. Principal collections on other loans and/or the issuance of new beneficial interests, such as variable funding notes, generally funded those loans; we were often contractually required to invest in these new interests.

We may have retained beneficial interests in our private-label securitizations, which may have represented a form of significant continuing economic interest. These retained interests included, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provided credit enhancement to the trust as they may have absorbed credit losses or other cash shortfalls. Additionally, the securitization agreements may have required cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not have been performance-driven.

We generally hold certain conditional repurchase options specific to private label securitizations that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control are met. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have complete discretion regarding when or if we will exercise these options, but we would do so only when it is in our best interest.

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 29 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during 2012 or 2011.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Other Variable Interest Entities

Servicer Advance Funding Entity

We previously assisted in the financing of our servicer advance receivables; we formed a VIE that issued variable funding notes to third-party investors that were collateralized by servicer advance receivables. These servicer advance receivables were transferred to the VIE and consisted of delinquent principal and interest advances we made as servicer to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The VIE funded the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our mortgage activities. This VIE was not consolidated on our balance sheet at December 31, 2012 as a result of the deconsolidation of ResCap, but was consolidated on our balance sheet at December 31, 2011. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during 2012 or 2011.

Other

We had involvements with various other on-balance sheet, immaterial VIEs. Most of these VIEs were used for additional liquidity whereby we sold certain financial assets into the VIE and issued beneficial interests to third parties for cash.

We also provide long-term guarantee contracts to investors in certain nonconsolidated affordable housing entities and have extended a line of credit to provide liquidity and minimize our exposure under these contracts. Since we do not have control over the entities or the power to make decisions, we do not consolidate the entities and our involvement is limited to the guarantee and the line of credit.

Involvement with Variable Interest Entities

The determination of whether financial assets transferred by us to these VIEs (and related liabilities) are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the VIE. We are deemed the primary beneficiary and therefore consolidate VIEs for which we have both (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Our involvement with consolidated and nonconsolidated VIEs in which we hold variable interests is presented below.

December 31, (\$ in millions)	Consolidated involvement with VIEs (a)	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs
2012			
On-balance sheet variable interest entities			
Consumer automobile	\$ 28,566		
Commercial automobile	23,139		
Commercial other	728		
Off-balance sheet variable interest entities			
Consumer automobile	—	\$ 1,495	\$ 1,495 (b)
Consumer mortgage — other	—	— (c)	12 (d)
Commercial other	(28) (e)	— (f)	85
Total	\$ 52,405	\$ 1,495	\$ 1,592
2011			
On-balance sheet variable interest entities			
Consumer automobile	\$ 26,504		
Consumer mortgage — private-label	1,098		
Commercial automobile	19,594		
Other	956		
Off-balance sheet variable interest entities			
Consumer mortgage — Ginnie Mae	2,652 (g)	\$ 44,127	\$ 44,127 (b)
Consumer mortgage — CMHC	66 (g)	3,222	66 (h)
Consumer mortgage — private-label	141 (g)	4,408	4,408 (b)
Consumer mortgage — other	—	— (c)	17 (d)
Commercial other	83 (e)	— (f)	242
Total	\$ 51,094	\$ 51,757	\$ 48,860

(a) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.

(b) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.

(c) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE. However, in March 2011 we sold excess servicing rights valued at \$266 million to the VIE.

(d) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.

(e) Includes \$0 million and \$100 million classified as finance receivables and loans, net, and \$0 million and \$20 million classified as other assets, offset by \$28 million and \$37 million classified as accrued expenses and other liabilities at December 31, 2012, and December 31, 2011, respectively.

(f) Includes VIEs for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs.

(g) Includes \$0 billion and \$2.4 billion classified as mortgage loans held-for-sale, \$0 million and \$92 million classified as trading securities or other assets, and \$0 million and \$386 million classified as mortgage servicing rights at December 31, 2012, and December 31, 2011, respectively. CMHC is the Canada Mortgage and Housing Corporation.

(h) Due to combination of the credit loss insurance on the mortgages and the guarantee by CMHC on the issued securities, the maximum exposure to loss would be limited to the amount of the retained interests. Additionally, the maximum loss would occur only in the event that CMHC dismisses us as servicer of the loans due to servicer performance or insolvency.

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Consolidated Balance Sheet.

Notes to Consolidated Financial Statements

Ally Financial Inc.

We consolidated certain of these entities because we had a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant variable interest in the VIE. We are generally the primary beneficiary of automobile securitization entities for which we perform servicing activities and have retained a significant variable interest in the form of a beneficial interest. We were previously the primary beneficiary of certain mortgage private-label securitization entities.

The consolidated VIEs included in the Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 25 for discussion of the assets and liabilities for which the fair value option has been elected.

December 31, (\$ in millions)	2012	2011
Assets		
Loans held-for-sale, net	\$ —	\$ 9
Finance receivables and loans, net		
Consumer	13,671	21,622
Commercial	17,839	19,313
Allowance for loan losses	(144)	(210)
Total finance receivables and loans, net	31,366	40,725
Investment in operating leases, net	6,060	4,389
Other assets	2,868	3,029
Assets of operations held-for-sale	12,139	—
Total assets	\$ 52,433	\$ 48,152
Liabilities		
Short-term borrowings	\$ 400	\$ 795
Long-term debt	26,461	33,143
Interest payable	1	14
Accrued expenses and other liabilities	16	405
Liabilities of operations held-for-sale	9,686	—
Total liabilities	\$ 36,564	\$ 34,357

Off-balance Sheet Variable Interest Entities

The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. The cash flows from the assets of nonconsolidated securitization entities generally are the sole source of payment on the securitization entities' liabilities. The creditors of these securitization entities have no recourse to us with the exception of market customary representation and warranty provisions as described in Note 29.

Nonconsolidated VIEs include entities for which we either do not hold potentially significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet the sale accounting conditions in ASC 860, *Transfers and Servicing*. Previously, our residential mortgage loan securitizations consisted of Ginnie Mae and private-label securitizations. We are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Previously, we did not consolidate certain private-label mortgage securitizations because we did not have a variable interest that could potentially have been significant or we did not have power to direct the activities that most significantly impacted the performance of the VIE.

For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. As an accounting policy election, we elected fair value treatment for our mortgage servicing rights (MSR) portfolio. Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following summarizes all pretax gains and losses recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities.

Year ended December 31, (\$ in millions)	2012	2011	2010
Consumer automobile	\$ 6	\$ —	\$ —
Consumer mortgage — GSEs	629	131	346
Consumer mortgage — private-label	—	—	—
Total pretax gain	\$ 635	\$ 131	\$ 346

The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding in 2012, 2011, and 2010. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Year ended December 31, (\$ in millions)	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
2012			
Cash proceeds from transfers completed during the period	\$ 1,979	\$ 32,796	\$ 5
Cash flows received on retained interests in securitization entities	—	—	71
Servicing fees	12	693	63
Purchases of previously transferred financial assets	—	(876)	(12)
Representations and warranties obligations	—	(108)	(7)
Other cash flows	—	(96)	255
2011			
Cash proceeds from transfers completed during the period	\$ —	\$ 59,815	\$ 722
Cash flows received on retained interests in securitization entities	—	—	68
Servicing fees	—	999	201
Purchases of previously transferred financial assets	—	(2,537)	(222)
Representations and warranties obligations	—	(143)	(38)
Other cash flows	—	(13)	187
2010			
Cash proceeds from transfers completed during the period	\$ —	\$ 68,822	\$ 1,090
Cash flows received on retained interests in securitization entities	—	—	81
Servicing fees	1	1,081	209
Purchases of previously transferred financial assets	—	(1,865)	(282)
Representations and warranties obligations	—	(389)	(18)
Other cash flows	(6)	(39)	(22)

Notes to Consolidated Financial Statements

Ally Financial Inc.

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 table presents quantitative information about delinquencies and net credit losses. Refer to Note 11 for further detail on total serviced assets.

December 31, (\$ in millions)	Total Amount		Amount 60 days or more past due		Net credit losses	
	2012	2011	2012	2011	2012	2011
On-balance sheet loans						
Consumer automobile	\$ 53,715	\$ 63,884	\$ 351	\$ 341	\$ 369	\$ 321
Consumer mortgage (a)	12,311	18,940	241	3,242	8	150
Commercial automobile	32,822	37,302	24	162	(1)	13
Commercial mortgage	—	1,925	—	14	(1)	31
Commercial other	2,783	1,261	1	1	(31)	(5)
Total on-balance sheet loans	101,631	123,312	617	3,760	344	510
Off-balance sheet securitization entities						
Consumer automobile	1,495	—	4	—	2	—
Consumer mortgage - GSEs (b)	119,384	262,984	1,892	9,456	n/m	n/m
Consumer mortgage-private-label	—	63,991	—	11,301	—	—
Total off-balance sheet securitization entities	120,879	326,975	1,896	20,757	2	—
Whole-loan transactions (c)	6,756	33,961	129	2,901	16	87
Total	\$ 229,266	\$ 484,248	\$ 2,642	\$ 27,418	\$ 362	\$ 597

(a) Includes loans subject to conditional repurchase options of \$0 billion and \$2.3 billion guaranteed by the GSEs, and \$0 million and \$132 million sold to certain private-label mortgage securitization entities at December 31, 2012, and 2011, respectively.

(b) Anticipated credit losses are not meaningful due to the GSE guarantees.

(c) Whole-loan transactions are not part of a securitization transaction, but represent consumer automobile and consumer mortgage pools of loans sold to third-party investors.

11. Servicing Activities Mortgage Servicing Rights

The following table summarizes activity related to MSRs, which are carried at fair value. As there are limited MSR market transactions that are directly observable, management estimates fair value using internally developed discounted cash flow models (an income approach) to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset.

Year ended December 31, (\$ in millions)	2012 (a)	2011
Estimated fair value at January 1,	\$ 2,519	\$ 3,738
Additions recognized on sale of mortgage loans	240	622
Additions from purchases of servicing rights	—	31
Subtractions from sales of servicing assets	—	(266)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(282)	(1,041)
Other changes in fair value	(395)	(565)
Deconsolidation of ResCap	(1,130)	—
Estimated fair value at December 31,	\$ 952	\$ 2,519

(a) The remaining balance is at Ally Bank, due to the deconsolidation of ResCap. Ally Bank announced that it has begun to explore strategic alternatives for its agency MSR portfolio.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The key economic assumptions and sensitivity of the fair value of MSR to immediate 10% and 20% adverse changes in those assumptions were as follows.

December 31, (\$ in millions)	2012	2011
Weighted average life (in years)	4.6	4.7
Weighted average prepayment speed	13.5%	15.7%
Impact on fair value of 10% adverse change	\$ (77)	\$ (135)
Impact on fair value of 20% adverse change	(144)	(257)
Weighted average discount rate	7.7%	10.2%
Impact on fair value of 10% adverse change	\$ (10)	\$ (59)
Impact on fair value of 20% adverse change	(19)	(114)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rates and prepayment risks associated with these assets.

Risk Mitigation Activities

The primary risk of our servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSR. We economically hedge the impact of these risks with both derivative and nonderivative financial instruments. Refer to Note 22 for additional information regarding the derivative financial instruments used to economically hedge MSR.

The components of servicing valuation and hedge activities, net, were as follows.

Year ended December 31, (\$ in millions)	2012	2011	2010
Change in estimated fair value of mortgage servicing rights	\$ (560)	\$ (793)	\$ (147)
Change in fair value of derivative financial instruments	556	359	(470)
Servicing asset valuation and hedge activities, net	\$ (4)	\$ (434)	\$ (617)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

Year ended December 31, (\$ in millions)	2012	2011	2010
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 281	\$ 344	\$ 277
Late fees	7	9	7
Ancillary fees	12	12	11
Total mortgage servicing fees	\$ 300	\$ 365	\$ 295

Mortgage Servicing Advances

In connection with our primary Mortgage servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances including contractual interest, are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property. These servicing advances are included in other assets on the Consolidated Balance Sheet and totaled \$82 million and \$1.9 billion at December 31, 2012 and 2011, respectively. We maintain an allowance for uncollected primary servicing advances of \$1 million and \$43 million at December 31, 2012 and 2011, respectively. Our potential obligation is influenced by the loan's performance and credit quality. Additionally, we have a fiduciary responsibility for mortgage escrow and custodial funds that totaled \$0 billion and \$4.4 billion at December 31, 2012 and 2011, respectively. A portion of these balances are included in deposit liabilities on our Consolidated Balance Sheet. Refer to Note 14 for additional information.

Due to the deconsolidation of ResCap on May 14, 2012, we no longer act as a subservicer or master servicer of mortgage loans. Refer to Note 1 for more information regarding the deconsolidation. When we acted as a subservicer of mortgage loans we performed the responsibilities of a primary servicer but did not own the corresponding primary servicing rights. We received a fee from the primary servicer for such services. As the subservicer, we had the same responsibilities of a primary servicer in that we made certain payments of property

Notes to Consolidated Financial Statements

Ally Financial Inc.

taxes and insurance premiums, default and property maintenance, as well as advances of principal and interest payments before collecting them from individual borrowers. At December 31, 2011, outstanding servicer advances related to subserviced loans were \$125 million and we had a reserve for uncollected subservicer advances \$1 million.

At December 31, 2011, we were the master servicer (i.e., servicer of beneficial interests issued by mortgage securitization entities) for 467,722 loans, having an aggregate unpaid principal balance of \$61.4 billion. In many cases, where we acted as master servicer, we also acted as primary servicer. In connection with our master-servicing activities, we serviced the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages sold to investors. As the master servicer, we collected mortgage loan payments from primary servicers and distributed those funds to investors in the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. As the master servicer, we were required to advance scheduled payments to the securitization trust or whole-loan investors. To the extent the primary servicer does not advance the payments, we were responsible for advancing the payment to the trust or whole-loan investors. Master-servicing advances, including contractual interest, are priority cash flows in the event of a default, thus making their collection reasonably assured. In most cases, we were required to advance these payments to the point of liquidation of the loan or reimbursement of the trust or whole-loan investors. At December 31, 2011, outstanding master-servicing advances were \$158 million and we had no reserve for uncollected master-servicing advances.

Mortgage Serviced Assets

Total serviced mortgage assets consist of primary servicing activities. These include loans owned by Ally Bank, where Ally Bank is the primary servicer, and loans sold to third-party investors, where Ally Bank has retained primary servicing. Loans owned by Ally Bank are categorized as loans held-for-sale or finance receivables and loans which are discussed in further detail in Note 7 and Note 8, respectively. The loans sold to third-party investors were sold through off-balance sheet GSE securitization transactions.

The unpaid principal balance of our serviced mortgage assets were as follows.

December 31, (\$ in millions)	2012 (a)	2011
On-balance sheet mortgage loans		
Held-for-sale and investment	\$ 10,938	\$ 18,871
Operations held-for-sale	—	541
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
Private-label	—	50,886
GSEs	119,384	262,868
Whole-loan	2	15,105
Purchased servicing rights	—	3,247
Operations held-for-sale	—	4,912
Total primary serviced mortgage loans	130,324	356,430
Subserviced mortgage loans	—	26,358
Subserviced operations held-for-sale	—	4
Total subserviced mortgage loans	—	26,362
Master-servicing-only mortgage loans	—	8,557
Total serviced mortgage loans	\$ 130,324	\$ 391,349

(a) The remaining balances were serviced by Ally Bank, due to the deconsolidation of ResCap. Ally Bank announced that it has begun to explore strategic alternatives for its agency MSR portfolio.

Ally Bank is subject to certain net worth requirements associated with its servicing agreements with Fannie Mae and Freddie Mac. The majority of Ally Bank's serviced mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. At December 31, 2012, Ally Bank was in compliance with the requirements of the servicing agreements.

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fee income of \$ 109 million, \$160 million, and \$227 million during the years ended December 31, 2012, 2011, and 2010, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

December 31, (<i>\$ in millions</i>)	2012	2011
On-balance sheet automobile finance loans and leases		
Consumer automobile	\$ 53,715	\$ 63,884
Commercial automobile	32,822	37,302
Operating leases	13,550	9,275
Operations held-for-sale	25,979	102
Other	41	—
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	1,474	—
Whole-loan	6,541	12,318
Total serviced automobile finance loans and leases	\$ 134,122	\$ 122,881

12. Premiums Receivable and Other Insurance Assets

Premiums receivable and other insurance assets consisted of the following.

December 31, (<i>\$ in millions</i>)	2012	2011
Prepaid reinsurance premiums	\$ 236	\$ 218
Reinsurance recoverable on unpaid losses	234	321
Reinsurance recoverable on paid losses	40	54
Premiums receivable	108	288
Deferred policy acquisition costs	991	972
Total premiums receivable and other insurance assets	\$ 1,609	\$ 1,853

Notes to Consolidated Financial Statements

Ally Financial Inc.

13. Other Assets

The components of other assets were as follows.

December 31, (<i>\$ in millions</i>)	2012	2011
Property and equipment at cost	\$ 693	\$ 1,152
Accumulated depreciation	(411)	(787)
Net property and equipment	282	365
Restricted cash collections for securitization trusts (a)	2,983	1,596
Fair value of derivative contracts in receivable position	2,298	5,687
Collateral placed with counterparties	1,290	1,448
Deferred tax asset (b)	1,190	238
Restricted cash and cash equivalents	889	1,381
Other accounts receivable	525	1,110
Cash reserve deposits held-for-securitization trusts (c)	442	838
Unamortized debt issuance costs	425	612
Nonmarketable equity securities	303	419
Interests retained in financial asset sales	154	231
Accrued interest and rent receivable	147	232
Real estate and other investments	98	385
Servicer advances	92	2,142
Prepaid expenses and deposits	60	568
Goodwill	27	518
Other assets	703	971
Total other assets	\$ 11,908	\$ 18,741

(a) Represents cash collection from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.

(b) The increase in the deferred tax asset represents the release of a material portion of our U.S. valuation allowance. Refer to Note 23 for more information.

(c) Represents credit enhancement in the form of cash reserves for various securitization transactions.

The changes in the carrying amounts of goodwill for the periods shown were as follows.

<i>(\$ in millions)</i>	Automotive Finance operations	Insurance operations	Total
Goodwill at January 1, 2010	\$ 469	\$ 57	\$ 526
Transfer of assets of discontinued operations held-for-sale	(1)	(1)	(2)
Foreign-currency translation	—	1	1
Goodwill at December 31, 2010	\$ 468	\$ 57	\$ 525
Transfer of assets of discontinued operations held-for-sale	—	(4)	(4)
Foreign-currency translation	—	(3)	(3)
Goodwill at December 31, 2011	\$ 468	\$ 50	\$ 518
Transfer of assets of discontinued operations held-for-sale	(468)	(23)	(491)
Goodwill at December 31, 2012	\$ —	\$ 27	\$ 27

Notes to Consolidated Financial Statements

Ally Financial Inc.

14. Deposit Liabilities

Deposit liabilities consisted of the following.

December 31, (\$ in millions)	2012	2011
Domestic deposits		
Noninterest-bearing deposits	\$ 1,977	\$ 2,029
Interest-bearing deposits		
Savings and money market checking accounts	13,871	9,035
Certificates of deposit	31,084	28,540
Dealer deposits	983	1,769
Total domestic deposit liabilities	47,915	41,373
Foreign deposits		
Interest-bearing deposits		
Savings and money market checking accounts	—	1,408
Certificates of deposit	—	1,958
Dealer deposits	—	311
Total foreign deposit liabilities	—	3,677
Total deposit liabilities	\$ 47,915	\$ 45,050

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At December 31, 2012, and December 31, 2011, certificates of deposit included \$12.0 billion and \$10.0 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

The following table presents the scheduled maturity of total certificates of deposit.

Year ended December 31, (\$ in millions)	
2013	\$ 15,688
2014	6,133
2015	4,336
2016	3,545
2017	1,382
Total certificates of deposit	\$ 31,084

15. Short-term Borrowings

The following table presents the composition of our short-term borrowings portfolio.

December 31, (\$ in millions)	2012			2011		
	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	\$ 3,094	\$ —	\$ 3,094	\$ 2,756	\$ —	\$ 2,756
Bank loans and overdrafts	167	—	167	1,613	—	1,613
Federal Home Loan Bank	—	3,800	3,800	—	1,400	1,400
Other (b)	—	400	400	146	1,765	1,911
Total short-term borrowings	\$ 3,261	\$ 4,200	\$ 7,461	\$ 4,515	\$ 3,165	\$ 7,680
Weighted average interest rate (c)			1.0%			3.6%

(a) Refer to Note 16 for further details on assets restricted as collateral for payment of the related debt.

(b) Other primarily includes nonbank secured borrowings at our Commercial Finance Group at December 31, 2012 and Automotive Finance operations at December 31, 2011.

(c) Based on the debt outstanding and the interest rate at December 31 of each year.

Notes to Consolidated Financial Statements

Ally Financial Inc.

16. Long-term Debt

The following tables present the composition of our long-term debt portfolio.

December 31, (\$ in millions)	Amount	Interest rate	Weighted average interest rate (a)	Due date range
2012				
Senior debt				
Fixed rate (b)	\$ 28,336			
Variable rate	2,345			
Total senior debt (c)	30,681	0.38 - 10.29%	6.69%	2013 - 2049
Subordinated debt				
Fixed rate	251			
Variable rate (d)	13,451			
Total subordinated debt (e)	13,702	0.65 - 8.00%	0.92%	2013 - 2018
VIE secured debt				
Fixed rate	19,077			
Variable rate	7,384			
Total VIE secured debt	26,461	0.25 - 8.30%	1.36%	2013 - 2017
Trust preferred securities				
Fixed rate	2,623	8.13%	8.13%	2040
Fair value adjustment (f)	1,094			
Total long-term debt (g)	\$ 74,561			
2011				
Senior debt				
Fixed rate (b)	\$ 39,657			
Variable rate	3,393			
Total senior debt (c)	43,050	0.00 - 16.68%	6.15%	2012 - 2049
Subordinated debt				
Fixed rate	4,675			
Variable rate (d)	8,246			
Total subordinated debt (e)	12,921	0.76 - 17.05%	4.62%	2012 - 2031
VIE secured debt				
Fixed rate	16,538			
Variable rate	16,605			
Total VIE secured debt	33,143	0.32 - 8.30%	1.96%	2012 - 2040
Trust preferred securities				
Fixed rate	2,622	8.13%	8.13%	2040
Fair value adjustment (f)	1,149			
Total long-term debt (g)	\$ 92,885			

(a) Based on the debt outstanding and the interest rate at December 31 of each year.

(b) Includes \$0.0 billion at December 31, 2012 and \$7.4 billion at December 31, 2011, guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program.

(c) Includes secured long-term debt of \$0.0 billion at December 31, 2012 and \$4.0 billion at December 31, 2011.

(d) Includes \$13.5 billion and \$8.2 billion of debt outstanding from the Automotive secured revolving credit facilities at December 31, 2012 and 2011, respectively.

(e) Includes secured long-term debt of \$13.5 billion and \$12.7 billion at December 31, 2012 and 2011, respectively.

(f) Amount represents the hedge accounting adjustment of fixed-rate debt.

(g) Includes fair value option-elected secured long-term debt of \$0 million and \$830 million at December 31, 2012 and 2011, respectively. Refer to Note 25 for additional information.

Notes to Consolidated Financial Statements

Ally Financial Inc.

