Ally Financial Inc.
Form S-1/A
December 23, 2013
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As filed with the Securities and Exchange Commission on December 23, 2013

Registration No. 333-173198

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 9

TO

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

ALLY FINANCIAL INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**6172**	**38-0572512** (I.R.S. Employer Identification Number)

(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)

200 Renaissance Center

P.O. Box 200

Detroit, MI 48265-2000

(866) 710-4623

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

David J. DeBrunner

Vice President, Chief Accounting Officer, and Corporate Controller

Ally Financial Inc.

200 Renaissance Center

P.O. Box 200

Detroit, MI 48265-2000

(866) 710-4623

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), check the following box. ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

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.

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

CALCULATION OF REGISTRATION FEE

Title Of Each Class Of Securities To Be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount Of Registration Fee**
Common Stock, par value $0.01 per share	$100,000,000	$11,610(3)

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.
(2) Includes offering price of shares and units that the underwriters have the option to purchase pursuant to their over-allotment option.
(3) Previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. The selling stockholder may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and the selling stockholder is not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, Dated December 23, 2013

PRELIMINARY PROSPECTUS

Shares

ALLY FINANCIAL INC.

COMMON STOCK

The United States Department of the Treasury (the selling stockholder or Treasury) is offering shares of common stock of Ally Financial Inc. (Ally). See Principal and Selling Stockholders. Ally Financial Inc. will not receive any of the proceeds from the sale of shares of common stock by the selling stockholder.

This is our initial public offering and no public market exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share. We have applied to list the common stock on the New York Stock Exchange (the NYSE) under the symbol ALLY .

The selling stockholder has granted the underwriters the right to purchase up to additional shares of common stock to cover over-allotments, if any, at the public offering price, less the underwriters discount, within 30 days from the date of this prospectus.

Investing in our common stock involves risks. See Risk Factors beginning on page 18 of this prospectus.

	Per Share	Total
Public offering price and proceeds to the selling stockholder	$	$
Underwriting discounts and commissions(1)	$	$

(1) Ally has agreed to pay all underwriting discounts and commissions, transfer taxes and transaction fees, if any, applicable to the sale of the common stock and the fees and disbursement of counsel for the selling stockholder incurred in connection with the sale.

Neither the Securities and Exchange Commission nor any state securities regulator has approved or disapproved these securities, or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to investors on or about , 2013.

Citigroup **Goldman, Sachs & Co.**

Morgan Stanley **Barclays**

Deutsche Bank Securities

The date of this prospectus is , 2013

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In this prospectus, unless the context indicates otherwise, Ally, the company, we, us and our refer to Ally Financial Inc. and its direct and indirect subsidiaries on a consolidated basis. None of us, the underwriters, or the selling stockholder have authorized anyone to provide any information other than that contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. Neither we nor the underwriters nor the selling stockholder take responsibility for, and can provide any assurance as to the reliability of, any other information that others may give you. The selling stockholder is offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock.

INDUSTRY AND MARKET DATA

We obtained the industry, market and competitive position data throughout this prospectus from our own internal estimates and research as well as from industry and general publications and research, surveys, and studies conducted by third parties. Industry publications, studies, and surveys generally state that they have been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus carefully, including the Risk Factors section and the consolidated financial statements and the notes to those statements, before making an investment decision.

Overview

Ally is one of the largest providers of automotive financing products, including wholesale loans and retail loans and leases, a leader in direct banking, and the 20th largest bank holding company in the United States based on total assets. We have over 90 years of experience supporting automotive dealers and their retail customers with a premium service model offering a broad array of financial products and services. Our bank subsidiary, Ally Bank, is a leading competitor with a comprehensive consumer value proposition and well-regarded brand in the rapidly growing direct banking market. We had $150.6 billion of total assets and $51.5 billion of bank deposits at September 30, 2013.