December 31, (\$ in millions)	2012			2011		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	\$ 1,070	\$ 11,503	\$ 12,573	\$ 11,664	\$ 14,521	\$ 26,185
Due after one year	31,486	29,408	60,894	30,272	35,279	65,551
Fair value adjustment	1,094	—	1,094	1,149	—	1,149
Total long-term debt	\$ 33,650	\$ 40,911	\$ 74,561	\$ 43,085	\$ 49,800	\$ 92,885

The following table presents the scheduled remaining maturity of long-term debt, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, (\$ in millions)	2013	2014	2015	2016	2017	2018 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	\$ 1,331	\$ 5,603	\$ 5,115	\$ 1,971	\$ 3,671	\$ 16,705	\$ 1,094	\$ 35,490
Original issue discount	(261)	(188)	(56)	(63)	(75)	(1,197)	—	(1,840)
Total unsecured	1,070	5,415	5,059	1,908	3,596	15,508	1,094	33,650
Secured								
Long-term debt	11,503	13,596	8,567	3,123	3,032	1,090	—	40,911
Total long-term debt	\$ 12,573	\$ 19,011	\$ 13,626	\$ 5,031	\$ 6,628	\$ 16,598	\$ 1,094	\$ 74,561

To achieve the desired balance between fixed- and variable-rate debt, we utilize interest rate swap agreements. The use of these derivative financial instruments had the effect of synthetically converting \$10.2 billion of our fixed-rate debt into variable-rate obligations and \$14.5 billion of our variable-rate debt into fixed-rate obligations at December 31, 2012.

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.

December 31, (\$ in millions)	2012		2011	
	Total	Ally Bank (a)	Total	Ally Bank (a)
Trading assets	\$ —	\$ —	\$ 27	\$ —
Investment securities	1,911	1,911	780	780
Loans held-for-sale	—	—	805	—
Mortgage assets held-for-investment and lending receivables	9,866	9,866	12,197	11,188
Consumer automobile finance receivables	29,557	14,833	33,888	17,320
Commercial automobile finance receivables	19,606	19,606	20,355	14,881
Investment in operating leases, net	6,058	1,691	4,555	431
Mortgage servicing rights	—	—	1,920	1,286
Other assets	999	272	3,973	1,816
Total assets restricted as collateral (b)	\$ 67,997	\$ 48,179	\$ 78,500	\$ 47,702
Secured debt (c)	\$ 45,111	\$ 29,162	\$ 52,965	\$ 25,533

(a) Ally Bank is a component of the total column.

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling \$12.6 billion and \$10.9 billion at December 31, 2012, and 2011, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling \$1.9 billion and \$4.3 billion at December 31, 2012, and 2011, respectively. These assets were composed of consumer mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes \$4.2 billion and \$3.2 billion of short-term borrowings at December 31, 2012, and 2011, respectively.

Trust Preferred Securities

On December 30, 2009, we entered into a Securities Purchase and Exchange Agreement with U.S. Department of Treasury (Treasury) and GMAC Capital Trust I, a Delaware statutory trust (the Trust), which is a finance subsidiary that is wholly owned by Ally. As part of the agreement, the Trust sold to Treasury 2,540,000 trust preferred securities (TRUPS) issued by the Trust with an aggregate liquidation

Notes to Consolidated Financial Statements

Ally Financial Inc.

preference of \$2.5 billion. Additionally, we issued and sold to Treasury a ten-year warrant to purchase up to 127,000 additional TRUPS with an aggregate liquidation preference of \$127 million, at an initial exercise price of \$0.01 per security, which Treasury immediately exercised in full.

On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series (Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Each Series 2 TRUPS security has a liquidation amount of \$25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate of 8.125% payable quarterly in arrears, beginning August 15, 2011, to but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Covenants and Other Requirements

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, commercial payment rates. During 2012, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

When we issue debt securities in private offerings, we may be subject to registration rights agreements. Under these agreements, we generally agree to use reasonable efforts to cause the consummation of a registered exchange offer or to file a shelf registration statement within a prescribed period. In the event that we fail to meet these obligations, we may be required to pay additional penalty interest with respect to the covered debt during the period in which we fail to meet our contractual obligations.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Consolidated Balance Sheet.

As of December 31, 2012, Ally Bank had exclusive access to \$8.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a \$4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and do not allow for any further funding after the closing date. At December 31, 2012, \$34.3 billion of our \$43.0 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2012, we had \$13.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Committed Funding Facilities

December 31, (\$ in billions)	Outstanding		Unused capacity (a)		Total capacity	
	2012	2011	2012	2011	2012	2011
Bank funding						
Secured - U.S.	\$ 3.8	\$ 5.8	\$ 4.7	\$ 3.7	\$ 8.5	\$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance — U.S.	—	—	—	0.5	—	0.5
Automotive Finance — International	0.1	0.3	—	—	0.1	0.3
Secured						
Automotive Finance — U.S. (b) (c)	12.9	4.2	5.4	10.2	18.3	14.4
Automotive Finance — International (b)	9.6	10.1	2.4	3.0	12.0	13.1
Mortgage operations	—	0.7	—	0.5	—	1.2
Total nonbank funding	22.6	15.3	7.8	14.2	30.4	29.5
Shared capacity (d)						
U.S.	1.0	1.5	3.0	2.5	4.0	4.0
International	0.1	0.1	—	—	0.1	0.1
Total committed facilities	\$ 27.5	\$ 22.7	\$ 15.5	\$ 20.4	\$ 43.0	\$ 43.1

(a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.

(b) Total unused capacity includes \$2.2 billion as of December 31, 2012, and \$4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(c) Includes the secured facilities of our Commercial Finance Group.

(d) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

December 31, (\$ in billions)	Outstanding		Unused capacity		Total capacity	
	2012	2011	2012	2011	2012	2011
Bank funding						
Secured — U.S.						
Federal Reserve funding programs	\$ —	\$ —	\$ 1.8	\$ 3.2	\$ 1.8	\$ 3.2
FHLB advances	4.8	5.4	0.4	—	5.2	5.4
Total bank funding	4.8	5.4	2.2	3.2	7.0	8.6
Nonbank funding						
Unsecured						
Automotive Finance — International	2.1	1.9	0.4	0.5	2.5	2.4
Secured						
Automotive Finance — International	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	—	—	—	0.1	—	0.1
Total nonbank funding	2.2	2.0	0.5	0.7	2.7	2.7
Total uncommitted facilities	\$ 7.0	\$ 7.4	\$ 2.7	\$ 3.9	\$ 9.7	\$ 11.3

Notes to Consolidated Financial Statements

Ally Financial Inc.

17. Accrued Expenses and Other Liabilities

The components of accrued expenses and other liabilities were as follows.

December 31, (<i>\$ in millions</i>)	2012	2011
Fair value of derivative contracts in payable position	\$ 2,468	\$ 5,367
Collateral received from counterparties	941	1,410
Accrual related to ResCap Bankruptcy and deconsolidation (a)	750	—
Accounts payable	565	1,178
Employee compensation and benefits	494	649
Reserves for insurance losses and loss adjustment expenses	341	580
Reserve for mortgage representation and warranty obligation	105	825
Deferred revenue	97	86
Non-income tax payable	15	296
Deferred income tax liability	6	111
GM payable, net	1	228
Current income tax payable	1	200
Loan repurchases liabilities	—	2,387
Other liabilities	801	1,347
Total accrued expenses and other liabilities	\$ 6,585	\$ 14,664

(a) Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this accrual.

18. Equity

Common Stock

Our common stock has a par value of \$0.01 and there are 2,021,384 shares authorized for issuance. Our common stock is not registered with the Securities and Exchange Commission, and there is no established trading market for the shares. Treasury holds 73.78% of Ally common stock. The following table presents changes in the number of shares issued and outstanding.

(<i>in shares</i>)	2012	2011	2010
Common stock			
January 1,	1,330,970	1,330,970	799,120
New issuances			
Conversion of Series F-2 Preferred Stock (a)	—	—	531,850
December 31,	1,330,970	1,330,970	1,330,970

(a) On December 30, 2010, 110,000,000 shares of Series F-2 Preferred Stock owned by Treasury were converted into 531,850 shares of Ally common stock.

Preferred Stock

Series F-2 Mandatorily Convertible Preferred Stock held by U.S. Department of Treasury

On December 30, 2009, Ally entered into a Securities Purchase and Exchange Agreement (the Purchase Agreement) with Treasury, pursuant to which a series of transactions occurred resulting in Treasury acquiring 228,750,000 shares of Ally's newly issued Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the New MCP), with a total liquidation preference of \$11.4 billion. On December 30, 2010, Treasury converted 110,000,000 shares of the New MCP into 531,850 shares of Ally common stock. The conversion occurred at an agreed upon rate that exceeded the initial conversion rate as defined in Exhibit H to the Ally Certificate of Incorporation. The fair value of the additional shares was approximately \$586 million and represented an inducement. The fair value of the additional common shares issued to Treasury was determined using a combination of valuation techniques consistent with the market approach (Level 3 fair value inputs). The market approach we used to estimate the fair value of our common stock incorporated a combination of the tangible equity and earnings multiples from comparable publicly traded companies deemed similar to Ally (and its operating segments) and by observing comparable transactions in the marketplace. We also considered the implied valuation of our common stock based on the December 30, 2010, conversion with Treasury.

In connection with the conversion, the New MCP Certificate of Designation was amended to require us to deliver additional shares to the New MCP holders upon occurrence of certain specified events. The fair value associated with this provision was \$30 million and was reflected in the New MCP balance at December 31, 2010. The fair value of the provision was determined utilizing an option pricing model using inputs and assumptions that management believes a willing market participant would use in estimating fair value (a Level 3 fair value input).

Notes to Consolidated Financial Statements

Ally Financial Inc.

As a result, Treasury now holds 118,750,000 shares of the New MCP, with a total liquidation preference of \$5.9 billion. Dividends of the New MCP accrue at 9% per annum. Dividends are payable quarterly, in arrears, only if and when declared by Ally's Board of Directors. The New MCP generally is nonvoting, other than class-voting on certain matters under certain circumstances, including generally, the authorization of senior capital stock, the adverse amendment of the New MCP, and any exchange or reclassification involving the New MCP or merger or consolidation of Ally. Upon conversion of the New MCP into Ally common stock, the holder would have the voting rights associated with the common stock.

The shares of the New MCP are convertible into common stock at the applicable conversion rate (as provided in the Certificate of Designation) either: (i) at Ally's option, at any time or from time to time, with the prior approval of the Federal Reserve provided that Ally is not permitted to convert any shares of the New MCP held by Treasury except (a) with the prior written consent of Treasury (which consent may be granted in the sole discretion of Treasury with respect to each conversion considering such factors as it deems appropriate at such time, which may include seeking to condition the terms on which it may provide such consent, which may include seeking an alteration of the conversion rate) or (b) pursuant to an order of the Federal Reserve compelling such a conversion; or (ii) at the option of the holder, upon the occurrence of certain specified transactions. All shares of the New MCP that remain outstanding on December 30, 2016, will automatically convert into common stock at a conversion rate of 0.00432 common shares per share of the New MCP. Under any conversion of the New MCP, settlement will always occur by issuance of our common stock.

Subject to the approval of the Federal Reserve and the restrictions imposed by the terms of our other preferred stock, we may opt to redeem, in whole or in part, from time to time, the New MCP then outstanding at any time. The New MCP may be redeemed at the greater of the liquidation preference, plus any accrued and unpaid dividends or the as-converted value, as defined in the Certificate of Designation.

Subject to certain exceptions, for so long as any shares of the New MCP are outstanding and owned by Treasury, Ally is generally prohibited from paying certain dividends or distributions on, or redeeming, repurchasing, or acquiring its capital stock or other equity securities without the consent of Treasury. Additionally, Ally is generally prohibited from making any dividends or distributions on, or redeeming, repurchasing, or acquiring its capital stock or other equity securities unless all accrued and unpaid dividends for all past dividend periods on the New MCP are fully paid.

Series A Preferred Stock

On March 1, 2011, pursuant to a registration rights agreement between Ally and GM, GM notified Ally of its intent to sell shares of Ally's existing Fixed Rate Perpetual Preferred Stock, Series A (Existing Series A Preferred Stock), held by a subsidiary of GM. On March 25, 2011, Ally filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the Amendment) with the Secretary of State of the State of Delaware. Pursuant to the Amendment, Ally's Certificate of Incorporation, which included the terms of the Existing Series A Preferred Stock, was amended to modify certain terms of the Existing Series A Preferred Stock. As part of the Amendment, the Existing Series A Preferred Stock was redesignated as Ally's Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Amended Series A Preferred Stock) and the liquidation amount was reduced from \$1,000 per share to \$25 per share. The Amendment, and a corresponding amendment to Ally's bylaws, also increased the authorized number of shares of Amended Series A Preferred Stock to 160,870,560 shares, which was adjusted to account for the decreased liquidation amount per share. The total number of shares outstanding following the Amendment is 40,870,560 shares.

Immediately following the Amendment, the subsidiary of GM that held all of the outstanding Amended Series A Preferred Stock sold 100% of such stock in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Holders of the Amended Series A Preferred Stock are entitled to receive, when, and if declared by Ally, noncumulative cash dividends. Beginning March 25, 2011, to but excluding May 15, 2016, dividends accrue at a fixed rate of 8.5% per annum. Beginning on May 15, 2016, dividends will accrue at a rate equal to three-month London interbank offer rate (LIBOR) plus 6.243%, commencing on August 15, 2016, in each case on the 15th day of February, May, August, and November. Dividends will be payable to holders of record at the close of business on the preceding February 1, May 1, August 1, or November 1, as the case may be, or on such other date, not more than seventy calendar days prior to the dividend payment date, as will be fixed by the Ally Board of Directors. In the event that dividends with respect to a dividend period have not been paid in full on the dividend payment date, we will be prohibited, subject to certain specified exceptions, from (i) redeeming, purchasing or otherwise acquiring, any stock that ranks on a parity basis with, or junior in interest to, the Amended Series A Preferred Stock; (ii) paying any dividends or making any distributions with respect to any stock that ranks junior in interest to the Amended Series A Preferred Stock, until such time as Ally has paid the dividends payable on shares of the Amended Series A Preferred Stock with respect to a subsequent dividend period; and (iii) declaring or paying any dividend on any stock ranking on a parity basis with the Amended Series A Preferred Stock, subject to certain exceptions.

The holders of the Amended Series A Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Amended Series A Preferred Stock included in Ally's Certificate of Incorporation. Ally may not redeem the Amended Series A Preferred Stock before May 15, 2016, and after such time the Amended Series A Preferred Stock may be redeemed in certain circumstances. In the event of any liquidation, dissolution or winding up of the affairs of Ally, holders of the Amended Series A Preferred Stock will be entitled to receive the liquidation amount per share of Amended Series A Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Amended Series A Preferred Stock, subject to the rights of Ally's creditors.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The changes to the terms of the Existing Series A Preferred Stock pursuant to the terms of the Amendment were deemed substantive, and as a result, the transaction was accounted for as a redemption of the Existing Series A Preferred Stock and the issuance of the Amended Series A Preferred Stock. The Existing Series A Preferred Stock was removed at its carrying value, the Amended Series A Preferred Stock was recognized at its fair value, and the difference of \$ 32 million was recorded as an increase to retained earnings, which impacted the income available to common stockholders used for the earnings per common share calculation.

Series G Preferred Stock

Effective June 30, 2009, we converted (the Conversion) from a Delaware limited liability company into a Delaware corporation in accordance with applicable law. In connection with the Conversion, the 7% Cumulative Perpetual Preferred Stock (the Blocker Preferred) of Preferred Blocker Inc. (PBI), a wholly owned subsidiary, was required to be converted into or exchanged for preferred stock. For this purpose, we had previously authorized for issuance its 7% Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G Preferred Stock). Pursuant to the terms of a Certificate of Merger, effective October 15, 2009, PBI merged with and into Ally with Ally continuing as the surviving entity. At that time, each share of the Blocker Preferred issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive an equal number of newly issued shares of Series G Preferred Stock. In the aggregate, 2,576,601 shares of Series G Preferred Stock were issued to holders of the Blocker Preferred in connection with the merger. The Series G Preferred Stock ranks equally in right of payment with each of our outstanding series of preferred stock in accordance with the terms thereof.

The Series G Preferred Stock accrues dividends at a rate of 7% per annum. Dividends are payable quarterly, in arrears, only if and when declared by Ally's Board of Directors. Subject to any other restrictions contained in the terms of any other series of stock or other agreements that Ally is or may become subject to, at Ally's option and subject to Ally having obtained any required regulatory approvals, Ally may, subject to certain conditions, redeem the Series G Preferred Stock, in whole or in part, at any time or from time to time, upon proper notice given, at a redemption price equal to the liquidation amount plus the amount of any accrued and unpaid dividends thereon through the date of redemption. The Series G Preferred Stock generally is nonvoting other than class-voting on certain matters under certain circumstances including generally, the authorization of senior capital stock or amendments that adversely impact the Series G Preferred Stock. Ally is generally prohibited from making any Restricted Payments on or prior to January 1, 2014, and may only make Restricted Payments after January 1, 2014, if certain conditions are satisfied. For this purpose, Restricted Payments include, subject to certain exceptions, any dividend payment or distribution of assets on any common stock or any redemption, purchase, or other acquisition of any shares of common stock.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table summarizes information about our Series F-2, Series A, and Series G preferred stock.

December 31,	2012	2011
Mandatorily convertible preferred stock held by U.S. Department of Treasury		
Series F-2 preferred stock (a)		
Carrying value (<i>\$ in millions</i>)	\$ 5,685	\$ 5,685
Par value (<i>per share</i>)	0.01	0.01
Liquidation preference (<i>per share</i>)	50	50
Number of shares authorized	228,750,000	228,750,000
Number of shares issued and outstanding	118,750,000	118,750,000
Dividend/coupon	9%	9%
Redemption/call feature	Perpetual (b)	Perpetual (b)
Preferred stock		
Series A preferred stock		
Carrying value (<i>\$ in millions</i>)	\$ 1,021	\$ 1,021
Par value (<i>per share</i>)	0.01	0.01
Liquidation preference (<i>per share</i>)	25	25
Number of shares authorized	160,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5%	8.5%
On and after May 15, 2016	three month LIBOR + 6.243%	three month LIBOR + 6.243%
Redemption/call feature	Perpetual (c)	Perpetual (c)
Series G preferred stock (d)		
Carrying value (<i>\$ in millions</i>)	\$ 234	\$ 234
Par value (<i>per share</i>)	0.01	0.01
Liquidation preference (<i>per share</i>)	1,000	1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	7%	7%
Redemption/call feature	Perpetual (e)	Perpetual (e)

(a) Mandatorily convertible to common equity on December 30, 2016.

(b) Convertible prior to mandatory conversion date with consent of Treasury.

(c) Nonredeemable prior to May 15, 2016.

(d) Pursuant to a registration rights agreement, we are required to maintain an effective shelf registration statement. In the event we fail to meet this obligation, we may be required to pay additional interest to the holders of the Series G Preferred Stock.

(e) Redeemable beginning at December 31, 2011.

Notes to Consolidated Financial Statements

Ally Financial Inc.

19. Accumulated Other Comprehensive Income (Loss)

The following table presents changes, net of tax, in each component of accumulated other comprehensive income (loss).

<i>(\$ in millions)</i>	Unrealized gains (losses) on investment securities (a)	Translation adjustments and net investment hedges	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at January 1, 2010	\$ 151	\$ 433	\$ (27)	\$ (97)	\$ 460
2010 net change	(177)	(17)	33	(40)	(201)
Balance at December 31, 2010	(26)	416	6	(137)	259
2011 net change	(88)	(64)	—	(20)	(172)
Balance at December 31, 2011	(114)	352	6	(157)	87
2012 net change	190	16	(4)	22	224
Balance at December 31, 2012	\$ 76	\$ 368	\$ 2	\$ (135)	\$ 311

(a) Represents the after-tax difference between the fair value and amortized cost of our available-for-sale securities portfolio.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table presents the before- and after-tax changes in each component of accumulated other comprehensive income (loss).

December 31, (\$ in millions)	Before Tax	Tax Effect	After Tax
2012			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	\$ 377	\$ (46)	\$ 331
Less: Net realized gains reclassified to net income (a)	174	(33)	141
Net change	203	(13)	190
Translation adjustments and net investment hedges			
Translation adjustments	182	2	184
Hedges	(270)	102	(168)
Net change	(88)	104	16
Cash flow hedges			
Net unrealized losses arising during the period	(7)	3	(4)
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(55)	19	(36)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(95)	37	(58)
Net change	40	(18)	22
Other comprehensive income	\$ 148	\$ 76	\$ 224
2011			
Unrealized gains (losses) on investment securities			
Net unrealized gains arising during the period	\$ 213	\$ (17)	\$ 196
Less: Net realized gains reclassified to net income (b)	296	(12)	284
Net change	(83)	(5)	(88)
Translation adjustments and net investment hedges			
Translation adjustments	(238)	1	(237)
Hedges	173	—	173
Net change	(65)	1	(64)
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(25)	(2)	(27)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(12)	5	(7)
Net change	(13)	(7)	(20)
Other comprehensive loss	\$ (161)	\$ (11)	\$ (172)
2010			
Unrealized gains on investment securities			
Net unrealized gains arising during the period	\$ 317	\$ 3	\$ 320
Less: Net realized gains reclassified to net income	506	(9)	497
Net change	(189)	12	(177)
Translation adjustments and net investment hedges			
Translation adjustments	178	(13)	165
Hedges	(182)	—	(182)
Net change	(4)	(13)	(17)
Cash flow hedges			
Net unrealized gains arising during the period	35	(2)	33
Defined benefit pension plans			
Net losses, prior service costs, and transition obligation arising during the period	(45)	(14)	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(14)	(5)	(19)
Net change	(31)	(9)	(40)
Other comprehensive loss	\$ (189)	\$ (12)	\$ (201)

(a) Includes gains of \$28 million at December 31, 2012, classified as income (loss) from discontinued operations, net of tax, in our Consolidated Statement of Income.

(b) Includes gains of \$2 million at December 31, 2011, classified as income (loss) from discontinued operations, net of tax, in our Consolidated Statement of Income.

Notes to Consolidated Financial Statements

Ally Financial Inc.

20. Earnings per Common Share

The following table presents the calculation of basic and diluted earnings per common share.

Year ended December 31, (\$ in millions except per share data)	2012	2011	2010
Net income (loss) from continuing operations	\$ 1,370	\$ (219)	\$ (334)
Preferred stock dividends — U.S. Department of Treasury	(535)	(534)	(963)
Preferred stock dividends	(267)	(260)	(282)
Impact of preferred stock conversion or amendment (a)	—	32	(616)
Net income (loss) from continuing operations attributable to common shareholders (b)	568	(981)	(2,195)
(Loss) income from discontinued operations, net of tax	(174)	62	1,363
Net income (loss) attributable to common shareholders	\$ 394	\$ (919)	\$ (832)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	800,597
Diluted weighted-average common shares outstanding (b)	1,330,970	1,330,970	800,597
Basic earnings per common share			
Net income (loss) from continuing operations	\$ 427	\$ (738)	\$ (2,742)
(Loss) income from discontinued operations, net of tax	(131)	47	1,703
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)
Diluted earnings per common share (b)			
Net income (loss) from continuing operations	\$ 427	\$ (738)	\$ (2,742)
(Loss) income from discontinued operations, net of tax	(131)	47	1,703
Net income (loss)	\$ 296	\$ (691)	\$ (1,039)

(a) Refer to Note 18 for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2011 and 2010, respectively, net income (loss) from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the years ended December 31, 2012, 2011, and 2010, respectively, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the years ended December 31, 2012 and 2011, respectively, and 987 thousand of potential common shares were excluded from the diluted earnings per share calculation for the year ended December 31, 2010.

21. Regulatory Capital and Other Regulatory Matters

As a bank holding company, we and our wholly owned state-chartered banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines issued by federal and state banking regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements or the results of operations and financial condition of Ally and Ally Bank. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (Total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio (Tier 1 capital to risk-weighted assets) of 4%.

The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted quarterly average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

Notes to Consolidated Financial Statements

Ally Financial Inc.

A banking institution meets the regulatory definition of “well-capitalized” when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels.

The banking regulators have also developed a measure of capital called “Tier 1 common” defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally’s capital with the capital of other financial services companies. Also, bank holding companies with assets of \$50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

On October 29, 2010, Ally, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank’s leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC’s regulations related to capital maintenance.

The following table summarizes our capital ratios.

December 31, (\$ in millions)	2012		2011		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 20,232	13.13%	\$ 21,067	13.65%	4.00%	6.00%
Ally Bank	14,136	16.26	12,953	17.42	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	\$ 21,669	14.07%	\$ 22,664	14.69%	8.00%	10.00%
Ally Bank	14,827	17.06	13,675	18.40	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (a)						
Ally Financial Inc.	\$ 20,232	11.16%	\$ 21,067	11.45%	3.00–4.00%	(b)
Ally Bank	14,136	15.30	12,953	15.50	15.00 (c)	5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	\$ 10,749	6.98%	\$ 11,585	7.51%	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

(a) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.

(b) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

(c) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

At December 31, 2012, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

Basel Capital Accord and Other Regulatory Matters

In June 2012, the U.S. federal banking agencies released three notices of proposed rulemaking (NPRs) and a Market Risk Final Rule (effective January 1, 2013). The three NPRs represent substantial revisions to the regulatory capital rules for banking organizations. If adopted, as proposed, these NPRs would incorporate the international Basel III capital framework, as well as implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). On August 8, 2012, the federal banking agencies extended the public comment period on the NPRs to October 22, 2012.

Highlights of the NPRs include a revised definition of capital in order to implement the Basel III reforms as well as higher minimum capital ratios that will apply to most banking organizations and would be phased in between 2013 and 2019 consistent with the Basel Committee’s international implementation time line. The NPRs remove the use of credit ratings from both the standardized and advanced approaches, as required by the Dodd-Frank Act. In addition, the standards in the existing Basel I risk-based capital rules, which the NPRs refer to as the “general risk-based capital requirements,” would be revised, effective January 1, 2015, to include a more risk-sensitive risk-weighting approach. On November 9, 2012, the federal banking agencies announced that the Basel III proposals would not become effective on January 31, 2013.

The Market Risk Final Rule, which amends the calculation of market risk capital, only applies to banking organizations with significant trading assets and liabilities. We do not currently meet the minimum requirements for application of the Market Risk Rule; accordingly, this rule is not currently applicable to us.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Compliance with evolving capital requirements is a strategic priority for Ally. We expect to be in compliance with all applicable requirements within the established timeframes.

International Banks, Finance Companies, and Other Foreign Operations

Certain of our foreign subsidiaries operate in local markets as either banks or regulated finance companies and are subject to regulatory restrictions. These regulatory restrictions, among other things, require that our subsidiaries meet certain minimum capital requirements and may restrict dividend distributions and ownership of certain assets. Total assets of our regulated international banks and finance companies were approximately \$15.3 billion and \$13.6 billion at December 31, 2012 and 2011, respectively. In addition, the Bank Holding Company Act of 1956 imposes restrictions on Ally's ability to invest equity abroad without FRB approval. Many of our other operations are also heavily regulated in many jurisdictions outside the United States.

Depository Institutions

Ally Bank is a state nonmember bank, chartered by the State of Utah, and subject to the supervision of the FDIC and the Utah Department of Financial Institutions. Ally Bank's deposits are insured by the FDIC, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were \$94.8 billion and \$85.3 billion at December 31, 2012 and 2011, respectively. Ally Bank is subject to Utah law (and, in certain instances, federal law) that places restrictions and limitations on the amount of dividends or other distributions. Ally Bank did not make any dividend or other distributions to Ally in 2012 or 2011.

The FRB requires banks to maintain minimum average reserve balances. The amount of the required reserve balance for Ally Bank was \$214 million and \$205 million at December 31, 2012 and 2011, respectively.

U.S. Mortgage Business

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations, in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration-approved lender, certain of our U.S. mortgage subsidiaries are required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. The U.S. mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

Certain of our mortgage subsidiaries are required to satisfy regulatory net worth requirements. Failure to meet minimum capital requirements can initiate certain mandatory actions by federal, state, and foreign agencies that could have a material effect on our results of operations and financial condition. These entities were in compliance with these requirements at December 31, 2012.

Insurance Companies

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus, with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. At December 31, 2012, the maximum dividend that could be paid by the U.S. insurance subsidiaries over the next twelve months without prior statutory approval was \$118 million.

22. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign-currency swaps, futures, forwards, options, and swaptions in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including investment securities, MSRs, and debt. In addition, we use foreign exchange contracts to mitigate foreign-currency risk associated with foreign-currency-denominated investment securities, foreign-currency-denominated debt, foreign exchange transactions, and our net investment in foreign subsidiaries. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign-currency risks related to the assets and liabilities.

Interest Rate Risk

We execute interest rate swaps to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable-rate and certain variable-rate instruments to a fixed rate. We monitor our mix of fixed- and variable-rate debt in relation to the rate profile of our assets. When it is cost-effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Derivatives qualifying for hedge accounting consist of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations. Other derivatives qualifying for hedge accounting consist of an existing variable-rate liability in which pay-fixed swaps are designated as hedges of the expected future cash flows in the form of interest payments on the outstanding borrowing associated with Ally Bank's secured floating-rate credit facility.

Notes to Consolidated Financial Statements

Ally Financial Inc.

We enter into economic hedges to mitigate exposure for the following categories.

- **MSRs** — Our MSRs are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivative instruments that increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes.

We may use a multitude of derivative instruments to manage the interest rate risk related to MSRs. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of MBS, futures, interest rate swaps, interest rate floors, and interest rate caps. We monitor and actively manage our risk on a daily basis.

- **Mortgage loan commitments and mortgage and automobile loans held-for-sale** — We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish the risk management objective for mortgage loans and IRLCs is forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to economically hedge automobile loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments, such as short positions of U.S. Treasuries, may also be periodically used to economically hedge the mortgage portfolio.

- **Debt** — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowing associated with Ally Bank's secured floating-rate credit facility, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.
- **Other** — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Currency Risk

We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to foreign-currency financial instruments. Currency forwards are used to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed. Similar to our interest rate derivatives, the derivatives are generally entered into or traded concurrent with the debt issuance with the terms of the derivative matching the terms of the underlying debt.

Our foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss). We enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. In March 2011, we elected to dedesignate all of our existing net investment hedge relationships and changed our method of measuring hedge effectiveness from the spot method to the forward method for new hedge relationships entered into prospectively. For the net investment hedges that were designated under the spot method up until dedesignation date, the hedges were recorded at fair value with changes recorded to accumulated other comprehensive income (loss) with the exception of the spot to forward difference that was recorded to earnings. For current net investment hedges designated under the forward method, the hedges are recorded at fair value with the changes recorded to accumulated other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in accumulated other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

We also have a centralized-lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

We also periodically purchase nonfunctional currency denominated investment securities and enter into foreign-currency forward contracts with external counterparties to hedge against changes in the fair value of the securities, through maturity, due to changes in the related foreign-currency exchange rate. The foreign-currency forward contracts are recorded at fair value with changes recorded to earnings. The changes in value of the securities due to changes in foreign-currency exchange rates are also recorded to earnings. In the case of

Notes to Consolidated Financial Statements

Ally Financial Inc.

securities classified as available-for-sale, any changes in fair value due to unhedged risks are recorded to accumulated other comprehensive income.

Except for our net investment hedges and fair value foreign-currency hedges of available-for-sale securities, we generally have not elected to treat any foreign-currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign-currency swaps are substantially offset by the foreign-currency revaluation gains and losses of the underlying assets and liabilities.

Counterparty Credit Risk

Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument.

To mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. If a credit risk-related event had been triggered the amount of additional collateral required to be posted by us would have been insignificant.

We placed cash and securities collateral totaling \$1.3 billion and \$1.4 billion at December 31, 2012 and 2011, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling \$941 million and \$1.4 billion at December 31, 2012 and 2011, respectively. The receivables for collateral placed and the payables for collateral received are included on our Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Consolidated Balance Sheet unless certain conditions are met. At December 31, 2012 and 2011, we received noncash collateral of \$0.3 million and \$43 million, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At December 31, 2012, \$2.3 billion of the derivative contracts in a receivable position were classified as other assets on the Consolidated Balance Sheet. At December 31, 2011, \$5.7 billion and \$14 million of the derivative contracts in a receivable position were classified as other assets and trading assets, respectively, on the Consolidated Balance Sheet. At December 31, 2012, \$2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Consolidated Balance Sheet. At December 31, 2011, \$5.4 billion of derivative contracts in a liability position and \$12 million of trading derivatives were both classified as accrued expenses and other liabilities on the Consolidated Balance Sheet.

December 31, (\$ in millions)	2012			2011		
	Derivative contracts in a		Notional amount	Derivative contracts in a		Notional amount
	receivable position (a)	payable position (b)		receivable position (a)	payable position (b)	
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges	\$ 411	\$ —	\$ 7,248	\$ 289	\$ 4	\$ 8,398
Cash flow accounting hedges	—	10	2,580	4	—	3,000
Total interest rate risk	411	10	9,828	293	4	11,398
Foreign exchange risk						
Net investment accounting hedges	35	53	8,693	123	54	8,208
Total derivatives qualifying for hedge accounting	446	63	18,521	416	58	19,606
Economic hedges and trading derivatives						
Interest rate risk						
MSRs	1,616	2,299	146,405	4,812	5,012	523,037
Mortgage loan commitments and mortgage loans held-for-sale	49	23	9,617	95	107	24,950
Debt	28	29	17,716	81	54	25,934
Other	154	27	41,514	160	101	42,142
Total interest rate risk	1,847	2,378	215,252	5,148	5,274	616,063
Foreign exchange risk	5	27	2,464	137	47	7,569
Total economic hedges and trading derivatives	1,852	2,405	217,716	5,285	5,321	623,632
Total derivatives	\$ 2,298	\$ 2,468	\$ 236,237	\$ 5,701	\$ 5,379	\$ 643,238

(a) Includes accrued interest of \$175 million and \$459 million at December 31, 2012 and 2011, respectively.

(b) Includes accrued interest of \$144 million and \$458 million at December 31, 2012 and 2011, respectively.

Offsetting Assets and Liabilities

Our qualifying master netting agreements are written, legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the agreement to the non-defaulting entity upon an event of default of the counterparty, including bankruptcy, insolvency, or similar proceeding, and (2) provide the non-defaulting entity the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to liquidate or set off collateral promptly upon an event of default of the counterparty. As it relates to derivative instruments, in certain instances we have the option to report derivatives that are subject to a qualifying master netting agreement on a net basis, we have elected to report these instruments as gross assets and liabilities on the Condensed Consolidated Balance Sheet.

To further mitigate the risk of counterparty default related to derivative instruments, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls, such that the net replacement cost of the non-defaulting party is covered in the event of counterparty default.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The composition of offsetting derivative instruments, financial assets, and financial liabilities was as follows.

December 31, 2012 (\$ in millions)				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
	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	Financial Instruments	Collateral (a)	Net Amount
Assets						
Derivative assets in net asset positions	\$ 1,395	\$ —	\$ 1,395	\$ (503)	\$ (841)	\$ 51
Derivative assets in net liability positions	788	—	788	(788)	—	—
Derivative assets with no offsetting arrangements	115	—	115	—	—	115
Total assets	\$ 2,298	\$ —	\$ 2,298	\$ (1,291)	\$ (841)	\$ 166
Liabilities						
Derivative liabilities in net liability positions	\$ (1,929)	\$ —	\$ (1,929)	\$ 788	\$ 1,092	\$ (49)
Derivative liabilities in net asset positions	(503)	—	(503)	503	—	—
Derivative liabilities with no offsetting arrangements	(36)	—	(36)	—	—	(36)
Total liabilities	\$ (2,468)	\$ —	\$ (2,468)	\$ 1,291	\$ 1,092	\$ (85)

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

December 31, 2011 (\$ in millions)				Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
	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	Financial Instruments	Collateral (a)	Net Amount
Assets						
Derivative assets in net asset positions	\$ 2,492	\$ —	\$ 2,492	\$ (1,748)	\$ (618)	\$ 126
Derivative assets in net liability positions	1,337	—	1,337	(1,337)	—	—
Derivative assets with no offsetting arrangements	1,872	—	1,872	—	—	1,872
Total assets	\$ 5,701	\$ —	\$ 5,701	\$ (3,085)	\$ (618)	\$ 1,998
Liabilities						
Derivative liabilities in net liability positions	\$ (2,616)	\$ —	\$ (2,616)	\$ 1,337	\$ 1,215	\$ (64)
Derivative liabilities in net asset positions	(1,748)	—	(1,748)	1,748	—	—
Derivative liabilities with no offsetting arrangements	(1,015)	—	(1,015)	—	—	(1,015)
Total liabilities	\$ (5,379)	\$ —	\$ (5,379)	\$ 3,085	\$ 1,215	\$ (1,079)

(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.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Statement of Income and Other Comprehensive Income Presentation

The following table summarizes the location and amounts of gains and losses on derivative instruments reported in our Consolidated Statement of Income and Other Comprehensive Income.

Year ended December 31, (\$ in millions)	2012	2011	2010
Derivatives qualifying for hedge accounting			
Gain recognized in earnings on derivatives (a)			
Interest rate contracts			
Interest on long-term debt	\$ 164	\$ 895	\$ 159
Foreign exchange contracts			
Other income, net of losses	—	35	—
Loss recognized in earnings on hedged items (b)			
Interest rate contracts			
Interest on long-term debt	(193)	(851)	(122)
Foreign exchange contracts			
Other income, net of losses	—	(35)	—
Total derivatives qualifying for hedge accounting	(29)	44	37
Economic and trading derivatives			
(Loss) gain recognized in earnings on derivatives			
Interest rate contracts			
Servicing asset valuation and hedge activities, net	556	359	(470)
(Loss) gain on mortgage and automotive loans, net	(5)	(242)	69
Other income, net of losses	(18)	(57)	(102)
Total interest rate contracts	533	60	(503)
Foreign exchange contracts (c)			
Interest on long-term debt	(39)	61	(125)
Other income, net of losses	(48)	17	120
Total foreign exchange contracts	(87)	78	(5)
Gain (loss) recognized in earnings on derivatives	\$ 417	\$ 182	\$ (471)

- (a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$119 million, \$248 million, and \$312 million for the years ended December 31, 2012, 2011, and 2010, respectively.
- (b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were \$226 million, \$216 million, and \$148 million for the years ended December 31, 2012, 2011, and 2010, respectively.
- (c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of \$87 million, and losses of \$103 million and \$17 million, were recognized for the years ended December 31, 2012, 2011, and 2010, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table summarizes derivative instruments used in cash flow and net investment hedge accounting relationships.

Year ended December 31, (\$ in millions)	2012	2011	2010
Cash flow hedges			
Interest rate contracts			
Gain reclassified from accumulated other comprehensive income to interest on long-term debt	\$ 1	\$ —	\$ —
(Loss) gain recorded directly to interest on long-term debt	(7)	5	—
Total interest on long-term debt	\$ (6)	\$ 5	\$ —
(Loss) gain recognized in other comprehensive income	\$ (7)	\$ (1)	\$ 4
Net investment hedges			
Foreign exchange contracts			
(Loss) gain reclassified from accumulated other comprehensive income to other income, net of losses	\$ (1)	\$ (8)	\$ 12
Loss recorded directly to other income, net of losses (a)	—	(3)	(18)
Total other income, net of losses	\$ (1)	\$ (11)	\$ (6)
(Loss) gain recognized in other comprehensive income (b)	\$ (270)	\$ 173	\$ (183)

(a) The amounts represent the forward points excluded from the assessment of hedge effectiveness.

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were gains of \$285 million, losses of \$237 million, and gains of \$187 million for the years ended December 31, 2012, 2011, and 2010, respectively.

23. Income Taxes

The following table summarizes income (loss) from continuing operations before income tax expense.

Year ended December 31, (\$ in millions)	2012	2011	2010
U.S. income (loss)	\$ 544	\$ (157)	\$ (186)
Non-U.S. income (loss)	(30)	(20)	(51)
Income (loss) from continuing operations before income tax expense	\$ 514	\$ (177)	\$ (237)

The significant components of income tax expense from continuing operations were as follows.

Year ended December 31, (\$ in millions)	2012	2011	2010
Current income tax (benefit) expense			
U.S. federal	\$ —	\$ 10	\$ 11
Foreign	(24)	29	39
State and local	10	8	60
Total current (benefit) expense	(14)	47	110
Deferred income tax (benefit) expense			
U.S. federal	(663)	—	(6)
Foreign	25	(5)	—
State and local	(204)	—	(7)
Total deferred benefit	(842)	(5)	(13)
Total income tax (benefit) expense from continuing operations	\$ (856)	\$ 42	\$ 97

Notes to Consolidated Financial Statements

Ally Financial Inc.

A reconciliation of the (benefit) provision for income taxes with the amounts at the statutory U.S. federal income tax rate is shown in the following table.

Year ended December 31, (\$ in millions)	2012	2011	2010
Statutory U.S. federal tax (benefit) expense	\$ 180	\$ (62)	\$ (83)
Change in tax resulting from			
Effect of valuation allowance change	(1,022)	49	175
State and local income taxes, net of federal income tax benefit	(34)	22	(16)
Tax Credits	(45)	—	—
Changes in unrecognized tax benefits	(6)	(7)	(15)
Foreign tax differential	9	30	(21)
Non-deductible expenses	12	9	4
Other, net	50	1	53
Tax (benefit) expense	\$ (856)	\$ 42	\$ 97

As discussed in Note 1, on May 14, 2012, we deconsolidated ResCap for financial reporting purposes. For U.S. federal tax purposes, however, ResCap will continue to be included in our consolidated return filing until ultimate disposition of our ownership in ResCap. Given that the Debtors are disregarded entities for U.S. tax purposes, there should not be a reduction to our net deferred tax assets as a result of the Bankruptcy filing.

Our income tax (benefit) expense from continuing operations has not naturally corresponded with our (loss) income from continuing operations before income tax for the years ended December 31, 2012, 2011, and 2010, given we had U.S. and foreign valuation allowance movements during those years. For 2012, consolidated income tax benefit from continuing operations is largely driven by a release of a portion of our U.S. valuation allowance.

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. As of December 31, 2012, we determined that positive evidence existed to conclude that it is more likely than not that ordinary-in-character deferred tax assets are realizable, and therefore, we reduced the valuation allowance accordingly. Positive evidence in this assessment consisted of forecasts of future taxable income that are sufficient to realize net operating loss carryforwards before their expiration, coupled with our emergence from a cumulative three-year U.S. pretax loss (after removing the effects of non-recurring charges and discontinued operations). Certain U.S. deferred tax assets remain offset with a valuation allowance as discussed below.

We believe it is more likely than not that the benefit for certain U.S. net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we have provided a valuation allowance of \$1.6 billion on the deferred tax assets relating to these carryforwards. In particular, the deferred tax assets and liabilities as of December 31, 2012, reflect the U.S. income tax effects of the anticipated sale of entities held-for-sale at net book value. In concluding to maintain a valuation allowance against our capital loss carryforwards, we considered the positive evidence that we have entered into agreements to sell our held-for-sale entities for amounts in excess of book value. We also considered and ultimately weighted more heavily the negative evidence that we have historically had difficulty generating significant capital gains; capital loss carryforwards have a relatively short carryforward period; the timing of disposal of the held-for-sale entities is uncertain; and the disposal of the held-for-sale entities are subject to various levels of regulatory approval in numerous countries. Successful completion during 2013 of the sales of entities currently held-for-sale may result in capital gains that would allow us to realize capital loss carryforwards. A related reversal of valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The significant components of deferred tax assets and liabilities are reflected in the following table.

December 31, (\$ in millions)	2012	2011
Deferred tax assets		
Tax credit carryforwards	\$ 1,631	\$ 161
Tax loss carryforwards	1,025	1,976
Mark-to-market on consumer finance receivables and loans	880	695
Equity investment in ResCap	486	—
Provision for loan losses	306	775
Hedging transactions	267	280
State and local taxes	263	186
ResCap settlement accrual	262	—
Sales of finance receivables and loans	206	182
Unearned insurance premiums	142	158
Contingency reserves	19	169
Other	247	568
Gross deferred tax assets	5,734	5,150
Valuation allowance	(1,653)	(2,274)
Net deferred tax assets	4,081	2,876
Deferred tax liabilities		
Lease transactions	1,756	2,052
Basis difference in subsidiaries	454	—
Deferred acquisition costs	333	328
Debt transactions	226	32
Unrealized gains on securities	16	180
Other	112	157
Gross deferred tax liabilities	2,897	2,749
Net deferred tax assets	\$ 1,184	\$ 127

At December 31, 2012, we had U.S. federal and state net operating loss carryforwards and capital loss carryforwards. The federal net operating loss carryforwards of \$668 million expire in the years 2025–2031. The federal capital loss carryforwards of \$ 2.2 billion expire in the years 2014–2017. The corresponding expiration periods for the state net operating loss carryforwards of \$ 1.7 billion and capital loss carryforwards of \$3.1 billion are 2014–2032 and 2014–2017, respectively. Additionally, U.S. foreign tax credit carryforwards of \$1.6 billion are available as of December 31, 2012, and expire in the years 2013–2022.

Foreign pretax income is subject to U.S. taxation when effectively repatriated. Before the third quarter of 2012, we fully provided for federal income taxes on the undistributed earnings of foreign subsidiaries except to the extent those earnings were indefinitely reinvested outside the United States. As of December 31, 2012, however, we no longer assert that any foreign earnings are indefinitely reinvested outside of the United States. This change in assertion is primarily due to the fact that agreements to sell our international operations were signed during the fourth quarter of 2012. These sales will be taxable in the United States in future periods and will result in the effective repatriation of foreign earnings. As a result of this change in assertion, all deferred tax liabilities for incremental U.S. tax that stem from temporary differences related to investments in foreign subsidiaries or foreign corporate joint ventures have been recognized as of December 31, 2012.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits.

<i>(\$ in millions)</i>	2012	2011	2010
Balance at January 1,	\$ 198	\$ 214	\$ 172
Additions based on tax positions related to the current year	14	11	69
Additions for tax positions of prior years	2	20	3
Reductions for tax positions of prior years	(4)	(3)	(23)
Settlements	(17)	(35)	(9)
Expiration of statute of limitations	(4)	—	(2)
Foreign-currency translation adjustments	(5)	(9)	4
Deconsolidation of ResCap and discontinued operations	(82)	—	—
Balance at December 31,	\$ 102	\$ 198	\$ 214

Included in the unrecognized tax benefits balances are some items, the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences and the portion of gross state unrecognized tax benefits that would be offset by the tax benefit of the associated federal deduction. At December 31, 2012, 2011, and 2010, the balance of unrecognized tax benefits that, if recognized, would affect our effective tax rate is \$84 million, \$179 million, and \$199 million, respectively.

We recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively. For the years ended December 31, 2012, 2011, and 2010, \$1 million, \$1 million, and \$1 million, respectively, were accrued for interest and penalties with the cumulative accrued balance totaling \$7 million at December 31, 2012, \$178 million at December 31, 2011, and \$201 million at December 31, 2010.

We anticipate the examination of various U.S. income tax returns along with the examinations by various foreign, state, and local jurisdictions will be completed within the next twelve months. As such, it is reasonably possible that certain tax positions may be settled and the unrecognized tax benefits would decrease by \$22 million, which includes interest and penalties.

We file tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. Our most significant operations remaining following our commitment to sell various international operations are the United States and Canada. The oldest tax years that remain subject to examination for those jurisdictions are 2009 and 2004, respectively.

24. Employee Benefit and Compensation Plans

Defined Contribution Plan

A significant number of our employees are covered by defined contribution plans. Employer contributions vary based on criteria specific to each individual plan and amounted to \$49 million, \$49 million, and \$45 million in 2012, 2011, and 2010, respectively. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income. We expect contributions for 2013 to be similar to contributions made in 2012.

Defined Benefit Pension Plan

Certain of our employees are eligible to participate in separate retirement plans that provide for pension payments upon retirement based on factors such as length of service and salary. In recent years, we have transferred, frozen, or terminated a significant number of our other defined benefit plans. All income and expense noted for pension accounting was recorded as compensation and benefits expense in our Consolidated Statement of Income.

The following summarizes information related to our pension plans.

Year ended December 31, <i>(\$ in millions)</i>	2012	2011
Projected benefit obligation	\$ 355	\$ 528
Fair value of plan assets	214	398
Underfunded status	\$ (141)	\$ (130)

The underfunded position is recognized on the Consolidated Balance Sheet and the change in the underfunded position was recorded in other comprehensive income (loss).

Defined Benefit Pension Plan Actions

GMAC Mortgage Group LLC, our wholly owned subsidiary, sponsors a defined benefit pension plan (the GMACM Pension Plan) for which the accrual of additional benefits were previously frozen. The GMACM Pension Plan primarily covers former employees of certain discontinued or non-core businesses of our Mortgage and Insurance operations. In October 2012, we entered into an agreement under which the GMACM Pension Plan purchased a group annuity contract from a third-party insurance company that requires the insurance company to

Notes to Consolidated Financial Statements

Ally Financial Inc.

pay and administer all future annuity payments to the current retiree population of the GMACM Pension Plan (retired as of September 1, 2012) beginning on January 1, 2013. Additionally, during the fourth quarter the GMACM Pension Plan completed a program whereby we offered voluntary lump-sum distributions to terminated employees with vested benefits. In connection with these combined actions we recorded a settlement loss of \$23 million.

Other Postretirement Benefits

Certain of our subsidiaries participated in various postretirement medical, dental, vision, and life insurance plans. We have provided for certain amounts associated with estimated future postretirement benefits other than pensions and characterized such amounts as other postretirement benefits. Other postretirement benefits expense (income), which is recorded in compensation and benefits expense in our Consolidated Statement of Income, was minimal in 2012, 2011, and 2010. We expect our other postretirement benefit expense to continue to be minimal in future years.

Share-based Compensation Plans

Based on our transactions with Treasury during 2009, we are required to comply with the limitations on executive pay as determined by the Special Master of TARP Compensation (Special Master). We have established Deferred Stock Units (DSUs) and Incentive Restricted Stock Units (IRSUs) as forms of compensation to our senior executives, which have been approved by the Special Master. We also grant Restricted Stock Units (RSUs) to executives under the Long-Term Equity Compensation Incentive Plan (LTIP). Each of our approved compensation plans and awards were designed to provide our executives with an opportunity to share in the future growth in value of Ally, which is necessary to attract and retain key executives.

Pursuant to the terms of the LTIP plan, the Ally Board of Directors determines a share price valuation for share-based compensation awards not less than annually. The Ally Board of Directors thus determined a share price of \$8,500 per share for purposes of the LTIP plan as of December 31, 2011. A share price valuation of \$9,000 per share was determined as of March 31, 2012. The valuation remained unchanged at \$9,000 per share as of December 31, 2012. The changes in award valuation resulted in an increase to compensation expense for RSU, DSU, and IRSU awards of \$5 million, \$7 million, and \$2 million, respectively, recognized in 2012. The impact was recorded as compensation and benefits expense in our Consolidated Statement of Income.

RSU awards are incentive awards granted to executives as phantom shares of Ally. The majority of awards granted in 2008 and 2009 vest ratably on an annual basis based on continued service on December 31, 2012 with the final tranche vesting on December 31, 2012. Participants had the option at grant date to defer the valuation and payout for awards granted in 2008 and 2009. A majority of the participants who received awards granted in 2010, 2011, and 2012 vest ratably over a three-year period starting on the date the award was issued with the majority of the awards fully vesting in February 2013, February 2014, and February 2015, respectively. The awards require liability treatment and are remeasured quarterly at fair value until they are paid. The compensation costs related to these awards are ratably charged to expense over the applicable service period. Changes in fair value related to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At December 31, 2012 there were a total of 17,057 RSU award shares outstanding, composed of 7,420 shares awarded during 2008, 5,956 shares awarded during 2009, 2,648 shares awarded during 2010, 844 shares awarded during 2011, and 189 shares awarded during 2012. At December 31, 2011 there were a total of 26,707 RSU award shares outstanding, composed of 8,421 shares awarded during 2008, 9,281 shares awarded during 2009, 5,199 shares awarded during 2010, and 3,806 shares awarded during 2011. We recognized compensation expense related to RSU awards of \$78 million, \$50 million and \$58 million for the years ended December 31, 2012, 2011 and 2010, respectively. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

DSU awards are granted to senior executives as phantom shares of Ally and are included as part of their base salary. DSU awards are generally granted ratably each pay period throughout the year, vest immediately upon grant, and are paid in cash. DSUs awarded in 2012 will generally be redeemable in three equal installments: the first on the final payroll date of 2012, the second ratably over 2013 and the third ratably over 2014. DSUs awarded in 2011 are generally redeemable in three equal annual installments beginning on the first anniversary of grant. The DSU awards require liability treatment and are remeasured quarterly at fair value until they are paid, with each change in value fully charged to compensation expense in the period in which the change occurs. At December 31, 2012 and 2011 there were a total of 13,190 and 13,743 DSU award shares outstanding, respectively. We recognized compensation expense related to DSU awards of \$57 million, \$19 million and \$68 million for the years ended December 31, 2012, 2011 and 2010, respectively, for the outstanding awards. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

IRSU awards are incentive awards granted to senior executives as phantom shares of Ally. There were no IRSUs granted to senior executives in 2012. IRSU awards from 2009, 2010 and 2011 generally vest in full after two years from the date of grant based on continued service with Ally. After the vesting requirement is met, IRSU payouts will be made only as we repay our TARP obligations. Payouts will be made in 25% increments based on the percentage of TARP obligations that have been repaid, as determined in accordance with the established guidelines for determining "repayment".

As of December 31, 2012, Ally had repaid more than 25%, but less than 50%, of its TARP obligations. Payouts are based on the fair value of the phantom shares at the time of the payout. The awards require liability treatment and are remeasured quarterly at fair value until they are paid. The compensation costs related to these awards are ratably charged to expense over the requisite service period. Changes in fair value relating to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At December 31, 2012 and 2011 there were a total of 6,475 and 7,975 IRSU award shares outstanding, respectively. We

Notes to Consolidated Financial Statements

Ally Financial Inc.

recognized compensation expense related to IRSU awards of \$23 million, \$12 million and \$9 million for the years ended December 31, 2012, 2011 and 2010, respectively, for the outstanding awards. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

25. Fair Value

Fair Value Measurements

For purposes of this disclosure, fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market in an orderly transaction between market participants at the measurement date. Fair value is based on the assumptions market participants would use when pricing an asset or liability. Additionally, entities are required to consider all aspects of nonperformance risk, including the entity's own credit standing, when measuring the fair value of a liability.

GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

- | | |
|-----------|---|
| Level 1 | Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity. |
| Level 2 | Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities. |
| Level 3 | Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation. |
| Transfers | Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the year ended December 31, 2012. |

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.

- **Trading assets (excluding derivatives)** — Trading assets were recorded at fair value. Our portfolio included MBS (including senior and subordinated interests) that were either investment-grade, noninvestment grade, or unrated securities. Valuations were primarily based on internally developed discounted cash flow models (an income approach) that used assumptions consistent with current market conditions. The valuation considered recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilized 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).
- **Available-for-sale securities** — Available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- **Mortgage loans held-for-sale, net** — Our mortgage loans held-for-sale are accounted for at either fair value because of fair value option elections or they were accounted for at the lower-of-cost or fair value. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility, product type, interest rate, and credit quality. Two valuation methodologies are used to determine the fair value of mortgage loans held-for-sale. The methodology used depends on the exit market as described below.

Level 2 mortgage loans — This includes all GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

Level 3 mortgage loans — This included all conditional repurchase option loans carried at fair value due to the fair value option election and all GSE-ineligible residential mortgage loans that were accounted for at the lower-of-cost or fair value. The fair value of these residential mortgage loans were determined using internally developed valuation models because observable market prices were not available. The loans were priced on a discounted cash flow basis utilizing cash flow projections from

Notes to Consolidated Financial Statements

Ally Financial Inc.

internally developed models that utilized prepayment, default, and discount rate assumptions. To the extent available, we utilized market observable inputs such as interest rates and market spreads. If market observable inputs were not available, we were required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for further information about the fair value elections.

- **Consumer mortgage finance receivables and loans, net** — We elected the fair value option for certain consumer mortgage finance receivables and loans. The elected mortgage loans collateralized on-balance sheet securitization debt in which we estimated credit reserves pertaining to securitized assets that could have exceeded or already had exceeded our economic exposure. We also elected the fair value option for all mortgage securitization trusts required to be consolidated. The elected mortgage loans represented a portion of the consumer finance receivables and loans. The balance for which the fair value option was not elected was reported on the balance sheet at the principal amount outstanding, net of charge-offs, allowance for loan losses, and premiums or discounts.

The loans were measured at fair value using a portfolio approach. The objective in fair valuing the loans and related securitization debt was to account properly for our retained economic interest in the securitizations. As a result of reduced liquidity in capital markets, values of both these loans and the securitized bonds were expected to be volatile. Since this approach involved the use of significant unobservable inputs, we classified all the mortgage loans elected under the fair value option as Level 3. Refer to the section within this note titled *Fair Value Option of Financial Assets and Financial Liabilities* for additional information.

- **MSRs** — MSRs are classified as Level 3 because there are limited MSR market transactions that are directly observable; therefore, we use internally developed discounted cash flow models (an income approach) to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.
- **Interests retained in financial asset sales** — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
- **Derivative instruments** — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

We also execute over-the-counter derivative contracts, such as interest rate swaps, swaptions, forwards, caps, floors, and agency to-be-announced securities. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are used in the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

We also hold certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often are utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount is often indexed to the hedged item. As a result, we typically are required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of a liability. We reduce credit risk on the majority of our derivatives by entering into legally enforceable agreements that enable the posting and receiving of collateral associated with the fair value of our derivative positions on an ongoing basis. In the event that we do not enter into legally enforceable agreements that enable the posting and receiving of collateral, we will consider our credit risk and the credit risk of our counterparties in the valuation of derivative instruments through a credit valuation adjustment (CVA), if warranted. The CVA calculation utilizes our credit default swap spreads and the spreads of the counterparty.

- **On-balance sheet securitization debt** — We elected the fair value option for certain mortgage loans held-for-investment and the related on-balance sheet securitization debt. We valued securitization debt that was elected pursuant to the fair value option and any economically retained positions using market observable prices whenever possible. The securitization debt was principally in the form of asset- and MBS collateralized by the underlying mortgage loans held-for-investment. Due to the attributes of the underlying collateral and current market conditions, observable prices for these instruments were typically not available. In these situations, we considered observed transactions as Level 2 inputs in our discounted cash flow models. Additionally, the discounted cash flow models utilized other market observable inputs, such as interest rates, and internally derived inputs including prepayment speeds,

Notes to Consolidated Financial Statements

Ally Financial Inc.

credit losses, and discount rates. Fair value option-elected financing securitization debt was classified as Level 3 as a result of the reliance on significant assumptions and estimates for model inputs. Refer to the section within this note titled *Fair Value Option for Financial Assets and Financial Liabilities* for further information about the election. The debt that was not elected under the fair value option is reported on the balance sheet at cost, net of premiums or discounts and issuance costs.

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.

December 31, 2012 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	\$ 697	\$ 1,517	\$ —	\$ 2,214
Foreign government	3	300	—	303
Mortgage-backed residential	—	6,906	—	6,906
Asset-backed	—	2,340	—	2,340
Corporate debt securities	—	1,263	—	1,263
Total debt securities	700	12,326	—	13,026
Equity securities (a)	1,152	—	—	1,152
Total available-for-sale securities	1,852	12,326	—	14,178
Mortgage loans held-for-sale, net (b)	—	2,490	—	2,490
Mortgage servicing rights	—	—	952	952
Other assets				
Interests retained in financial asset sales	—	—	154	154
Derivative contracts in a receivable position				
Interest rate	40	2,170	48	2,258
Foreign currency	—	40	—	40
Total derivative contracts in a receivable position	40	2,210	48	2,298
Collateral placed with counterparties (c)	103	99	—	202
Total assets	\$ 1,995	\$ 17,125	\$ 1,154	\$ 20,274
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	\$ (13)	\$ (2,374)	\$ (1)	\$ (2,388)
Foreign currency	—	(78)	(2)	(80)
Total derivative contracts in a payable position	(13)	(2,452)	(3)	(2,468)
Total liabilities	\$ (13)	\$ (2,452)	\$ (3)	\$ (2,468)

(a) Our investment in any one industry did not exceed 21%.

(b) Carried at fair value due to fair value option elections.

(c) Represents collateral in the form of investment securities. Cash collateral was excluded.

Notes to Consolidated Financial Statements

Ally Financial Inc.

December 31, 2011 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Trading assets (excluding derivatives)				
Mortgage-backed residential securities	\$ —	\$ 575	\$ 33	\$ 608
Total trading assets	—	575	33	608
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	903	643	—	1,546
States and political subdivisions	—	1	—	1
Foreign government	427	357	—	784
Mortgage-backed residential	—	7,312	—	7,312
Asset-backed	—	2,553	62	2,615
Corporate debt securities	—	1,491	—	1,491
Other debt securities	—	327	—	327
Total debt securities	1,330	12,684	62	14,076
Equity securities (a)	1,059	—	—	1,059
Total available-for-sale securities	2,389	12,684	62	15,135
Mortgage loans held-for-sale, net (b)	—	3,889	30	3,919
Consumer mortgage finance receivables and loans, net (b)	—	—	835	835
Mortgage servicing rights	—	—	2,519	2,519
Other assets				
Interests retained in financial asset sales	—	—	231	231
Derivative contracts in a receivable position (c)				
Interest rate	79	5,274	88	5,441
Foreign currency	—	242	18	260
Total derivative contracts in a receivable position	79	5,516	106	5,701
Collateral placed with counterparties (d)	328	—	—	328
Total assets	\$ 2,796	\$ 22,664	\$ 3,816	\$ 29,276
Liabilities				
Long-term debt				
On-balance sheet securitization debt (b)	\$ —	\$ —	\$ (830)	\$ (830)
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	(32)	(5,229)	(17)	(5,278)
Foreign currency	—	(99)	(2)	(101)
Total derivative contracts in a payable position	(32)	(5,328)	(19)	(5,379)
Loan repurchase liabilities (b)	—	—	(29)	(29)
Trading liabilities (excluding derivatives)	(61)	—	—	(61)
Total liabilities	\$ (93)	\$ (5,328)	\$ (878)	\$ (6,299)

(a) Our investment in any one industry did not exceed 18%.

(b) Carried at fair value due to fair value option elections.

(c) Includes derivatives classified as trading.

(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets and liabilities measured at fair value on a recurring basis.

December 31, 2012 (\$ in millions)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Mortgage servicing rights	\$ 952	(a)	(a)	(a)
Other assets				
Interests retained in financial asset sales	154	Discounted cash flow	Discount rate	5.4-6.1%
			Commercial paper rate	0-0.1%

(a) Refer to Note 11 for information related to MSR valuation assumptions and sensitivities.

Notes to Consolidated Financial Statements

Ally Financial Inc.

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.

(\$ in millions)	Level 3 recurring fair value measurements											
	Fair value at Jan. 1, 2012	Net realized/unrealized gains (losses)		Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation or discontinued operations (a)	Fair value at Dec. 31, 2012	Net unrealized gains (losses) included in earnings still held at Dec. 31, 2012		
	included in earnings	included in OCI										
Assets												
Trading assets (excluding derivatives)												
Mortgage-backed residential securities	\$ 33	\$ 2 (b)	\$ —	\$ —	\$ —	\$ —	\$ (4)	\$ (31)	\$ —	\$ 4 (b)		
Investment securities												
Available-for-sale debt securities												
Asset-backed	62	19	(12)	—	(69)	—	—	—	—	—		
Mortgage loans held-for-sale, net (c)	30	—	—	12	—	—	(11)	(31)	—	—		
Consumer mortgage finance receivables and loans, net (c)	835	121 (c)	—	—	(245) (d)	—	(124)	(587)	—	51 (c)		
Mortgage servicing rights	2,519	(677) (e)	—	—	—	240	—	(1,130)	952	(677) (e)		
Other assets												
Interests retained in financial asset sales	231	46 (f)	—	—	—	—	(123)	—	154	—		
Derivative contracts, net (g)												
Interest rate	71	(78) (h)	—	—	—	—	53	1	47	1 (h)		
Foreign currency	16	(32) (h)	—	—	—	—	—	14	(2)	(50) (h)		
Total derivative contracts in a receivable position, net	87	(110)	—	—	—	—	53	15	45	(49)		
Total assets	\$ 3,797	\$ (599)	\$ (12)	\$ 12	\$ (314)	\$ 240	\$ (209)	\$ (1,764)	\$ 1,151	\$ (671)		
Liabilities												
Long-term debt												
On-balance sheet securitization debt (c)	\$ (830)	\$ (115) (c)	\$ —	\$ —	\$ —	\$ —	\$ 389	\$ 556	\$ —	\$ (62) (c)		
Accrued expenses and other liabilities												
Loan repurchase liabilities (c)	(29)	—	—	(11)	—	—	10	30	—	—		
Total liabilities	\$ (859)	\$ (115)	\$ —	\$ (11)	\$ —	\$ —	\$ 399	\$ 586	\$ —	\$ (62)		

- (a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap or discontinued operations. Refer to Note 1 for additional information related to ResCap. Refer to Note 2 for additional information related to discontinued operations.
- (b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
- (d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.
- (e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 22 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Level 3 recurring fair value measurements

(\$ in millions)	Net realized/unrealized gains (losses)		included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out of level 3	Fair value at Dec. 31, 2011	Net unrealized gains (losses) included in earnings still held at Dec. 31, 2011
	Fair value at Jan. 1, 2011	included in earnings								
Assets										
Trading assets (excluding derivatives)										
Mortgage-backed residential securities	\$ 44	\$ 5 (a)	\$ —	\$ —	\$ —	\$ —	\$ (16)	\$ —	\$ 33	\$ 14 (a)
Asset-backed securities	94	—	—	—	(94)	—	—	—	—	—
Total trading assets	138	5	—	—	(94)	—	(16)	—	33	14
Investment securities										
Available-for-sale debt securities										
Mortgage-backed residential	1	—	—	—	(1)	—	—	—	—	—
Asset-backed	—	18 (b)	14	94	(64)	—	—	—	62	—
Total debt securities	1	18	14	94	(65)	—	—	—	62	—
Mortgage loans held-for-sale, net (c)	4	(1) (c)	—	46	(1)	—	(18)	—	30	(2) (c)
Consumer mortgage finance receivables and loans, net (c)	1,015	352 (c)	1	—	—	—	(533)	—	835	136 (c)
Mortgage servicing rights	3,738	(1,606) (d)	—	31	(266) (e)	622	—	—	2,519	(1,605) (d)
Other assets										
Interests retained in financial asset sales	568	180 (f)	—	—	—	3	(520)	—	231	(15) (f)
Derivative contracts, net (g)										
Interest rate	(13)	148 (h)	—	—	—	—	(41)	(23) (i)	71	145 (h)
Foreign currency	—	16 (h)	—	—	—	—	—	—	16	16 (h)
Total derivative contracts in a (payable) receivable position, net	(13)	164	—	—	—	—	(41)	(23)	87	161
Total assets	\$ 5,451	\$ (888)	\$ 15	\$ 171	\$ (426)	\$ 625	\$ (1,128)	\$ (23)	\$ 3,797	\$ (1,311)
Liabilities										
Long-term debt										
On-balance sheet securitization debt (c)	\$ (972)	\$ (371) (c)	\$ 1	\$ —	\$ —	\$ —	\$ 512	\$ —	\$ (830)	\$ (184) (c)
Accrued expenses and other liabilities										
Loan repurchase liabilities (c)	—	2 (c)	—	(46)	—	—	15	—	(29)	2 (c)
Total liabilities	\$ (972)	\$ (369)	\$ 1	\$ (46)	\$ —	\$ —	\$ 527	\$ —	\$ (859)	\$ (182)

- (a) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (b) The fair value adjustment was reported as other income, net of losses, and the related interest was reported as interest and dividends on available-for-sale investment securities in the Consolidated Statement of Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
- (d) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net and income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (e) Represents excess mortgage servicing rights transferred to an agency-controlled trust in exchange for trading securities. These securities were then sold instantaneously to third-party investors for \$266 million.
- (f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (g) Includes derivatives classified as trading.
- (h) Refer to Note 22 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.
- (i) The in-house valuations of some derivative contracts classified as Level 3 was replaced with third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs are entered into the model. We reclassified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

Notes to Consolidated Financial Statements

Ally Financial Inc.

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.

December 31, 2012 (\$ in millions)	Nonrecurring fair value measurements				Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
Assets						
Commercial finance receivables and loans, net (a)						
Automotive	\$ —	\$ —	\$ 108	\$ 108	\$ (19)	n/m (b)
Other	—	—	23	23	(7)	n/m (b)
Total commercial finance receivables and loans, net	—	—	131	131	(26)	n/m (b)
Other assets						
Repossessed and foreclosed assets (c)	—	—	3	3	(2)	n/m (b)
Total assets	\$ —	\$ —	\$ 134	\$ 134	\$ (28)	n/m

n/m = not meaningful

- (a) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

December 31, 2011 (\$ in millions)	Nonrecurring fair value measurements				Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
Assets						
Mortgage loans held-for-sale (a)	\$ —	\$ —	\$ 479	\$ 479	\$ (60)	n/m (b)
Commercial finance receivables and loans, net (c)						
Automotive	—	—	310	310	(30)	n/m (b)
Mortgage	—	1	14	15	(10)	n/m (b)
Other	—	—	20	20	(10)	n/m (b)
Total commercial finance receivables and loans, net	—	1	344	345	(50)	n/m (b)
Other assets						
Property and equipment	—	13	—	13	n/m (d)	\$ (8)
Repossessed and foreclosed assets (e)	—	32	27	59	(15)	n/m (b)
Total assets	\$ —	\$ 46	\$ 850	\$ 896	\$ (125)	\$ (8)

n/m = not meaningful

- (a) Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) Represents the portion of the portfolio specifically impaired during 2011. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (d) The total gain (loss) included in earnings is the most relevant indicator of the impact on earnings.
- (e) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets measured at fair value on a nonrecurring basis.