Our primary operations are conducted within Dealer Financial Services, which consist of our Automotive Finance operations and Insurance operations. In addition, Ally Bank has successfully built a leading brand offering its customers a full spectrum of innovative savings, checking, and other deposit products and provides us with stable and diversified funding.

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 will also seek to broaden and deepen the Ally Bank franchise, prudently growing stable, quality deposits while extending our foundation of innovative products and outstanding customer service.

Dealer Financial Services

Our Dealer Financial Services business is centered around our strong and longstanding relationships with automotive dealers and supports our original equipment manufacturer (OEM) partners and their marketing programs. We serve the financial needs of almost 16,000 dealers in the United States and approximately 4 million of their retail customers as of September 30, 2013. We have approximately 1,800 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 approximately 2,100 employees focused on supporting our automotive servicing operations.

Our Dealer-Centric Business Model

Ally s primary customers are automotive dealers, which are primarily independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically originate loans and leases for their retail customers. Dealers then sell these loans and leases to Ally or another automotive finance provider.

Over our 90 year history, we have successfully differentiated ourselves from our competition by providing premium services for automotive dealers with comprehensive product offerings, and through our nationwide dealer support and sales forces and our unrelenting industry focus. We have multi-generational relationships with many of our dealers and have been a trusted partner through various economic cycles.

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Our comprehensive suite of financial products includes new vehicle retail loans and leases, used vehicle loans, floorplan loans, dealer working capital and real estate loans, vehicle service contracts, gap insurance, floorplan insurance, and our SmartAuction service for remarketing vehicles. Through this suite of products, we have financing capabilities that follow vehicles from the manufacturer, to the dealer s showroom floor, to the individual retail customer.

We are fully committed to broadly serving the needs of our dealer customers. Our 2,400 dealer-facing employees provide a consistent high level of service at the dealership level. The field service team provides training to the dealers employees related to our financing products and helps the rollout of specialized financing programs to support automobile manufacturer marketing initiatives. In addition, our continued investment in our retail loan application infrastructure has allowed us to access nearly 6 million applications in the first nine months of 2013 and almost 7 million applications in 2012, up from 2 million in 2009.

As part of our premium services to our dealer customers, and to strengthen our relationship with them, we offer market driven programs, such as Ally Dealer Rewards. These programs support increasing business volumes as well as the number of products used by each dealer. During the first nine months of 2013, 68% of our U.S. dealer customers received benefits under the Ally Dealer Rewards program, which was initiated in 2009. As of September 30, 2013, over 5,400 of our automotive dealer customers utilized four or more of our products.

Our dealer-centric business model has led to the development of products and services that profitably support our dealer customers. For example, our proprietary internet-based SmartAuction system supports the remarketing of off-lease and other used vehicles among the nearly 8,500 dealers that are on our system. SmartAuction enabled us to maximize proceeds on the 190,000 vehicles sold through the system during the first three quarters of 2013. In addition, our SmartAuction remarketing capabilities provide dealers with additional retail sale opportunities when existing customers decide to replace a vehicle. These retail sale opportunities include the sale of the used vehicle being replaced as well as a new vehicle being obtained, with a potential opportunity for Ally to finance each of these transactions.

Automotive Finance Operations

We have extensive experience providing and servicing automotive loan and lease products to consumers who purchase vehicles from our dealer customer network. According to Experian Automotive, we were the largest provider of automotive financing in the United States during the first nine months of 2013, funding one out of every sixteen new vehicles that were financed or leased through franchised dealers in the United States. We were also the second largest provider of used vehicle financing for financed retail customers during the first nine months of 2013. We are focused on expanding profitable dealer relationships, prudently increasing earning assets, and delivering higher risk-adjusted returns. As a result of this strategic focus, we funded total retail loan and lease originations in the United States of $38.7 billion in 2012 as well as $29.2 billion during the first nine months of 2013. The bulk of our consumer financing is in the form of fully amortizing, intermediate term installment loans to fund the purchase of new and used vehicles.