December 31, 2012 (\$ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	\$ 108	Fair value of collateral	Adjusted appraisal value	65.0-95.0%

Fair Value Option for Financial Assets and Financial Liabilities

A description of the financial assets and liabilities elected to be measured at fair value is as follows. Our intent in electing fair value for all these items was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

- On-balance sheet mortgage securitizations** — We elected to measure at fair value certain domestic consumer mortgage finance receivables and loans and the related debt held in on-balance sheet mortgage securitization structures. The fair value-elected loans were classified as finance receivable and loans, net, on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless the loans are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. We classified the fair value adjustment recorded for the loans as other income, net of losses, in the Consolidated Statement of Income.

We continued to record the fair value-elected debt balances as long-term debt on the Consolidated Balance Sheet. Our policy is to separately record interest expense on the fair value-elected debt, which continues to be classified as interest on long-term debt in the Consolidated Statement of Income. We classified the fair value adjustment recorded for this fair value-elected debt as other income, net of losses, in the Consolidated Statement of Income.

- Conforming and government-insured mortgage loans held-for-sale** — We elected the fair value option for conforming and government-insured mortgage loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were conforming and government-insured loans funded on or prior to July 31, 2009, and those repurchased or rerecognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and rerecognized conforming and government-insured loans were not elected because the election would not mitigate earning volatility. We repurchase or rerecognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carry the fair value-elected conforming and government-insured loans as loans held-for-sale, net, on the Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. Upfront fees and costs related to the fair value-elected loans were not deferred or capitalized. The fair value adjustment recorded for these loans is classified as gain (loss) on mortgage loans, net, in the Consolidated Statement of Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold.

- Nongovernment-eligible mortgage loans held-for-sale subject to conditional repurchase options** — We elected the fair value option for both nongovernment-eligible mortgage loans held-for-sale subject to conditional repurchase options and the related liability. These conditional repurchase options within our private label securitizations allowed us to repurchase a transferred financial asset if certain events outside our control were met. The typical conditional repurchase option was a delinquent loan repurchase option that gave us the option to purchase the loan if it exceeded a certain prespecified delinquency level. We had complete discretion regarding when or if we would exercise these options, but generally we would do so only when it is in our best interest. We recorded the asset and the corresponding liability on our balance sheet when the option becomes exercisable. The fair value option election must be made at initial recording. As such, the conditional repurchase option assets and liabilities recorded prior to January 1, 2011, were ineligible for the fair value election.

We carried these fair value-elected optional repurchase loan balance as loans held-for-sale, net, on the Consolidated Balance Sheet. The fair value adjustment recorded for these loans was classified as other income, net of losses, in the Consolidated Statement of Income. We carried the fair value-elected corresponding liability as accrued expenses and other liabilities on the Consolidated Balance Sheet. The fair value adjustment recorded for these liabilities were classified as other income, net of losses, in the Consolidated Statement of Income.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The following tables summarize the fair value option elections and information regarding the amounts recorded as earnings for each fair value option-elected item.

Year ended December 31, (\$ in millions)	Changes included in the Consolidated Statement of Income						
	Interest and fees on finance receivables and loans (a)	Interest on loans held-for-sale (a)	Interest on long-term debt (b)	Gain on mortgage loans, net	Other income, net of losses	Total included in earnings	Change in fair value due to credit risk (c)
2012							
Assets							
Mortgage loans held-for-sale, net	\$ —	\$ 82	\$ —	\$ (32)	\$ —	\$ 50	\$ — (d)
2011							
Assets							
Mortgage loans held-for-sale, net	\$ —	\$ 175	\$ —	\$ 148	\$ —	\$ 323	\$ — (d)

- (a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.
(b) Interest expense is measured by multiplying bond principal by the coupon rate and the number of days of interest due to the investor.
(c) Factors other than credit quality that impact fair value include changes in market interest rates and the illiquidity or marketability in the current marketplace. Lower levels of observable data points in illiquid markets generally result in wide bid/offer spreads.
(d) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.

The following table provides the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans and long-term debt instruments.

December 31, (\$ in millions)	2012		2011	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	\$ 2,416	\$ 2,490	\$ 3,766	\$ 3,919
Nonaccrual loans	47	25	54	27
Loans 90+ days past due (b)	36	19	53	27
Consumer mortgage finance receivables and loans, net				
Total loans	—	—	2,436	835
Nonaccrual loans (c)	—	—	506	209
Loans 90+ days past due (b) (c)	—	—	362	163
Liabilities				
Long-term debt				
On-balance sheet securitization debt	\$ —	\$ —	\$ (2,559)	\$ (830)
Accrued expenses and other liabilities				
Loan repurchase liabilities	—	—	(57)	(29)

- (a) Excludes accrued interest receivable.
(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.
(c) The fair value of consumer mortgage finance receivables and loans is calculated on a pooled basis; therefore, we allocated the fair value of nonaccrual loans and loans 90+ days past due to individual loans based on the unpaid principal balances. For further discussion regarding the pooled basis, refer to the previous section of this note titled *Consumer mortgage finance receivables and loans, net*.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled *Recurring Fair Value*. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at December 31, 2012 and 2011.

December 31, (\$ in millions)	2012					2011	
	Carrying value	Estimated fair value			Total	Carrying value	Estimated fair value
		Level 1	Level 2	Level 3			
Financial assets							
Loans held-for-sale, net (a)	\$ 2,576	\$ —	\$ 2,490	\$ 86	\$ 2,576	\$ 8,557	\$ 8,674
Finance receivables and loans, net (a)	97,885	—	—	98,907	98,907	113,252	113,576
Nonmarketable equity investments	303	—	272	34	306	419	423
Financial liabilities							
Deposit liabilities	\$ 47,915	\$ —	\$ —	\$ 48,752	\$ 48,752	\$ 45,050	\$ 45,696
Short-term borrowings	7,461	6	—	7,454	7,460	7,680	7,622
Long-term debt (a)(b)	74,882	—	36,018	42,533	78,551	93,525	92,142

(a) Includes financial instruments carried at fair value due to fair value option elections. Refer to the previous section of this note titled *Fair Value Option for Financial Assets and Liabilities* for further information about the fair value elections.

(b) The carrying value includes deferred interest for zero-coupon bonds of \$321 million and \$640 million at December 31, 2012, and 2011, respectively.

The following describes the methodologies and assumptions used to determine fair value for the significant classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market was not active and a transaction was not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not in forced liquidation or distressed sale.

- **Loans held-for-sale, net** — Loans held-for-sale classified as Level 2 include all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans and foreign loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.
- **Finance receivables and loans, net** — With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain other automotive- and mortgage-lending 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.

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach with Level 3 inputs to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the section above titled *Loans held-for-sale, net*, for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

- **Deposit liabilities** — Deposit liabilities represent certain consumer and brokered bank deposits, mortgage escrow deposits, and dealer deposits. The fair value of deposits at Level 3 were estimated by discounting projected cash flows based on discount factors derived from the forward interest rate swap curve.

Notes to Consolidated Financial Statements

Ally Financial Inc.

- **Debt** — Level 2 debt was valued using quoted market prices in inactive markets. Debt valued using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.

26. Segment and Geographic Information

Operating segments are defined as components of an enterprise that engage in business activity from which revenues are earned and expenses incurred for which discrete financial information is available that is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and in assessing performance.

We report our results of operations on a line-of-business basis through three operating segments - Automotive Finance operations, Insurance operations, and Mortgage operations, with the remaining activity reported in Corporate and Other. The operating segments are determined based on the products and services offered, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

Automotive Finance operations — Provides automotive financing services to consumers and automotive dealers and includes the automotive activities of Ally Bank. For consumers, we offer retail automotive financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

Insurance operations — Offers both consumer finance and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory in the United States.

Mortgage operations — Our ongoing Mortgage operations are conducted through Ally Bank. We intend to continue to originate a modest level of jumbo and conventional conforming residential mortgages for our own portfolio through a select group of correspondent lenders. Our Mortgage operations also include noncore business activities that are winding down or were business activities of ResCap, which was deconsolidated on May 14, 2012, including, among other things: portfolios in runoff; and our mortgage reinsurance business.

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments.

We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the LIBOR swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other.

The information presented in our reportable operating segments and geographic areas tables that follow are based in part on internal allocations, which involve management judgment.

Change in Reportable Segment Information

As a result of a change in management's view of our operations, we have changed the presentation of our reportable operating segments during the year ended December 31, 2012. These changes include the following:

- During the fourth quarter of 2012, we announced that we had reached agreements to sell substantially all of our International operations. As a result, beginning in the fourth quarter of 2012, we are presenting our continuing Automotive Finance activities under one reportable operating segment, Automotive Finance operations. Previously our Automotive Finance operations were presented as two reportable operating segments, North American Automotive Finance operations and International Automotive Finance operations.
- During the fourth quarter of 2012, we began to allocate certain expenses associated with deposit gathering activities and other additional costs of holding liquidity to our Automotive Finance and Mortgage operations. These expenses were previously included within our Corporate and Other activities. Additionally, we began to include overhead that was previously allocated to operations that have since been sold or moved into discontinued operations within our Corporate and Other activities.
- On May 14, 2012, the Debtors filed for relief under Chapter 11 of the Bankruptcy Code in the United States. As a result of the bankruptcy filing, ResCap was deconsolidated from our financial statements; and beginning in the second quarter of 2012, we began presenting our mortgage business activities under one reportable operating segment, Mortgage operations. Previously our Mortgage operations had been presented as two reportable operating segments, Origination and Servicing operations and Legacy

Notes to Consolidated Financial Statements

Ally Financial Inc.

Portfolio and Other operations. The new presentation is consistent with the organizational alignment of the business and management's current view of the mortgage business.

Financial information for our reportable operating segments is summarized as follows.

Year ended December 31, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations (a)	Corporate and Other (b)	Consolidated (c)
2012					
Net financing revenue (loss)	\$ 2,827	\$ 64	\$ 149	\$ (1,149)	\$ 1,891
Other revenue (loss)	322	1,150	1,159	(57)	2,574
Total net revenue (loss)	3,149	1,214	1,308	(1,206)	4,465
Provision for loan losses	253	—	86	(10)	329
Total noninterest expense	1,507	1,054	627	434	3,622
Income (loss) from continuing operations before income tax expense	\$ 1,389	\$ 160	\$ 595	\$ (1,630)	\$ 514
Total assets	\$ 128,411	\$ 8,439	\$ 14,744	\$ 30,753	\$ 182,347
2011					
Net financing revenue (loss)	\$ 2,530	\$ 62	\$ 205	\$ (1,673)	\$ 1,124
Other revenue	422	1,336	354	176	2,288
Total net revenue (loss)	2,952	1,398	559	(1,497)	3,412
Provision for loan losses	89	—	123	(51)	161
Total noninterest expense	1,530	1,082	344	472	3,428
Income (loss) from continuing operations before income tax expense	\$ 1,333	\$ 316	\$ 92	\$ (1,918)	\$ (177)
Total assets	\$ 112,591	\$ 8,036	\$ 33,906	\$ 29,526	\$ 184,059
2010					
Net financing revenue (loss)	\$ 2,697	\$ 73	\$ 308	\$ (2,005)	\$ 1,073
Other revenue (loss)	724	1,728	257	(37)	2,672
Total net revenue (loss)	3,421	1,801	565	(2,042)	3,745
Provision for loan losses	260	—	148	(47)	361
Total noninterest expense	1,404	1,244	340	633	3,621
Income (loss) from continuing operations before income tax expense	\$ 1,757	\$ 557	\$ 77	\$ (2,628)	\$ (237)
Total assets	\$ 97,961	\$ 8,789	\$ 36,786	\$ 28,472	\$ 172,008

(a) Represents the ResCap legal entity (prior to its deconsolidation from Ally as of May 14, 2012) and the mortgage activities of Ally Bank.

(b) Total assets for the Commercial Finance Group were \$1.5 billion, \$1.2 billion, and \$1.6 billion at December 31, 2012, 2011 and 2010, respectively.

(c) Net financing revenue after the provision for loan losses totaled \$1.6 billion, \$1.0 billion, and \$0.7 billion in 2012, 2011 and 2010, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Information concerning principal geographic areas were as follows.

Year ended December 31, (\$ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)	Identifiable assets (c)	Long-lived assets (d)
2012					
Canada	\$ 233	\$ 48	\$ 295	\$ 13,362	\$ 1
Europe (e)	(28)	(14)	183	10,971	16
Latin America	2	(19)	219	8,050	33
Asia-Pacific	4	3	99	395	—
Total foreign	211	18	796	32,778	50
Total domestic (f)	4,254	496	400	149,542	13,831
Total	\$ 4,465	\$ 514	\$ 1,196	\$ 182,320	\$ 13,881
2011					
Canada	\$ 174	\$ (13)	\$ 436	\$ 15,156	\$ 282
Europe (e)	(42)	(3)	175	9,976	92
Latin America	4	(18)	104	7,647	30
Asia-Pacific	2	—	69	292	—
Total foreign	138	(34)	784	33,071	404
Total domestic (f)	3,274	(143)	(941)	150,470	9,236
Total	\$ 3,412	\$ (177)	\$ (157)	\$ 183,541	\$ 9,640
2010					
Canada	\$ 157	\$ (40)	\$ 402	\$ 17,321	\$ 1,522
Europe (e)	(67)	(85)	278	11,321	406
Latin America	12	(7)	164	6,917	35
Asia-Pacific	4	6	7	202	—
Total foreign	106	(126)	851	35,761	1,963
Total domestic (f)	3,639	(111)	178	135,722	7,541
Total	\$ 3,745	\$ (237)	\$ 1,029	\$ 171,483	\$ 9,504

(a) Revenue consists of net financing revenue and total other revenue as presented in our Consolidated Statement of Income.

(b) The domestic amounts include original discount amortization of \$349 million, \$925 million, and \$1.2 billion for the year ended December 31, 2012, 2011, and 2010, respectively.

(c) Identifiable assets consist of total assets excluding goodwill.

(d) Long-lived assets consist of investment in operating leases, net, and net property and equipment.

(e) Amounts include eliminations between our foreign operations.

(f) Amounts include eliminations between our domestic and foreign operations.

27. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by a group of subsidiaries (the Guarantors). The Guarantors, each of which is a 100% directly owned subsidiary of Ally Financial Inc., are Ally US LLC, IB Finance Holding Company, LLC (IB Finance), and GMAC Continental Corporation (GMAC Continental). The Guarantors fully and unconditionally guarantee the senior notes on a joint and several basis. In connection with the purchase and sale agreement with General Motors Financial (GMF) described in Note 2, all of the common stock of GMAC Continental will be sold to GMF. Following the closing of this equity sale transaction, GMAC Continental will cease to be a Guarantor, and the proceeds from the sale of GMAC Continental will be reinvested in IB Finance or a subsidiary of IB Finance. Following the completion of this transaction, IB Finance and Ally US LLC will remain note Guarantors.

The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company-only basis), (ii) the Guarantors, (iii) the nonguarantor subsidiaries (all other subsidiaries), and (iv) an elimination column for adjustments to arrive at (v) the information for the parent company, Guarantors, and nonguarantors on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's and Guarantors' investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, Guarantors, and nonguarantors.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Condensed Consolidating Statements of Income and Comprehensive Income

Year ended December 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 852	\$ —	\$ 3,687	\$ —	\$ 4,539
Interest and fees on finance receivables and loans — intercompany	104	—	22	(126)	—
Interest on loans held-for-sale	15	—	83	—	98
Interest on trading assets	—	—	10	—	10
Interest and dividends on available-for-sale investment securities	—	—	292	—	292
Interest-bearing cash	16	—	8	—	24
Interest-bearing cash — intercompany	—	—	16	(16)	—
Operating leases	232	—	2,147	—	2,379
Total financing revenue and other interest income	1,219	—	6,265	(142)	7,342
Interest expense					
Interest on deposits	58	—	587	—	645
Interest on short-term borrowings	60	—	11	—	71
Interest on long-term debt	2,676	—	677	(17)	3,336
Interest on intercompany debt	(1)	1	120	(120)	—
Total interest expense	2,793	1	1,395	(137)	4,052
Depreciation expense on operating lease assets	113	—	1,286	—	1,399
Net financing (loss) revenue	(1,687)	(1)	3,584	(5)	1,891
Dividends from subsidiaries					
Nonbank subsidiaries	1,074	448	—	(1,522)	—
Other revenue					
Servicing fees	191	—	218	—	409
Servicing asset valuation and hedge activities, net	—	—	(4)	—	(4)
Total servicing income, net	191	—	214	—	405
Insurance premiums and service revenue earned	—	—	1,055	—	1,055
(Loss) gain on mortgage and automotive loans, net	(2)	—	381	—	379
Loss on extinguishment of debt	—	—	(148)	—	(148)
Other gain on investments, net	—	—	146	—	146
Other income, net of losses	173	474	1,280	(1,190)	737
Total other revenue	362	474	2,928	(1,190)	2,574
Total net (loss) revenue	(251)	921	6,512	(2,717)	4,465
Provision for loan losses	81	—	248	—	329
Noninterest expense					
Compensation and benefits expense	728	473	381	(476)	1,106
Insurance losses and loss adjustment expenses	—	—	454	—	454
Other operating expenses	1,090	1	1,685	(714)	2,062
Total noninterest expense	1,818	474	2,520	(1,190)	3,622
(Loss) income from continuing operations before income tax benefit and undistributed income (loss) of subsidiaries					
	(2,150)	447	3,744	(1,527)	514
Income tax benefit from continuing operations	(172)	—	(684)	—	(856)
Net (loss) income from continuing operations	(1,978)	447	4,428	(1,527)	1,370
Income (loss) from discontinued operations, net of tax	49	(93)	(130)	—	(174)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	859	859	—	(1,718)	—
Nonbank subsidiaries	2,266	(105)	—	(2,161)	—
Net income	\$ 1,196	\$ 1,108	\$ 4,298	\$ (5,406)	\$ 1,196

Notes to Consolidated Financial Statements

Ally Financial Inc.

Year ended December 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Net income	\$ 1,196	\$ 1,108	\$ 4,298	\$ (5,406)	\$ 1,196
Other comprehensive income, net of tax					
Unrealized gains on investment securities					
Net unrealized gains arising during the period	190	39	329	(227)	331
Less: Net realized gains reclassified to net income	—	—	141	—	141
Net change	190	39	188	(227)	190
Translation adjustments and net investment hedges					
Translation adjustments	184	114	205	(319)	184
Hedges	(168)	—	—	—	(168)
Net change	16	114	205	(319)	16
Cash flow hedges					
Net unrealized losses arising during the period	(4)	(4)	(4)	8	(4)
Defined benefit pension plans					
Net gains (losses), prior service costs, and transition obligations arising during the period	22	—	(36)	(22)	(36)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	—	—	(58)	—	(58)
Net change	22	—	22	(22)	22
Other comprehensive income, net of tax	224	149	411	(560)	224
Comprehensive income	\$ 1,420	\$ 1,257	\$ 4,709	\$ (5,966)	\$ 1,420

Notes to Consolidated Financial Statements

Ally Financial Inc.

Year ended December 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 1,071	\$ —	\$ 3,128	\$ (10)	\$ 4,189
Interest and fees on finance receivables and loans — intercompany	173	—	26	(199)	—
Interest on loans held-for-sale	5	—	175	—	180
Interest on trading assets	—	—	8	—	8
Interest and dividends on available-for-sale investment securities	4	—	346	—	350
Interest-bearing cash	5	—	10	—	15
Operating leases	713	—	1,216	—	1,929
Total financing revenue and other interest income	1,971	—	4,909	(209)	6,671
Interest expense					
Interest on deposits	65	—	550	—	615
Interest on short-term borrowings	56	—	5	—	61
Interest on long-term debt	3,365	(1)	587	(21)	3,930
Interest on intercompany debt	(13)	2	196	(185)	—
Total interest expense	3,473	1	1,338	(206)	4,606
Depreciation expense on operating lease assets	250	—	691	—	941
Net financing (loss) revenue	(1,752)	(1)	2,880	(3)	1,124
Dividends from subsidiaries					
Nonbank subsidiaries	1,383	—	—	(1,383)	—
Other revenue					
Servicing fees	270	—	256	(1)	525
Servicing asset valuation and hedge activities, net	—	—	(434)	—	(434)
Total servicing income, net	270	—	(178)	(1)	91
Insurance premiums and service revenue earned	—	—	1,153	—	1,153
Gain on mortgage and automotive loans, net	22	—	207	—	229
Loss on extinguishment of debt	(64)	—	—	—	(64)
Other gain on investments, net	10	—	248	—	258
Other income, net of losses	(167)	37	1,415	(664)	621
Total other revenue	71	37	2,845	(665)	2,288
Total net (loss) revenue	(298)	36	5,725	(2,051)	3,412
Provision for loan losses	58	—	103	—	161
Noninterest expense					
Compensation and benefits expense	685	37	308	(37)	993
Insurance losses and loss adjustment expenses	—	—	452	—	452
Other operating expenses	541	1	2,069	(628)	1,983
Total noninterest expense	1,226	38	2,829	(665)	3,428
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries					
	(1,582)	(2)	2,793	(1,386)	(177)
Income tax (benefit) expense from continuing operations	(616)	(1)	659	—	42
Net (loss) income from continuing operations	(966)	(1)	2,134	(1,386)	(219)
Income (loss) from discontinued operations, net of tax	10	(8)	57	3	62
Undistributed income (loss) of subsidiaries					
Bank subsidiary	1,254	1,254	—	(2,508)	—
Nonbank subsidiaries	(455)	477	—	(22)	—
Net (loss) income	\$ (157)	\$ 1,722	\$ 2,191	\$ (3,913)	\$ (157)

Notes to Consolidated Financial Statements

Ally Financial Inc.

Year ended December 31, 2011 (<i>\$ in millions</i>)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Net (loss) income	\$ (157)	\$ 1,722	\$ 2,191	\$ (3,913)	\$ (157)
Other comprehensive (loss) income, net of tax					
Unrealized (losses) gains on investment securities					
Net unrealized (losses) gains arising during the period	(82)	50	171	57	196
Less: Net realized gains reclassified to net income	6	—	278	—	284
Net change	(88)	50	(107)	57	(88)
Translation adjustments and net investment hedges					
Translation adjustments	(237)	(114)	(219)	333	(237)
Hedges	173	—	—	—	173
Net change	(64)	(114)	(219)	333	(64)
Defined benefit pension plans					
Net (losses) gains, prior service costs, and transition obligations arising during the period	(20)	1	(27)	19	(27)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	—	—	(7)	—	(7)
Net change	(20)	1	(20)	19	(20)
Other comprehensive loss, net of tax	(172)	(63)	(346)	409	(172)
Comprehensive (loss) income	\$ (329)	\$ 1,659	\$ 1,845	\$ (3,504)	\$ (329)

Notes to Consolidated Financial Statements

Ally Financial Inc.