According to Experian Automotive, Ally was the third largest vehicle lessor in the United States during the first nine months of 2013. Leasing is an important and growing part of our business. It is integral to the business of our automotive dealer customers, and facilitates dealer automotive sales to consumers who prefer recent vintage vehicles and are attracted to the lower monthly payments associated with a lease. Our lease programs are designed to support the return of the vehicle to the dealer at the end of the lease term in order to facilitate the sale or lease of a new vehicle by the dealer. We believe dealers and OEMs value our unique infrastructure and ability to structure innovative lease programs designed to provide a second transaction for the dealer from the sale or lease of the returned off-lease vehicle.

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The following table sets forth our volume of new and used retail automotive loans and leases in the United States:

	Nine months ended September 30,		Year ended December 31,				
($ in billions)	**2013**	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
New GM/Chrysler Standard	7.6	8.1	10.7	13.1	11.8	5.0	3.8
Other New Retail	1.7	1.7	2.2	1.7	0.7	0.2	0.9
Lease	8.4	6.3	8.4	7.3	3.9	0.3	7.6
Used	7.5	7.5	9.6	9.0	4.7	2.3	5.6
New GM/Chrysler Subvented	4.0	6.2	7.8	9.1	10.5	10.6	10.9
Total	29.2	29.8	38.7	40.2	31.6	18.4	28.8

We provide floorplan inventory lending and other commercial loans to approximately 4,500 dealers in the United States. We were one of the largest providers of automotive floorplan inventory lending in the United States during 2012. As of September 30, 2013, we had $28.5 billion of outstanding commercial loans to our dealer customers consisting primarily of floorplan inventory loans.

Ally is also one of the largest automotive loan servicers in the United States. We provide consumer asset servicing for our $78.2 billion portfolio of retail automotive loans and leases as of September 30, 2013. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver a favorable customer experience to both our dealers and their retail customers. Our remarketing services, including SmartAuction, efficiently support dealer-to-dealer and other vehicle sale transactions.

In addition, we believe our longstanding relationship with General Motors (GM), as well as relationships with other OEMs, including Chrysler Group LLC (Chrysler), have resulted in particularly strong relationships between us and thousands of dealers, providing us with extensive operating experience relative to other automotive finance providers. We offer primarily standard rate retail loans and leases through our dealers, and we also work with manufacturers to offer new vehicle retail loans and leases at manufacturer-subvented rates. Our strong dealer relationships have allowed us to increase our standard rate retail loan and lease origination volumes. Subvented retail loan origination volumes have decreased to 13.7% of our U.S. originations during the first nine months of 2013, compared to 58.0% in 2009.

Insurance Operations

Our Insurance operations offer both consumer insurance products sold primarily through dealers and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of products, we provide vehicle service contracts and maintenance coverages. We also underwrite selected commercial insurance coverages which primarily insure dealers wholesale vehicle inventory.

Our national insurance platform provides us with a competitive advantage relative to other automotive financing providers, allowing us to design products tailored to our dealer customers, control underwriting, and retain the profits generated by this business. For the year ended December 31, 2012, we had over $1.0 billion in total insurance premiums written. We sell insurance products to approximately 4,000 dealers in the United States. Moreover, our Insurance operations maintain high wholesale insurance penetration levels, with approximately 80 percent of U.S. dealers with Ally floorplan financing also carrying our floorplan insurance. 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.

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Ally Bank

Ally Bank has achieved sustained franchise momentum in the retail deposits business based upon a highly regarded brand, customer-centric approach, innovative products, competitive pricing, and consumer friendly fee structure. Ally Bank has become a leader in the direct banking market, with consistent and steady expansion of customer relationships. Our direct bank business model caters to the expanding population of technologically comfortable consumers who are increasingly adopting digital technologies to meet their banking preferences. We have distinguished ourselves with consumers with our philosophy of Talk Straight, Do Right, Be Obviously Better, with approximately 754,000 customers and over 1.5 million accounts at September 30, 2013. Ally Bank is consistently recognized for the customer-friendly design and execution of our products, features, delivery channels and service, and has received numerous accolades, including:

- Best Online Bank , one of the Best One-Year CDs , and Best Checking Account by MONEY Magazine;
- Best Deals in Online Banking by Kiplinger.com;
- Outstanding Website by Web Marketing Association;
- Innovation in Customer Service Award by The Stevie Awards;
- Fewest Complaints/Highest Satisfaction by Bank Innovation; and
- Checking Account Safety & Transparency by The Pew Charitable Trust.