Year ended December 31, 2010 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	\$ 938	\$ —	\$ 2,945	\$ (1)	\$ 3,882
Interest and fees on finance receivables and loans — intercompany	367	—	4	(371)	—
Interest on loans held-for-sale	75	—	265	—	340
Interest on trading assets	—	—	1	—	1
Interest and dividends on available-for-sale investment securities	4	—	318	(2)	320
Interest and dividends on available-for-sale investment securities — intercompany	112	—	9	(121)	—
Interest-bearing cash	13	—	17	—	30
Operating leases	1,063	—	1,520	—	2,583
Total financing revenue and other interest income	2,572	—	5,079	(495)	7,156
Interest expense					
Interest on deposits	52	—	528	—	580
Interest on short-term borrowings	43	—	2	—	45
Interest on long-term debt	3,691	(1)	537	(20)	4,207
Interest on intercompany debt	(21)	2	373	(354)	—
Total interest expense	3,765	1	1,440	(374)	4,832
Depreciation expense on operating lease assets	435	—	816	—	1,251
Net financing (loss) revenue	(1,628)	(1)	2,823	(121)	1,073
Dividends from subsidiaries					
Nonbank subsidiaries	182	1	—	(183)	—
Other revenue					
Servicing fees	434	—	89	(1)	522
Servicing asset valuation and hedge activities, net	—	—	(617)	—	(617)
Total servicing income, net	434	—	(528)	(1)	(95)
Insurance premiums and service revenue earned	—	—	1,342	—	1,342
Gain on mortgage and automotive loans, net	31	—	556	—	587
Loss on extinguishment of debt	(127)	—	(9)	12	(124)
Other gain on investments, net	6	—	501	(6)	501
Other income, net of losses	(151)	—	1,173	(561)	461
Total other revenue	193	—	3,035	(556)	2,672
Total net (loss) revenue	(1,253)	—	5,858	(860)	3,745
Provision for loan losses	(200)	—	561	—	361
Noninterest expense					
Compensation and benefits expense	785	—	302	—	1,087
Insurance losses and loss adjustment expenses	—	—	511	—	511
Other operating expenses	744	—	1,875	(596)	2,023
Total noninterest expense	1,529	—	2,688	(596)	3,621
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries					
	(2,582)	—	2,609	(264)	(237)
Income tax (benefit) expense from continuing operations	(574)	—	671	—	97
Net (loss) income from continuing operations	(2,008)	—	1,938	(264)	(334)
Income from discontinued operations, net of tax	150	3	1,214	(4)	1,363
Undistributed income (loss) of subsidiaries					
Bank subsidiary	902	902	—	(1,804)	—
Nonbank subsidiaries	1,985	259	—	(2,244)	—
Net income	\$ 1,029	\$ 1,164	\$ 3,152	\$ (4,316)	\$ 1,029

Notes to Consolidated Financial Statements

Ally Financial Inc.

Year ended December 31, 2010 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Net income	\$ 1,029	\$ 1,164	\$ 3,152	\$ (4,316)	\$ 1,029
Other comprehensive (loss) income, net of tax					
Unrealized (losses) gains on investment securities					
Net unrealized (losses) gains arising during the period	(174)	(85)	649	(70)	320
Less: Net realized gains reclassified to net income	3	—	499	(5)	497
Net change	(177)	(85)	150	(65)	(177)
Translation adjustments and net investment hedges					
Translation adjustments	165	442	630	(1,072)	165
Hedges	(182)	—	—	—	(182)
Net change	(17)	442	630	(1,072)	(17)
Cash flow hedges					
Net unrealized gains arising during the period	33	—	—	—	33
Defined benefit pension plans					
Net losses, prior service costs, and transition obligations arising during the period	(40)	—	(81)	62	(59)
Less: Net losses, prior service costs, and transition obligations reclassified to net income	—	—	(19)	—	(19)
Net change	(40)	—	(62)	62	(40)
Other comprehensive (loss) income, net of tax	(201)	357	718	(1,075)	(201)
Cumulative effect of change in accounting principle (a)	(4)	—	(4)	4	(4)
Comprehensive income	\$ 824	\$ 1,521	\$ 3,866	\$ (5,387)	\$ 824

(a) Relates to the adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Condensed Consolidating Balance Sheet

December 31, 2012 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 729	\$ —	\$ 344	\$ —	\$ 1,073
Noninterest-bearing — intercompany	39	—	—	(39)	—
Interest-bearing	3,204	—	3,236	—	6,440
Interest-bearing — intercompany	—	—	452	(452)	—
Total cash and cash equivalents	3,972	—	4,032	(491)	7,513
Investment securities	—	—	14,178	—	14,178
Loans held-for-sale, net	—	—	2,576	—	2,576
Finance receivables and loans, net					
Finance receivables and loans, net	12,486	—	86,569	—	99,055
Intercompany loans to					
Bank subsidiary	1,600	—	—	(1,600)	—
Nonbank subsidiaries	3,514	—	672	(4,186)	—
Allowance for loan losses	(170)	—	(1,000)	—	(1,170)
Total finance receivables and loans, net	17,430	—	86,241	(5,786)	97,885
Investment in operating leases, net	2,003	—	11,547	—	13,550
Intercompany receivables from					
Bank subsidiary	677	—	—	(677)	—
Nonbank subsidiaries	315	334	378	(1,027)	—
Investment in subsidiaries					
Bank subsidiary	14,288	14,288	—	(28,576)	—
Nonbank subsidiaries	19,180	3,723	—	(22,903)	—
Mortgage servicing rights	—	—	952	—	952
Premiums receivable and other insurance assets	—	—	1,609	—	1,609
Other assets	2,514	—	9,968	(574)	11,908
Assets of operations held-for-sale	855	762	30,582	(23)	32,176
Total assets	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 1,977	\$ —	\$ 1,977
Noninterest-bearing — intercompany	—	—	39	(39)	—
Interest-bearing	983	—	44,955	—	45,938
Total deposit liabilities	983	—	46,971	(39)	47,915
Short-term borrowings	3,094	—	4,367	—	7,461
Long-term debt	32,342	—	42,219	—	74,561
Intercompany debt to					
Nonbank subsidiaries	530	—	5,708	(6,238)	—
Intercompany payables to					
Bank subsidiary	752	—	—	(752)	—
Nonbank subsidiaries	674	—	278	(952)	—
Interest payable	748	—	184	—	932
Unearned insurance premiums and service revenue	—	—	2,296	—	2,296
Accrued expenses and other liabilities	2,187	451	4,517	(570)	6,585
Liabilities of operations held-for-sale	26	725	21,948	—	22,699
Total liabilities	41,336	1,176	128,488	(8,551)	162,449
Total equity	19,898	17,931	33,575	(51,506)	19,898
Total liabilities and equity	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership .

Notes to Consolidated Financial Statements

Ally Financial Inc.

December 31, 2011 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	\$ 1,413	\$ —	\$ 1,062	\$ —	\$ 2,475
Interest-bearing	4,848	14	5,698	—	10,560
Interest-bearing — intercompany	—	—	516	(516)	—
Total cash and cash equivalents	6,261	14	7,276	(516)	13,035
Trading assets	—	—	622	—	622
Investment securities	—	—	15,135	—	15,135
Loans held-for-sale, net	425	—	8,132	—	8,557
Finance receivables and loans, net					
Finance receivables and loans, net	15,151	476	99,128	—	114,755
Intercompany loans to					
Bank subsidiary	4,920	—	—	(4,920)	—
Nonbank subsidiaries	5,397	356	550	(6,303)	—
Allowance for loan losses	(245)	(2)	(1,256)	—	(1,503)
Total finance receivables and loans, net	25,223	830	98,422	(11,223)	113,252
Investment in operating leases, net	928	—	8,347	—	9,275
Intercompany receivables from					
Bank subsidiary	82	—	—	(82)	—
Nonbank subsidiaries	1,070	327	577	(1,974)	—
Investment in subsidiaries					
Bank subsidiary	13,094	13,094	—	(26,188)	—
Nonbank subsidiaries	17,433	3,809	—	(21,242)	—
Mortgage servicing rights	—	—	2,519	—	2,519
Premiums receivable and other insurance assets	—	—	1,853	—	1,853
Other assets	2,664	2	16,713	(638)	18,741
Assets of operations held-for-sale	(174)	—	1,244	—	1,070
Total assets	\$ 67,006	\$ 18,076	\$ 160,840	\$ (61,863)	\$ 184,059
Liabilities					
Deposit liabilities					
Noninterest-bearing	\$ —	\$ —	\$ 2,029	\$ —	\$ 2,029
Interest-bearing	1,768	—	41,253	—	43,021
Total deposit liabilities	1,768	—	43,282	—	45,050
Short-term borrowings	2,756	136	4,788	—	7,680
Long-term debt	39,615	214	53,056	—	92,885
Intercompany debt to					
Nonbank subsidiaries	574	492	10,673	(11,739)	—
Intercompany payables to					
Bank subsidiary	39	—	—	(39)	—
Nonbank subsidiaries	1,266	1	750	(2,017)	—
Interest payable	1,167	3	417	—	1,587
Unearned insurance premiums and service revenue	—	—	2,576	—	2,576
Accrued expenses and other liabilities	541	323	14,438	(638)	14,664
Liabilities of operations held-for-sale	—	—	337	—	337
Total liabilities	47,726	1,169	130,317	(14,433)	164,779
Total equity	19,280	16,907	30,523	(47,430)	19,280
Total liabilities and equity	\$ 67,006	\$ 18,076	\$ 160,840	\$ (61,863)	\$ 184,059

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership .

Notes to Consolidated Financial Statements

Ally Financial Inc.

Condensed Consolidating Statement of Cash Flows

Year ended December 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 102	\$ 306	\$ 5,862	\$ (1,221)	\$ 5,049
Investing activities					
Purchases of available-for-sale securities	—	—	(12,816)	—	(12,816)
Proceeds from sales of available-for-sale securities	—	—	7,662	—	7,662
Proceeds from maturities and repayments of available-for-sale securities	—	—	5,673	—	5,673
Net decrease (increase) in finance receivables and loans	3,027	2	(14,972)	—	(11,943)
Proceeds from sales of finance receivables and loans	352	—	1,980	—	2,332
Net decrease in loans — intercompany	3,879	105	129	(4,113)	—
Net increase in operating lease assets	(2,268)	—	(3,431)	—	(5,699)
Capital contributions to subsidiaries	(261)	—	—	261	—
Returns of contributed capital	2,079	—	—	(2,079)	—
Net cash effect from deconsolidation of ResCap	—	—	(539)	—	(539)
Proceeds from sale of business units, net	29	—	487	—	516
Other, net	(247)	(13)	(1,481)	—	(1,741)
Net cash provided by (used in) investing activities	6,590	94	(17,308)	(5,931)	(16,555)
Financing activities					
Net change in short-term borrowings — third party	338	25	2,331	—	2,694
Net increase in bank deposits	—	—	7,619	(39)	7,580
Proceeds from issuance of long-term debt — third party	3,613	70	35,718	—	39,401
Repayments of long-term debt — third party	(11,238)	(73)	(28,598)	—	(39,909)
Net change in debt — intercompany	(44)	(149)	(3,984)	4,177	—
Dividends paid — third party	(802)	—	—	—	(802)
Dividends paid and returns of contributed capital — intercompany	—	(457)	(2,843)	3,300	—
Capital contributions from parent	—	169	92	(261)	—
Other, net	(785)	1	(143)	—	(927)
Net cash (used in) provided by financing activities	(8,918)	(414)	10,192	7,177	8,037
Effect of exchange-rate changes on cash and cash equivalents	(63)	—	5	—	(58)
Net decrease in cash and cash equivalents	(2,289)	(14)	(1,249)	25	(3,527)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	(1,995)	—	(1,995)
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035
Cash and cash equivalents at end of year	\$ 3,972	\$ —	\$ 4,032	\$ (491)	\$ 7,513

Notes to Consolidated Financial Statements

Ally Financial Inc.

Year ended December 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 2,695	\$ 209	\$ 3,973	\$ (1,384)	\$ 5,493
Investing activities					
Purchases of available-for-sale securities	—	—	(19,377)	—	(19,377)
Proceeds from sales of available-for-sale securities	1,494	—	12,738	—	14,232
Proceeds from maturities and repayments of available-for-sale securities	1	—	4,964	—	4,965
Net increase in finance receivables and loans	(2,933)	(51)	(14,014)	—	(16,998)
Proceeds from sales of finance receivables and loans	1,346	—	1,522	—	2,868
Net decrease (increase) in loans — intercompany	2,743	11	(88)	(2,666)	—
Net decrease (increase) in operating lease assets	2,890	—	(3,901)	—	(1,011)
Capital contributions to subsidiaries	(1,634)	(855)	—	2,489	—
Returns of contributed capital	1,255	—	—	(1,255)	—
Proceeds from sale of business units, net	—	—	50	—	50
Other, net	124	(1)	1,020	—	1,143
Net cash provided by (used in) investing activities	5,286	(896)	(17,086)	(1,432)	(14,128)
Financing activities					
Net change in short-term borrowings — third party	237	47	230	—	514
Net increase in bank deposits	—	—	5,840	—	5,840
Proceeds from issuance of long-term debt — third party	3,201	200	41,353	—	44,754
Repayments of long-term debt — third party	(9,414)	(226)	(30,833)	—	(40,473)
Net change in debt — intercompany	71	30	(2,755)	2,654	—
Dividends paid — third party	(819)	—	—	—	(819)
Dividends paid and returns of contributed capital — intercompany	—	(207)	(2,431)	2,638	—
Capital contributions from parent	—	855	1,634	(2,489)	—
Other, net	308	—	(74)	—	234
Net cash (used in) provided by financing activities	(6,416)	699	12,964	2,803	10,050
Effect of exchange-rate changes on cash and cash equivalents	31	—	18	—	49
Net increase (decrease) in cash and cash equivalents	1,596	12	(131)	(13)	1,464
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	(99)	—	(99)
Cash and cash equivalents at beginning of year	4,665	2	7,506	(503)	11,670
Cash and cash equivalents at end of year	\$ 6,261	\$ 14	\$ 7,276	\$ (516)	\$ 13,035

Notes to Consolidated Financial Statements

Ally Financial Inc.

Year ended December 31, 2010 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	\$ 4,552	\$ 13	\$ 7,230	\$ (188)	\$ 11,607
Investing activities					
Purchases of available-for-sale securities	(1,485)	—	(22,631)	—	(24,116)
Proceeds from sales of available-for-sale securities	41	—	17,872	(41)	17,872
Proceeds from maturities and repayments of available-for-sale securities	—	—	4,527	—	4,527
Net decrease in investment securities — intercompany	323	—	260	(583)	—
Net (increase) decrease in finance receivables and loans	(5,177)	96	(12,263)	—	(17,344)
Proceeds from sales of finance receivables and loans	6	—	3,132	—	3,138
Net decrease (increase) in loans — intercompany	7,736	(283)	(302)	(7,151)	—
Net (increase) decrease in operating lease assets	(2,770)	—	7,846	—	5,076
Capital contributions to subsidiaries	(2,036)	(1,737)	—	3,773	—
Returns of contributed capital	880	—	—	(880)	—
Proceeds from sale of business unit, net	59	—	102	—	161
Other, net	104	(1)	3,016	—	3,119
Net cash (used in) provided by investing activities	(2,319)	(1,925)	1,559	(4,882)	(7,567)
Financing activities					
Net change in short-term borrowings — third party	735	50	(4,414)	—	(3,629)
Net increase in bank deposits	—	—	6,556	—	6,556
Proceeds from issuance of long-term debt — third party	5,824	90	33,047	41	39,002
Repayments of long-term debt — third party	(4,292)	(256)	(44,982)	—	(49,530)
Net change in debt — intercompany	243	300	(7,774)	7,231	—
Dividends paid — third party	(1,253)	—	—	—	(1,253)
Dividends paid and returns of contributed capital — intercompany	—	—	(1,068)	1,068	—
Capital contributions from parent	—	1,725	2,048	(3,773)	—
Other, net	418	—	451	—	869
Net cash provided by (used in) financing activities	1,675	1,909	(16,136)	4,567	(7,985)
Effect of exchange-rate changes on cash and cash equivalents	—	—	102	—	102
Net increase (decrease) in cash and cash equivalents	3,908	(3)	(7,245)	(503)	(3,843)
Adjustment for change in cash and cash equivalents of operations held-for-sale	—	—	725	—	725
Cash and cash equivalents at beginning of year	757	5	14,026	—	14,788
Cash and cash equivalents at end of year	\$ 4,665	\$ 2	\$ 7,506	\$ (503)	\$ 11,670

28. Guarantees and Commitments

Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in the underlying agreements with the guaranteed parties. The following summarizes our outstanding guarantees, including those of our discontinued operations, made to third parties on our Consolidated Balance Sheet, for the periods shown.

December 31, (\$ in millions)	2012		2011	
	Maximum liability	Carrying value of liability	Maximum liability	Carrying value of liability
Default automotive repurchases	\$ 1,897	\$ —	\$ 1,600	\$ —
Standby letters of credit and other guarantees	274	44	333	88

Default Automotive Repurchases

Certain of our discontinued international automotive financing businesses provide certain investors in our on-balance sheet arrangements (securitizations) and whole-loan transactions with repurchase commitments for loans that become contractually delinquent within a specified

Notes to Consolidated Financial Statements

Ally Financial Inc.

time from their date of origination or purchase. The maximum obligation represents the principal balance for loans sold that are covered by these stipulations. Refer to Note 10 for further information regarding our securitization trusts.

Standby Letters of Credit

Our Commercial Finance Group issues standby letters of credit to customers that represent irrevocable guarantees of payment of specified financial obligations. Third-party beneficiaries primarily utilize standby letters of credit as insurance in the event of nonperformance by our customers. Assets of the customers (e.g., trade receivables, inventory, and cash deposits) generally collateralize letters of credit. Expiration dates on letters of credit range from certain ongoing commitments that will expire during the upcoming year to terms of several years for certain letters of credit.

If nonperformance by a customer occurs for letters of credit, we can be liable for payment of the letter of credit to the beneficiary with our likely recourse being a charge back to the customer or liquidation of the collateral. The majority of customers with whom we have letter of credit exposure fall into the “acceptable” risk-rating category of our Commercial Finance Group’s internal risk-rating system. This category is essentially at the midpoint of our risk rating classifications.

Commitments

Financing Commitments

The contractual commitments were as follows.

December 31, (\$ in millions)	2012	2011
Commitments to		
Sell mortgages or securities (a)	\$ 6,282	\$ 12,632
Originate/purchase mortgages or securities (a)	4,249	6,741
Provide capital to investees (b)	86	56
Provide retail automotive receivables to third-parties (c)	425	1,779
Warehouse and construction-lending commitments (d)	100	1,018
Home equity lines of credit (e)	411	2,234
Unused revolving credit line commitments (f)	668	1,304

(a) Amounts primarily include commitments accounted for as derivatives.

(b) We are committed to contribute capital to certain private equity funds. The fair value of these commitments is considered in the overall valuation of the underlying assets with which they are associated.

(c) Certain of our discontinued international automotive financing businesses are committed to provide retail automotive receivables to third-party banks in exchange for secured debt. The transaction does not meet the definition of a sale.

(d) The fair value of these commitments is considered in the overall valuation of the related assets.

(e) We are committed to fund the remaining unused balances on home equity lines of credit for certain home equity loans sold into securitization structures (both on- and off-balance sheet structures) if certain deal-specific triggers are met. At December 31, 2012, the commitments to fund home equity lines of credit in off-balance sheet securitizations represented \$0 million of the total unfunded commitments.

(f) The unused portion of revolving lines of credit reset at prevailing market rates and, as such, approximate market value.

The mortgage-lending and revolving credit line commitments contain an element of credit risk. Management reduces its credit risk for unused mortgage-lending and unused revolving credit line commitments by applying the same credit policies in making commitments as it does for extending loans. We typically require collateral as these commitments are drawn.

Lease Commitments

Future minimum rental payments required under operating leases, primarily for real property, with noncancelable lease terms expiring after December 31, 2012, are as follows.

Year ended December 31, (\$ in millions)	
2013	\$ 70
2014	62
2015	50
2016	29
2017	18
2018 and thereafter	23
Total minimum payment required	\$ 252

Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were \$63 million, \$79 million, and \$84 million in 2012, 2011, and 2010, respectively.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Contractual Commitments

We have entered into multiple agreements for information technology, marketing and advertising, and voice and communication technology and maintenance. Many of the agreements are subject to variable price provisions, fixed or minimum price provisions, and termination or renewal provisions.

Year ended December 31, (*\$ in millions*)

2013	\$	253
2014 and 2015		159
2016 and 2017		74
2018 and thereafter		25
Total future payment obligations	\$	511

29. Contingencies and Other Risks

In the normal course of business, we enter into transactions that expose us to varying degrees of risk.

Concentration with GM and Chrysler

The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM, Chrysler, and their dealers. We have preferred provider agreements that provide for limited exclusivity privileges with respect to subvention programs offered by GM and Chrysler. These agreements do not provide us with any benefits relating to standard rate financing or lease products. Our preferred provider agreements with GM and Chrysler terminate on December 31, 2013, and April 30, 2013, respectively.

Mortgage-Related Matters

ResCap Bankruptcy Filing

On May 14, 2012, Residential Capital, LLC (ResCap) and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors) (collectively, AFI) had reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan). The Plan included a proposed settlement (the Settlement) between AFI and the Debtors, which included, among other things, an obligation of AFI to make a \$750 million cash contribution to the Debtors' estate, and a release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

The Settlement contemplated certain milestone requirements that the Debtors failed to satisfy, including the Bankruptcy Court's confirmation of the Plan on or before October 31, 2012. While the failure to meet this October 31 milestone would have resulted in the Settlement's automatic termination, AFI and the Debtors agreed to monthly temporary waivers of this automatic termination through February 28, 2013. This waiver was not extended beyond this date, and therefore the Settlement has terminated.

As a result of the termination of the Settlement, AFI is no longer obligated to make the \$750 million cash contribution and neither party is bound by the Settlement. Further, AFI is not entitled to receive any releases from either the Debtors or any third party claimants, as was contemplated under the Plan and Settlement. However, AFI has not withdrawn its offer to provide a \$750 million cash contribution to the Debtors' estate if an acceptable settlement can be reached. As a result of the termination of the Settlement, substantial claims could be brought against us, which could have a material adverse impact on our results of operations, financial position or cash flows. For further information with respect to the bankruptcy, refer to Note 1.

Based on our assessment of the effect of the deconsolidation of ResCap, potential obligations as a result of the ResCap bankruptcy, and other impacts related to the bankruptcy filing, we recorded a charge of \$1.2 billion during the year ended December 31, 2012. This charge primarily consisted of the impairment of Ally's \$442 million equity investment in ResCap and an additional \$750 million, which is the amount AFI has offered to contribute to the Debtors' estate. Given the inherent uncertainty of the bankruptcy process, it is possible that the \$750 million estimate could be increased or decreased in the future, but we are unable to estimate the amount of any potential modification.

Mortgage Settlements and Consent Order

On February 9, 2012, we announced that we had reached an agreement with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (the Mortgage Settlement). Further, as a result of an examination conducted by the FRB and FDIC, on April 13, 2011, we entered into a consent order (the Consent Order) with the FRB and the FDIC, that required, among other things, GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions (the Foreclosure Review). The Debtors are primarily liable for all remaining obligations under both the Mortgage Settlement and Consent Order. AFI is secondarily liable for the specific performance of required actions, and is jointly and severally liable for certain financial obligations. On September 19, 2012, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) filed an objection to the Debtors' motions to compensate the independent consultants

Notes to Consolidated Financial Statements

Ally Financial Inc.

for their Foreclosure Review services. In its objection, the Creditors' Committee alleged, among other things, that AFI should be responsible for the costs of the Foreclosure Review. On October 11, 2012, the Bankruptcy Court entered an interim order allowing the Debtors to continue paying the independent consultants on an interim 90 day basis, while reserving all parties' rights with respect to the allocation of costs between the Debtors and AFI for the Foreclosure Review. On January 14, 2013, the bankruptcy court entered an interim order authorizing the Debtors to continue paying the independent consultants for their Foreclosure Review services until February 28, 2013, and then on February 28, 2013, the bankruptcy court entered an interim order authorizing the Debtors to continue paying the independent consultants until March 21, 2013, reserving all parties' rights until that time. On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors. If the Bankruptcy Court approves the motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material. The Debtors have requested that the motion be heard at a hearing on March 21, 2013.

Legal Proceedings

We are subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims.

Mortgage-backed Securities Litigation

We have previously disclosed various litigation matters where the Debtors (as defined above) were named as defendants in cases relating to mortgage-backed securities and certain other mortgage-related matters. As a result of the bankruptcy filings, all litigation against the Debtors has been automatically stayed and will be resolved in the bankruptcy litigation out of the assets of the estate. Ally believes that it has no potential future liability with respect to any litigation claims pending solely against the Debtors.

Ally Financial Inc. and certain of its subsidiaries (excluding the Debtors) (collectively, the AFI Entities) are named as defendants in various cases relating to ResCap mortgage-backed securities (MBS) and certain other mortgage-related matters, which are described in more detail below (collectively, the Mortgage Cases). In the private-label securities litigation, the plaintiffs generally allege that misstatements and omissions occurred in registration statements, prospectuses, prospectus supplements, and other documents related to MBS offerings. The alleged misstatements and omissions typically concern underwriting standards. The plaintiffs generally claim that such misstatements and omissions constitute violations of state and/or federal securities law and common law including negligent misrepresentation and fraud. Plaintiffs seek monetary damages and rescission. In these cases, the claims against Ally Financial Inc. are all indirect or vicarious in nature, which generally requires proof of direct liability against the underlying Debtor entities before the litigants can seek to hold Ally Financial Inc. responsible for such underlying conduct. With respect to the private-label monoline bond insurer claims, certain monoline bond insurers generally allege breach of contract and fraud, as described more specifically below.

As described earlier, the proposed bankruptcy Plan, which provided for a release of all existing and potential causes of action against the AFI Entities held by ResCap (including the Mortgage Cases), has been terminated. As a result, the Mortgage Cases are expected to proceed against us. We intend to vigorously defend these cases.

Other than the Cambridge Place I and II, New Jersey Carpenters, FHFA and FDIC matters, all of the private-label securities matters are currently subject to orders entered by the Bankruptcy Court staying the matter through April 30, 2013 in connection with the Debtors bankruptcy. The Cambridge Place I and II and New Jersey Carpenters matters are currently subject to stay orders through March 31, 2013, and the FHFA and FDIC matters are currently proceeding against the applicable Ally defendants. Other than the MBIA matter, all of the private-label monoline bond insurer claims are currently subject to orders entered by the Bankruptcy Court staying the matter through April 30, 2013 in connection with the Debtors bankruptcy. The MBIA matter is currently proceeding against the applicable Ally defendants. All of the stay orders permit motion to dismiss practice and limited discovery to proceed for and against the non-Debtor Ally defendants.

Set forth below are descriptions of these proceedings.

Private-label Securities Litigation

Allstate Litigation

On February 14, 2011, the Allstate Insurance Company and various of its subsidiaries and affiliates (collectively, Allstate) filed a complaint in Hennepin County District Court, Minnesota, against Ally Securities LLC (Ally Securities) and a number of ResCap entities. The complaint alleges that the defendants misrepresented in the offering materials the riskiness and credit quality of, and omitted material information related to, residential mortgage-backed securities (MBS) Allstate purchased. The complaint asserts claims for fraud and negligent misrepresentation and seeks money damages and costs, including attorneys' fees. A motion to dismiss the amended complaint was granted in part and denied in part on November 28, 2011, pursuant to which the court dismissed the negligent misrepresentation claim and allowed the fraud and Consumer Fraud Act claims to proceed.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Cambridge Place I and II Litigation

On February 11, 2011, Cambridge Place Investments filed two complaints against Ally Securities and a number of ResCap entities alleging violations of state securities laws and seeks, in both cases, recovery of money damages, together with statutory interest from the date of payment, costs, and attorneys' fees. Plaintiff dismissed the Debtor entities in March 2012 and the case remains pending against Ally Securities only.

FDIC Litigation

The Federal Deposit Insurance Corporation filed four complaints against Ally Securities between May 2012 and August 2012 alleging violations of federal and state securities laws, in each alleging that Ally Securities made misleading statements in a registration statement. Plaintiff seeks rescission and money damages in all cases including pre- and post-judgment interest, attorney's fees and costs of court. Ally Securities has filed motions to dismiss in three of the four cases, and expects to file a motion to dismiss in the fourth case as well.

FHFA Litigation

FHFA, as conservator for Freddie Mac, filed a complaint on September 2, 2011, against Ally Financial Inc., Ally Securities, GMAC Mortgage Group (GMACMG), and a number of ResCap entities, in New York County Supreme Court. The case was removed to Federal District Court, Southern District of New York. Subsequent to the ResCap bankruptcy filing, the FHFA amended its complaint to remove all Debtor entities. The complaint alleges that Ally Financial Inc., GMACMG and Ally Securities violated federal and state securities laws and engaged in aiding and abetting a fraud, asserts control person liability against Ally Financial. The plaintiff seeks rescission and recovery of money damages, with interest, as well as consequential and punitive damages, attorney's fees and costs and judgment interest. Motions to dismiss were filed by defendants on July 13, 2012, and were granted in part and denied in part on December 19, 2012. The dismissed portions of the complaint did not substantially alter the original allegations, entities involved, or securities offerings at issue in the case.

FHLB Litigation

Federal Home Loan Bank (FHLB) of Indianapolis filed an Amended Complaint in Marion County Superior Court for rescission and damages on July 14, 2011, asserting claims for common law negligence and violations of state and federal securities laws, and names Ally Securities, and GMACMG, and a number of ResCap entities. The complaint alleges that the offering documents for the securities underwritten and issued by the defendants contained material misrepresentations of fact, evidenced by high default and foreclosure rates, and seeks damages or statutory recovery upon tender, plus interest, attorneys' fees, and costs, including expert witness fees and an order voiding the transactions at issue. The defendants filed a motion to dismiss, which was granted in part and denied in part. The negligent misrepresentation claim remains against Ally Securities only.

FHLB of Boston filed a complaint on April 20, 2011, in Suffolk County Superior Court, naming numerous defendants including Ally Financial Inc., GMACMG, and a number of ResCap entities. The complaint alleges that the defendants collectively packaged, marketed, offered, and sold private-label MBS, and FHLB of Boston purchased such securities in reliance upon misstatements and omissions of material facts in the offering documents. The complaint alleges negligent misrepresentation and violations of the Massachusetts Uniform Securities Act. Plaintiffs seek damages, plus interest, attorneys' fees, and costs, including expert witness fees. The defendants removed this case to federal court. The AFI Entities filed a Motion to Dismiss on October 11, 2012.

FHLB of Chicago filed a Corrected Amended Complaint for Rescission and Damages on October 15, 2011, in Cook County Circuit Court, which names, among other defendants, Ally Financial Inc., Ally Securities, GMACMG, and a number of ResCap entities. The complaint alleges that the offering documents for the securities underwritten and issued by defendants contained material misrepresentations of fact and asserts claims for violations of state securities law and negligent misrepresentation. The complaint seeks rescission of the transactions at issue, money damages, and attorney's fees and costs, including expert witness fees. The defendants' motion to dismiss was denied September 12, 2012.

John Hancock Litigation

John Hancock Life Insurance Company filed a complaint in Hennepin County, Minnesota on July 27, 2012 against Ally Financial Inc., Ally Bank, Ally Securities, GMACMG and a number of ResCap individual directors and officers. The complaint alleges fraud, aiding and abetting fraud, negligent misrepresentation, and violations of federal and state securities laws. The plaintiff seeks rescission and money damages, including costs, reasonable attorneys' fees and expert fees, and prejudgment interest relating to forty-nine securities offerings.

Huntington Bancshares Litigation

Huntington Bancshares, Inc. (Huntington), commenced a lawsuit on October 11, 2011, against Ally Financial Inc., Ally Securities, and a number of ResCap entities and individual directors and officers. The complaint alleges that the defendants made misrepresentations and omissions of material facts related to the originator's loan underwriting guidelines in the offering materials for five residential mortgage-backed securities. The complaint asserts claims for fraud, aiding and abetting fraud, negligent misrepresentation, and violation of the Minnesota Securities Act and seeks rescission, money damages, and certain costs. The defendants' motion to dismiss was granted and all parties and claims were dismissed with prejudice on December 11, 2012. The plaintiff filed a timely notice of appeal on February 8, 2013. No appeal dates have been set.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Massachusetts Mutual Life Insurance Company Litigation

On February 9, 2011, the Massachusetts Mutual Life Insurance Company (MassMutual) filed a complaint in the United States District Court for the District of Massachusetts against numerous defendants, including Ally Securities and a former director of ResCap. The complaint alleges that the defendants' public filings and offering documents associated with MBS that MassMutual purchased contained false statements and omissions of material facts. MassMutual asserts claims for violations of the Massachusetts Uniform Securities Act and seeks both compensatory and statutory damages. The defendants' motion to dismiss was granted in part and denied in part in February 2012, although claims against Ally Securities remain.

New Jersey Carpenters Litigation

On January 3, 2011, New Jersey Carpenters Health Fund, New Jersey Carpenters Vacation Fund, and Boilermaker Blacksmith National Pension Trust, on behalf of themselves and a putative class (collectively, New Jersey Carpenters), filed a Consolidated Second Amended Securities Class Action Complaint against numerous defendants including Ally Securities, and a number of ResCap entities and individual directors and officers. The complaint alleges that the plaintiffs and the class purchased MBS between June 28, 2006, and May 30, 2007, and asserts that the offering documents associated with these transactions contained misrepresentations and omitted material information in violation of the federal securities laws. The complaint seeks compensatory damages, rescission or a rescissory measure of damages, and attorneys' fees and costs, among other relief. New Jersey Carpenters moved for class certification. The court denied the plaintiffs' motion for class certification, and the Plaintiffs appealed and 2nd Circuit affirmed the District Court's ruling. Plaintiffs were then allowed limited discovery to re-attempt class certification and the District Court certified a modified class and allowed claims to be reinstated by certain intervenors. The defendants have filed a motion for reconsideration of class certification.

Stichting Pensioenfond's Litigation

On October 11, 2011 Stichting filed a complaint in District Court of Minnesota against Ally Financial Inc., Ally Securities, and a number of ResCap entities and individual directors and officers. The complaint alleges fraud, aiding and abetting fraud, negligent misrepresentation and violation of state securities laws and seeks money damages, including attorney's fees, court costs and expert fees, and judgment interest. The Defendants filed a motion to dismiss on July 30, 2012. The plaintiffs subsequently were granted leave to amend their complaint which added Ally Bank, IB Finance Holding Co., and two securities offerings. The Defendants anticipate filing a motion to dismiss.

Union Central Life Litigation

Union Central filed a complaint on April 28, 2011 against Ally Financial Inc., Ally Securities and a number of ResCap entities and a former ResCap director alleging violation of the federal securities laws, state common law fraud, negligent misrepresentation and unjust enrichment. The plaintiff seeks compensatory and statutory damages, and attorneys fees and costs, including expert witness fees. A motion to dismiss was filed on July 27, 2012.

Western & Southern Litigation

Western & Southern filed a complaint on June 30, 2011 in Hamilton County, Ohio against Ally Securities and a number of ResCap entities alleging violation of state securities laws and negligent misrepresentation and seeks rescission and money damages, including compensatory and punitive damages, interest, and attorney's fees and costs. A motion to dismiss was granted for all parties except Ally Securities.

Private-label Monoline Bond Insurer Claims

Assured Guaranty Litigation

Assured Guaranty filed a complaint on May 11, 2012 in Federal District Court, the Southern District of New York, against Ally Financial, Ally Bank and a number of ResCap entities alleging claims for breach of contract, reimbursement and indemnification under New York law and seeks monetary damages in connection with 2004 and 2006 mortgage securitizations.

MBIA Litigation

MBIA Insurance Corporation (MBIA) filed complaints on December 4, 2008, and April 1, 2010, in the New York County Supreme Court against GMAC Mortgage and RFC. The complaints allege that defendants breached their contractual representations and warranties relating to the characteristics of mortgage loans contained in certain insured MBS offerings and includes claims for fraud, improper servicing and failure to notify the insurer of the alleged breach. Both cases were automatically stayed on May 14, 2012 in connection with the Debtors' bankruptcy filings. MBIA subsequently filed a complaint on September 17, 2012 against Ally Financial Inc., IB Finance Holding Company LLC, Ally Bank, Ally Securities, and GMACMG, alleging aiding and abetting common law fraud, and against Ally Bank, breach of contract relating to the characteristics of the mortgage loans contained in certain insured offerings and seeks damages relating to all claims. The Defendants filed a motion to dismiss on February 15, 2013.

FGIC Litigation

FGIC filed twelve complaints in New York state court against Ally Financial Inc. (ten of the twelve), Ally Bank (four of the twelve) and a number of ResCap entities between November 29, 2011 and March 13, 2012, alleging that the Debtor defendants breached their contractual representations and warranties relating to the characteristics of mortgage loans contained in certain insured MBS offerings. FGIC also alleges that Ally Financial Inc. is liable under alter ego and fraudulent inducement theories and that Ally Bank aided and abetted such fraudulent inducement and seeks damages relating to all claims. All of the FGIC cases were removed to the U.S. District Court for the Southern District of New York, and the defendants have asked the Court for leave to file motions to dismiss each case.

Notes to Consolidated Financial Statements

Ally Financial Inc.

Regulatory Matters

We continue to respond to subpoenas and document requests from the SEC, seeking information covering a wide range of mortgage-related matters, including, among other things, various aspects surrounding securitizations of residential mortgages. We are also responding to subpoenas received from the U.S. Department of Justice, which include broad requests for documentation and other information in connection with its investigation of potential fraud and other potential legal violations related to mortgage backed securities, as well as the origination and/or underwriting of mortgage loans. In addition, the CFPB has recently advised us that they are investigating certain of our retail financing practices. It is possible that this could result in actions against us.

Loan Repurchases and Obligations Related to Loan Sales

Representation and Warranty Obligation Reserve Methodology

A significant portion of our representation and warranty obligations were eliminated as a result of the deconsolidation of ResCap. Representation and warranty reserve was \$105 million at December 31, 2012 with respect to Ally Bank's sold and serviced loans. The current liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Freddie Mac and Fannie Mae. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Consolidated Statement of Income. The repurchase reserve at December 31, 2012, relates exclusively to GSE exposure.

The following table summarizes the changes in our reserve for representation and warranty obligations.

Year ended December 31, (\$ in millions)	2012 (a)	2011
Balance at January 1,	\$ 825	\$ 830
Provision for mortgage representation and warranty expenses		
Loan sales	16	19
Change in estimate — continuing operations	67	324
Total additions	83	343
Resolved claims (b)	(146)	(360)
Recoveries	8	12
Deconsolidation of ResCap	(665)	—
Balance at December 31,	\$ 105	\$ 825

(a) The remaining balance is at Ally Bank as a result of the deconsolidation of ResCap. Refer to Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

(b) Includes principal losses and accrued interest on repurchased loans, indemnification payments, and settlements with counterparties.

Other Contingencies

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the loss becomes probable and the amount can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

Notes to Consolidated Financial Statements

Ally Financial Inc.

30. Quarterly Financial Statements (unaudited)

2012 (\$ in millions)	First quarter	Second quarter	Third quarter	Fourth quarter
Net financing revenue	\$ 351	\$ 457	\$ 472	\$ 611
Other revenue	605	714	775	480
Total net revenue	956	1,171	1,247	1,091
Provision for loan losses	98	33	105	93
Total noninterest expense	855	971	845	951
Income from continuing operations before income tax expense (benefit)	3	167	297	47
Income tax expense (benefit) from continuing operations	1	(16)	46	(887)
Net income from continuing operations	2	183	251	934
Income (loss) from discontinued operations, net of tax	308	(1,081)	133	466
Net income (loss)	\$ 310	\$ (898)	\$ 384	\$ 1,400
Basic earnings per common share				
Net (loss) income from continuing operations	\$ (149)	\$ (13)	\$ 38	\$ 551
Net income (loss)	82	(825)	137	901
Diluted earnings per common share				
Net (loss) income from continuing operations	(149)	(13)	38	455
Net income (loss)	82	(825)	137	700
2011				
Net financing revenue	\$ 212	\$ 340	\$ 254	\$ 318
Other revenue	536	611	550	591
Total net revenue	748	951	804	909
Provision for loan losses	79	57	55	(30)
Total noninterest expense	842	920	745	921
(Loss) income from continuing operations before income tax expense	(173)	(26)	4	18
Income tax expense from continuing operations	10	8	10	14
Net (loss) income from continuing operations	(183)	(34)	(6)	4
Income (loss) from discontinued operations, net of tax	329	147	(204)	(210)
Net income (loss)	\$ 146	\$ 113	\$ (210)	\$ (206)
Basic and diluted earnings per common share				
Net loss from continuing operations	\$ (266)	\$ (170)	\$ (154)	\$ (147)
Net loss	(19)	(58)	(308)	(305)

31. Subsequent Events

Declaration of Quarterly Dividend Payments

On January 3, 2013, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$1.125 per share, or a total of \$134 million, on Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2; a cash dividend of \$17.50 per share, or a total of \$45 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of \$0.53 per share, or a total of \$22 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends were paid on February 15, 2013.

Canadian Automotive Finance Operation Sale

On February 1, 2013, we completed the sale of our Canadian automotive finance operation, Ally Credit Canada Limited, and ResMor Trust (Ally Canada) to Royal Bank of Canada. Ally received \$4.1 billion USD for the business in the form of a \$3.7 billion payment at closing and \$400 million of dividends from Ally Canada following the announcement of the transaction.

Discontinued Operations

During the three months ended March 31, 2013, the operations of Residential Capital, LLC (ResCap) were classified as discontinued. Refer to Note 2 for further details.

Notes to Consolidated Financial Statements

Ally Financial Inc.

The previously issued Consolidated Financial Statements, for all years presented, have been recast, such that all the operating results for ResCap were removed from continuing operations and are presented separately as discontinued. The Notes to the Consolidated Financial Statements were adjusted to exclude discontinued operations unless otherwise noted. This reclassification has no effect on our reported net income for any of the years presented.

Exhibit 12

Ally Financial Inc.

Ratio of Earnings to Fixed Charges

Year ended December 31, (\$ in millions)	2012 (a)	2011 (a)	2010 (a)	2009 (a)	2008 (a)
Earnings					
Consolidated net income (loss) from continuing operations	\$ 1,370	\$ (219)	\$ (334)	\$ (3,370)	\$ 5,535
Income tax (benefit) expense from continuing operations	(856)	42	97	12	(87)
Equity-method investee (earnings) losses	(6)	(7)	(8)	6	515
Minority interest expense	1	1	1	1	1
Consolidated income (loss) from continuing operations before income taxes, minority interest, and income or loss from equity investees	509	(183)	(244)	(3,351)	5,964
Fixed charges	4,031	4,668	4,880	4,786	5,724
Earnings available for fixed charges	\$ 4,540	\$ 4,485	\$ 4,636	\$ 1,435	\$ 11,688
Fixed charges					
Interest, discount, and issuance expense on debt	\$ 4,014	\$ 4,652	\$ 4,862	\$ 4,768	\$ 5,704
Portion of rentals representative of the interest factor	17	16	18	18	20
Total fixed charges	4,031	4,668	4,880	4,786	5,724
Preferred dividend requirements (b)	801	763	1,860	1,224	—
Total fixed charges and preferred dividend requirements	\$ 4,832	\$ 5,431	\$ 6,740	\$ 6,010	\$ 5,724
Ratio of earnings to fixed charges (c)	1.13	0.96	0.95	0.30	2.04
Ratio of earnings to fixed charges and preferred dividend requirements (d)	0.94	0.83	0.69	0.24	2.04

- (a) During 2012, 2011, 2010, and 2009, we committed to sell certain operations of our Automotive Finance operations, Insurance operations, Mortgage operations, and Commercial Finance Group. We report these businesses separately as discontinued operations in the Consolidated Financial Statements. Refer to Note 2 to the Consolidated Financial Statements for further discussion of our discontinued operations. All reported periods of the calculation of the ratio of earnings to fixed charges exclude discontinued operations.
- (b) Amount for 2010 includes a \$616 million reduction to retained earnings (accumulated deficit) related to a conversion of preferred stock and related amendment that occurred on December 30, 2010.
- (c) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2011, 2010 and 2009. Earnings available for fixed charges for the years ended December 31, 2011, 2010, and 2009 were inadequate to cover fixed charges. The deficient amounts for the ratio were \$183 million, \$244 million, and \$3,351 million, for the years ended December 31, 2011, 2010, and 2009, respectively.
- (d) The ratio indicates a less than one-to-one coverage for the years ended December 31, 2012, 2011, 2010, and 2009. Earnings available for fixed charges and preferred dividend requirements for the years ended December 31, 2012, 2011, 2010, and 2009 were inadequate to cover total fixed charges and preferred dividend requirements. The deficient amounts for the ratio were \$292 million, \$946 million, \$2,104 million, and \$4,575 million for the years ended December 31, 2012, 2011, 2010, and 2009, respectively.

Public
Exhibit
No. 9

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

February 5, 2013
(Date of report; date of
earliest event reported)

Commission file number: 1-3754

ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

38-0572512
(I.R.S. Employer Identification No.)

200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)

(866) 710-4623
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 2.01 Completion of Acquisition or Disposition of Assets.

On February 1, 2013, Ally Financial Inc. (“Ally”) closed its previously announced sale of the Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust (“Ally Canada”) to Royal Bank of Canada. Ally received approximately \$3.7 billion in proceeds upon closing, which is subject to customary post-closing adjustments, and \$400 million of dividends paid following the announcement of the transaction but prior to close . The proceeds were calculated based on an estimate of the net asset value as of the closing date.

In connection with the disposition of Ally Canada , Ally is filing herewith certain pro forma financial information, which is attached hereto as Exhibit 99.1 and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(b) Pro Forma Financial Information:

Unaudited Pro Forma Condensed Consolidated Financial Information is attached hereto as Exhibit 99.1, and is incorporated by reference herein .

(d) Exhibits:

The following exhibits are filed as part of this Form 8-K.

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
99.1	Unaudited Pro Forma Condensed Consolidated Financial Information

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALLY FINANCIAL INC
(Registrant)

Dated: February 5, 2013

/s/ David J. DeBrunner
David J. DeBrunner
Vice President, Chief Accounting Officer and Controller

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
99.1	Unaudited Pro Forma Condensed Consolidated Financial Information

ALLY FINANCIAL INC.

The following Unaudited Pro Forma Condensed Consolidated Financial Statements of Ally Financial Inc. and its consolidated subsidiaries (collectively, “Ally”, “we” and “our”) are included herein:

- Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2012
- Unaudited Pro Forma Condensed Consolidated Statement of Income for the nine months ended September 30, 2012
- Unaudited Pro Forma Condensed Consolidated Statement of Income for the years ended December 31, 2011, 2010, and 2009
- Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

On February 1, 2013, Ally Financial Inc. (“Ally”) closed its previously announced sale of the Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust (“Ally Canada”) to Royal Bank of Canada. Ally received approximately \$3.7 billion in proceeds upon closing, which is subject to customary post-closing adjustments, and \$400 million of dividends paid following the announcement of the transaction but prior to close. The proceeds were calculated based on an estimate of the net asset value as of the closing date and will ultimately need to be finalized.

The Unaudited Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with, and have been prepared by applying pro forma adjustments to, the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2011, portions of which have been updated by the Current Report on Form 8-K filed on August 3, 2012, and our Unaudited Condensed Consolidated Financial Statements included in our Quarterly Report on Form 10-Q for the period ended September 30, 2012. The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2012 is presented as if the disposition of Ally Canada occurred on September 30, 2012. The Unaudited Pro Forma Condensed Consolidated Statements of Income for the nine months ended September 30, 2012 and for each of the years ended December 31, 2011, 2010, and 2009 reflect the sale of Ally Canada assuming the sale had occurred as of the beginning of the year ended December 31, 2009 and excludes results from discontinued operations.

The pro forma adjustments, as described in the Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements, are based on currently available information. While such adjustments are subject to change, management believes such adjustments are reasonable and directly attributable to the sale of Ally Canada.

The Unaudited Pro Forma Condensed Consolidated Financial Statements are presented for informational purposes only and are not necessarily indicative of the operating results or financial position that would have occurred had the sale of Ally Canada occurred on, or as of, the dates indicated, nor are they necessarily indicative of future operating results or financial position.

ALLY FINANCIAL INC.
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

<i>(\$ in millions)</i>	September 30, 2012 As Reported (a)	Pro Forma Adjustments	Pro Forma
Assets			
Cash and cash equivalents			
Noninterest-bearing	\$1,305	\$4,053 (b)	\$5,358
Interest-bearing	15,852	(1,321) (c)	14,531
Total cash and cash equivalents	17,157	2,732	19,889
Investment securities	13,770	(484) (c)	13,286
Loans held-for-sale, net	1,937	—	1,937
Finance receivables and loans, net			
Finance receivables and loans, net	121,259	(11,283) (c)	109,976
Allowance for loan losses	(1,423)	29 (c)	(1,394)
Total finance receivables and loans, net	119,836	(11,254)	108,582
Investment in operating leases, net	12,708	(12) (c)	12,696
Mortgage servicing rights	902	—	902
Premiums receivable and other insurance assets	1,861	—	1,861
Other assets	13,936	(549) (c)	13,387
Assets of operations held-for-sale	375	—	375
Total assets	\$182,482	(\$9,567)	\$172,915
Liabilities			
Deposit liabilities			
Noninterest-bearing	\$2,487	\$—	\$2,487
Interest-bearing	47,385	(4,022) (c)	43,363
Total deposit liabilities	49,872	(4,022)	45,850
Short-term borrowings	5,877	—	5,877
Long-term debt	93,028	(5,992) (c)	87,036
Interest payable	1,590	(29) (c)	1,561
Unearned insurance premiums and service revenue	2,693	—	2,693
Reserves for insurance losses and loss adjustment expenses	441	—	441
Accrued expenses and other liabilities	9,962	(14) (c)	9,948
Liabilities of operations held-for-sale	254	—	254
Total liabilities	163,717	(10,057)	153,660
Equity			
Common stock and paid-in capital	19,668	—	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	—	5,685
Preferred stock	1,255	—	1,255
Accumulated deficit	(8,129)	1,164 (d)	(6,965)
Accumulated other comprehensive income (loss)	286	(674) (e)	(388)
Total equity	18,765	490	19,255
Total liabilities and equity	\$182,482	(\$9,567)	\$172,915

See the notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

ALLY FINANCIAL INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

<i>(\$ in millions)</i>	Nine months ended September 30, 2012 As Reported (a)	Pro Forma Adjustments (f)	Pro Forma
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	\$5,020	(\$425)	\$4,595
Interest on loans held-for-sale	131	-	131
Interest on trading assets	13	-	13
Interest and dividends on available-for-sale investment securities	243	(6)	237
Interest-bearing cash	54	(9)	45
Operating leases	1,758	(45)	1,713
Total financing revenue and other interest income	7,219	(485)	6,734
Interest expense			
Interest on deposits	555	(73)	482
Interest on short-term borrowings	181	(4)	177
Interest on long-term debt	3,286	(122)	3,164
Total interest expense	4,022	(199)	3,823
Depreciation expense on operating lease assets	969	45	1,014
Net financing revenue	2,228	(331)	1,897
Other revenue			
Servicing fees	617	-	617
Servicing asset valuation and hedge activities, net	70	-	70
Total servicing income, net	687	-	687
Insurance premiums and service revenue earned	1,098	-	1,098
Gain on mortgage and automotive loans, net	401	-	401
Other gain on investments, net	137	(4)	133
Other income, net of losses	728	(7)	721
Total other revenue	3,051	(11)	3,040
Total net revenue	5,279	(342)	4,937
Provision for loan losses	285	(2)	283
Noninterest expense			
Compensation and benefits expense	1,208	(40)	1,168
Insurance losses and loss adjustment expenses	518	-	518
Other operating expenses	3,268	(54)	3,214
Total noninterest expense	4,994	(94)	4,900
Income (loss) from continuing operations before income tax expense	\$—	(\$246)	(\$246)

See the notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements .

ALLY FINANCIAL INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

<i>(\$ in millions)</i>	Nine months ended September 30, 2011 As Reported (a)	Pro Forma Adjustments (f)	Pro Forma
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	\$4,976	(\$474)	\$4,502
Interest on loans held-for-sale	256	-	256
Interest on trading assets	10	-	10
Interest and dividends on available-for-sale investment securities	311	(13)	298
Interest-bearing cash	41	(8)	33
Operating leases	1,783	(312)	1,471
Total financing revenue and other interest income	7,377	(807)	6,570
Interest expense			
Interest on deposits	516	(65)	451
Interest on short-term borrowings	240	3	243
Interest on long-term debt	4,030	(231)	3,799
Total interest expense	4,786	(293)	4,493
Depreciation expense on operating lease assets	722	(84)	638
Net financing revenue	1,869	(430)	1,439
Other revenue			
Servicing fees	1,033	-	1,033
Servicing asset valuation and hedge activities, net	(663)	-	(663)
Total servicing income, net	370	-	370
Insurance premiums and service revenue earned	1,188	-	1,188
Gain on mortgage and automotive loans, net	301	-	301
Loss on extinguishment of debt	(64)	-	(64)
Other gain on investments, net	251	(35)	216
Other income, net of losses	573	(12)	561
Total other revenue	2,619	(47)	2,572
Total net revenue	4,488	(477)	4,011
Provision for loan losses	213	(8)	205
Noninterest expense			
Compensation and benefits expense	1,132	(39)	1,093
Insurance losses and loss adjustment expenses	567	-	567
Other operating expenses	2,392	(93)	2,299
Total noninterest expense	4,091	(132)	3,959
Income (loss) from continuing operations before income tax expense	\$184	(\$337)	(\$153)

See the notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

ALLY FINANCIAL INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

<i>(\$ in millions)</i>	Year ended December 31, 2011 As Reported (g)	Pro Forma Adjustments (h)	Pro Forma
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	\$6,635	(\$621)	\$6,014
Interest on loans held-for-sale	332	-	332
Interest on trading assets	19	-	19
Interest and dividends on available-for-sale investment securities	398	(16)	382
Interest-bearing cash	54	(11)	43
Operating leases	2,298	(356)	1,942
Total financing revenue and other interest income	9,736	(1,004)	8,732
Interest expense			
Interest on deposits	700	(86)	614
Interest on short-term borrowings	314	1	315
Interest on long-term debt	5,209	(281)	4,928
Total interest expense	6,223	(366)	5,857
Depreciation expense on operating lease assets	1,038	(87)	951
Net financing revenue	2,475	(551)	1,924
Other revenue			
Servicing fees	1,358	-	1,358
Servicing asset valuation and hedge activities, net	(789)	-	(789)
Total servicing income, net	569	-	569
Insurance premiums and service revenue earned	1,573	-	1,573
Gain on mortgage and automotive loans, net	470	-	470
Loss on extinguishment of debt	(64)	-	(64)
Other gain on investments, net	294	(35)	259
Other income, net of losses	754	(15)	739
Total other revenue	3,596	(50)	3546
Total net revenue	6,071	(601)	5,470
Provision for loan losses	219	(4)	215
Noninterest expense			
Compensation and benefits expense	1,574	(51)	1,523
Insurance losses and loss adjustment expenses	713	-	713
Other operating expenses	3,498	(113)	3,385
Total noninterest expense	5,785	(164)	5,621
Income (loss) from continuing operations before income tax expense	\$67	(\$433)	(\$366)

See the notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

ALLY FINANCIAL INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

<i>(\$ in millions)</i>	Year ended December 31, 2010 As Reported (g)	Pro Forma Adjustments (h)	Pro Forma
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	\$6,546	(\$612)	\$5,934
Interest on loans held-for-sale	601	-	601
Interest on trading assets	15	-	15
Interest and dividends on available-for-sale investment securities	356	(10)	346
Interest-bearing cash	69	(6)	63
Operating leases	3,596	(995)	2,601
Total financing revenue and other interest income	11,183	(1,623)	9,560
Interest expense			
Interest on deposits	641	(62)	579
Interest on short-term borrowings	324	(6)	318
Interest on long-term debt	5,701	(397)	5,304
Total interest expense	6,666	(465)	6,201
Depreciation expense on operating lease assets	1,903	(643)	1,260
Net financing revenue	2,614	(515)	2,099
Other revenue			
Servicing fees	1,493	-	1,493
Servicing asset valuation and hedge activities, net	(394)	-	(394)
Total servicing income, net	1,099	-	1,099
Insurance premiums and service revenue earned	1,750	-	1,750
Gain on mortgage and automotive loans, net	1,261	-	1,261
Loss on extinguishment of debt	(123)	-	(123)
Other gain on investments, net	504	-	504
Other income, net of losses	537	9	546
Total other revenue	5,028	9	5,037
Total net revenue	7,642	(506)	7,136
Provision for loan losses	442	(22)	420
Noninterest expense			
Compensation and benefits expense	1,576	(47)	1,529
Insurance losses and loss adjustment expenses	820	-	820
Other operating expenses	3,665	(163)	3,502
Total noninterest expense	6,061	(210)	5,851
Income from continuing operations before income tax expense	\$1,139	(\$274)	\$865

See the notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

ALLY FINANCIAL INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (unaudited)

<i>(\$ in millions)</i>	Year ended December 31, 2009 As Reported (g)	Pro Forma Adjustments (h)	Pro Forma
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	\$6,471	(\$544)	\$5,927
Interest on loans held-for-sale	416	107	523
Interest on trading assets	132	-	132
Interest and dividends on available-for-sale investment securities	220	(3)	217
Interest-bearing cash	98	(3)	95
Operating leases	5,435	(1,618)	3,817
Total financing revenue and other interest income	12,772	(2,061)	10,711
Interest expense			
Interest on deposits	677	(4)	673
Interest on short-term borrowings	465	(28)	437
Interest on long-term debt	5,949	(523)	5,426
Total interest expense	7,091	(555)	6,536
Depreciation expense on operating lease assets	3,519	(1,250)	2,269
Net financing revenue	2,162	(256)	1,906
Other revenue			
Servicing fees	1,467	-	1,467
Servicing asset valuation and hedge activities, net	(1,104)	-	(1,104)
Total servicing income, net	363	-	363
Insurance premiums and service revenue earned	1,861	-	1,861
Gain on mortgage and automotive loans, net	799	(5)	794
Loss on extinguishment of debt	665	-	665
Other gain on investments, net	162	-	162
Other income, net of losses	190	(152)	38
Total other revenue	4,040	(157)	3,883
Total net revenue	6,202	(413)	5,789
Provision for loan losses	5,603	(64)	5,539
Noninterest expense			
Compensation and benefits expense	1,517	(39)	1,478
Insurance losses and loss adjustment expenses	992	-	992
Other operating expenses	4,999	(203)	4,796
Total noninterest expense	7,508	(242)	7,266
Loss from continuing operations before income tax expense	\$(6,909)	(\$107)	(\$7,016)

See the notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements.

ALLY FINANCIAL INC.

Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

- (a) Amounts represent historical financial information from our Quarterly Report on Form 10-Q for the nine months ended September 30, 2012.
 - (b) Reflects the estimated receipt of proceeds from the purchaser of \$3.7 billion, which is subject to customary post-closing adjustments, \$400 million of dividends from Ally Canada to Ally completed in conjunction with the sale, net of the cash held by Ally Canada on September 30, 2012. The proceeds were calculated based on an estimate of the net asset value as of the closing date.
 - (c) Reflects the elimination of the assets and liabilities of Ally Canada attributable to the sale that closed on February 1, 2013.
 - (d) Reflects the estimated gain on sale attributed to the sale of Ally Canada that closed on February 1, 2013. The actual gain on sale will differ from the pro forma estimate due to the difference in timing between the assumed closing dated for the pro forma financial statements and the actual closing date of February 1, 2013.
 - (e) Reflects the elimination of the accumulated other comprehensive income of Ally Canada attributable to the sale that closed on February 1, 2013.
 - (f) The adjustments relate to the elimination of Ally Canada for the nine months ended September 30, 2012, and 2011.
 - (g) Amounts represent historical financial information from our Annual Report on Form 10-K for the year ended December 31, 2011, portions of which have been updated by the Current Report on Form 8-K filed on August 3, 2012.
 - (h) The adjustments relate to the elimination of Ally Canada for the years ended December 31, 2011, 2010, and 2009.
-

Public
Exhibit
No. 10

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): April 1, 2013

Ally Financial Inc.

(Exact Name of Registrant as Specified in Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation)

1-3754
(Commission
File Number)

38-0572512
(IRS Employer
Identification No.)

200 Renaissance Center
P.O. Box 200
Detroit, Michigan
48265-2000

(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (866) 710-4623

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.01 Completion of Acquisition or Disposition of Assets.

Ally Financial Inc. (“Ally”) previously announced that it had reached an agreement to sell its operations in Europe (“European Operations”) and Latin America (“Latin American Operations”) pursuant to a Purchase and Sale Agreement dated November 21, 2012 between Ally and General Motors Financial Company, Inc. (“GMF”), a wholly owned subsidiary of General Motors Co., as subsequently amended and restated on February 22, 2013 (as amended and restated, the “Purchase and Sale Agreement”), and to sell its 40% interest in a motor vehicle finance joint venture in China (“China JV”) pursuant to a Share Transfer Agreement dated November 21, 2012 between Ally and GMF (the “Share Transfer Agreement”). Additionally, during the fourth quarter of 2012, Ally announced its agreement to sell its Mexican insurance business, ABA Seguros (“Mexican Insurance Business”), to the ACE Group.

On April 1, 2013, Ally completed the sale of its European Operations in Germany, the United Kingdom, Austria, Italy, Switzerland, Sweden, Belgium, and the Netherlands, and its Latin American Operations in Mexico, Colombia, and Chile (collectively, the “Sold Businesses”).

The disposition of the Sold Businesses under the Purchase and Sale Agreement took the form of the sale of equity interests directly and indirectly held by Ally in the entities comprising the Sold Businesses. Ally received approximately \$2.6 billion in proceeds, which is comprised of an approximately \$2.4 billion payment at closing and \$190 million in dividends paid prior to the closing. The proceeds are subject to certain post-closing adjustments based on the actual net asset value of the Sold Businesses and certain other items.

Ally expects the sale of its remaining European Operations including France, its Latin American Operations including Brazil, its China JV, and its Mexican Insurance Business to close in stages throughout 2013, following receipt of all regulatory approvals and satisfaction of other closing conditions with respect to each region. All of Ally’s European Operations and Latin American Operations, its China JV, and its Mexican Insurance Business were classified by Ally as discontinued operations as of December 31, 2012, and their operating results were removed from Ally’s continuing operations and were presented separately as discontinued operations, net of tax, in Ally’s Consolidated Financial Statements, included in Ally’s Annual Report on Form 10-K for the year ended December 31, 2012.

The Purchase and Sale Agreement and the Share Transfer Agreement were filed as Exhibits 10.21 and 10.22, respectively, to Ally’s Annual Report on Form 10-K filed on March 1, 2013.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are filed as part of this Report.

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
2.1	Amended and Restated Purchase and Sale Agreement, by and among Ally Financial Inc., General Motors Financial Company, Inc., and General Motors Company, dated November 21, 2012, as amended and restated as of February 22, 2013 (incorporated by reference to Exhibit 10.21 to Ally’s Annual Report on Form 10-K filed March 1, 2013)
2.2	Share Transfer Agreement, by and between Ally Financial Inc. and General Motors Financial Company, Inc., dated November 21, 2012 (incorporated by reference to Exhibit 10.22 to Ally’s Annual Report on Form 10-K filed March 1, 2013)

SIGATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Ally Financial Inc.
(Registrant)

Date: April 2, 2013

By: /s/ David J. DeBrunner
Name: David J. DeBrunner
Title: Vice President, Chief Accounting Officer and Controller

Public
Exhibit
No. 11

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): May 2, 2013

Ally Financial Inc.
(Exact Name of Registrant as Specified in Charter)

DELAWARE
(State or Other Jurisdiction
of Incorporation)

1-3754
(Commission
File Number)

38-0572512
(IRS Employer
Identification No.)

200 Renaissance Center
P.O. Box 200
Detroit, Michigan
48265-2000
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: (866) 710-4623

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 2.01 Completion of Acquisition or Disposition of Assets.

During the fourth quarter of 2012, Ally Financial Inc. (“Ally”) announced its agreement to sell its Mexican insurance business, ABA Seguros (“Mexican Insurance Business”), to the ACE Group. On May 2, 2013, Ally completed this sale. Ally received approximately \$865 million in proceeds from the sale.

Ally’s Mexican Insurance Business was classified by Ally as discontinued operations as of December 31, 2012, and its operating results were removed from Ally’s continuing operations and were presented separately as discontinued operations, net of tax, in Ally’s Consolidated Financial Statements, included in Ally’s Annual Report on Form 10-K for the year ended December 31, 2012, as well as Ally’s Quarterly Report on Form 10-Q for the three-months ended March 31, 2013.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Ally Financial Inc.
(Registrant)

Date: May 2, 2013

By: /S/ David J. DeBrunner
Name: David J. DeBrunner
Title: Vice President, Chief Accounting Officer and Controller

Public
Exhibit
No. 12

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

June 3, 2013

Date of report (Date of
earliest event reported)

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Commission file number: 1-3754

Delaware

(State or other jurisdiction of
incorporation or organization)

38-0572512

(I.R.S. Employer
Identification No.)

200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000

(Address of principal executive offices)
(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 2.01 Completion of Acquisition or Disposition of Assets.

Ally Financial Inc. (“Ally”) previously announced that it had reached an agreement to sell, among other things, its operations in Europe (“European Operations”) pursuant to a Purchase and Sale Agreement, dated November 21, 2012, between Ally and General Motors Financial Company, Inc. (“GMF”), a wholly owned subsidiary of General Motors Co., as subsequently amended and restated on February 22, 2013 (as amended and restated, the “Purchase and Sale Agreement”).

On June 3, 2013, Ally completed the sale of its remaining European Operations, which included primarily its operations in France (the “Sold Businesses”). The disposition of the Sold Businesses under the Purchase and Sale Agreement took the form of the sale of equity interests directly and indirectly held by Ally in the entities comprising the Sold Businesses. Ally received approximately \$150 million in total consideration at closing, which is subject to certain post-closing adjustments based on the actual net asset value of the Sold Businesses and certain other items.

The Sold Businesses were classified by Ally as discontinued operations as of December 31, 2012, and its operating results were removed from Ally’s continuing operations and were presented separately as discontinued operations, net of tax, in Ally’s Consolidated Financial Statements, included in Ally’s Annual Report on Form 10-K for the year ended December 31, 2012, as well as Ally’s Quarterly Report on Form 10-Q for the three-months ended March 31, 2013. Earlier this year, Ally completed sales of its European Operations in Germany, the United Kingdom, Austria, Italy, Switzerland, Sweden, Belgium, and the Netherlands, and its Latin American Operations in Mexico, Colombia, and Chile.

The Purchase and Sale Agreement related to the Sold Businesses was filed as Exhibit 10.21 to Ally’s Annual Report on Form 10-K filed on March 1, 2013.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

The following exhibits are filed as part of this Report.

<u>Exhibit No.</u>	<u>Description of Exhibits</u>
2.1	Amended and Restated Purchase and Sale Agreement, by and among Ally Financial Inc., General Motors Financial Company, Inc., and General Motors Company, dated November 21, 2012, as amended and restated as of February 22, 2013 (incorporated by reference to Exhibit 10.21 to Ally’s Annual Report on Form 10-K filed March 1, 2013)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Ally Financial Inc.
(Registrant)

Date: June 3, 2013

By: /s/ David J. DeBrunner
Name: David J. DeBrunner
Title: Vice President, Chief Accounting Officer and Controller

Public
Exhibit
No. 13

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

October 1, 2013

(Date of report; date of
earliest event reported)

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

38-0572512

(I.R.S. Employer
Identification No.)

**200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000**

(Address of principal executive offices)
(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 2.01 Completion of Acquisition or Disposition of Assets.

Ally Financial Inc. ("Ally") previously announced that it had reached an agreement to sell, among other things, its operations in Latin America ("Latin American Operations") pursuant to a Purchase and Sale Agreement, dated November 21, 2012, between Ally and General Motors Financial Company, Inc. ("GMF"), a wholly owned subsidiary of General Motors Co., as subsequently amended and restated on February 22, 2013 (as amended and restated, the "Purchase and Sale Agreement").

On October 1, 2013, Ally completed the sale of its remaining Latin American Operations, which included its operations in Brazil (the "Sold Business"). The disposition of the Sold Business under the Purchase and Sale Agreement took the form of the sale of equity interests directly and indirectly held by Ally in the entities comprising the Sold Business. Ally received approximately \$611 million in total consideration for the Sold Business at closing, which is subject to certain post-closing adjustments based on the actual net asset value of the Sold Business and certain other items.

The Sold Business was classified by Ally as discontinued operations as of December 31, 2012, and its operating results were removed from Ally's continuing operations and were presented separately as discontinued operations, net of tax, in Ally's Consolidated Financial Statements, included in Ally's Annual Report on Form 10-K for the year ended December 31, 2012, as well as Ally's Quarterly Reports on Form 10-Q for the three months ended March 31, 2013, and the three months and six months ended June 30, 2013.

The Purchase and Sale Agreement related to the Sold Business was filed as Exhibit 10.21 to Ally's Annual Report on Form 10-K filed on March 1, 2013.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits**

The exhibits listed on the accompanying Index of Exhibits are filed as a part of this report.

Exhibit	Description
2.1	Amended and Restated Purchase and Sale Agreement, by and among Ally Financial Inc., General Motors Financial Company, Inc., and General Motors Company, dated November 21, 2012, as amended and restated as of February 22, 2013 (incorporated by reference to Exhibit 10.21 to Ally's Annual Report on Form 10-K filed March 1, 2013)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Ally Financial Inc.
(Registrant)

Date: October 1, 2013

By: /s/ David J. DeBrunner
Name: David J. DeBrunner
Vice President, Chief Accounting Officer and
Title: Controller