Our retail banking products include savings and money market accounts, certificates of deposit (CD), interest-bearing checking accounts, trust 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 nationwide, ATM fee reimbursements and no minimum balance requirements.

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 34% to 62% between 2007 and 2012, while those who prefer branch banking declined from 39% to 18% over the same period.

At September 30, 2013, Ally Bank had $51.5 billion of deposits, including $41.7 billion of retail deposits, making Ally Bank the 26th largest FDIC-insured depository institution in the United States by total bank deposits. The growth of our retail deposit base from $7.2 billion at the end of 2008, to $41.7 billion at September 30, 2013, as well as a reduction in the average cost of deposits, has enabled us to reduce our cost of funds. Ally Bank has steadily expanded its loyal customer base through best-in-class customer service, innovative and competitive products, and growing brand awareness. Ally Bank had an over 90% CD retention rate for fiscal year-end 2012 and in the first nine months of 2013. We expect to continue to lower our cost of funds and diversify our overall funding as the deposit base grows.

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The following chart shows the amount and type of Ally Bank s customer deposits and the average retail deposit rate as of the dates indicated:

Our Strengths

Automotive financial services category leader with full product suite.

We are one of the largest providers of automotive financing products, including wholesale loans and retail loans and leases, in the United States and are an integral part of the automotive industry. We believe that our over 90-year history has provided us extensive knowledge of the automotive industry and the financial services needs of its dealers, automotive manufacturers, and retail consumers.

The combination of our full suite of finance and insurance products, premium service standards, market driven programs, dealer training and support, and infrastructure and scale, distinguish us as a preferred and trusted business partner to our dealer customers and puts us in a position to compete effectively with other financial institutions and new entrants to the market.

Market-driven and dealer-centric business model.

Implementation of our market-driven programs, such as Ally Dealer Rewards and SmartAuction, since 2008 have enabled us to grow our Dealer Financial Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. This business model has allowed us to offer more products, expand our dealer base, and strengthen our existing network of dealer relationships. These strong relationships have allowed us to diversify our asset base and decrease our subvented retail loan origination volumes to 13.7% of our U.S. originations during the first nine months of 2013, compared to 58.0% in 2009. In addition, as of September 30, 2013, over 5,400 of our automotive dealer customers utilized four or more of our products and during the first nine months of 2013, 68% of our U.S. dealer customers received benefits under the Ally Dealer Rewards program.

Our 2,400 automotive finance and insurance employees are dedicated to directly supporting the needs of our dealer customers in the United States. This infrastructure allows us to accommodate our growing volume of business and support our existing customers. Our national sales force meets the needs of our dealer customers, expands our market penetration in the dealer network, and supports our existing and new OEM partners. Our sales force consists of direct dealer account relationship professionals, supplemental product support coverage professionals, and primary manufacturer relationship account professionals.

Infrastructure scale and breadth.

We believe the scale and breadth of our platform provide us with a significant competitive advantage. We have invested significantly in our technology infrastructure and other initiatives to support our automotive platform to further enhance our dealer and retail customer relationships and increase business volumes. This focus has resulted in increased credit application flow and originations from dealers representing various manufacturers. We are able to access applications with respect to almost all brands sold by U.S. automotive dealerships. In the first nine months of 2013, we had access to nearly 6 million applications compared to almost 7 million applications in 2012 and 2 million applications in 2009. We believe that our scale, breadth of platform and strong market presence across all 50 states differentiate us from others in the auto finance industry. The combination of our extensive infrastructure, our relationships with finance and insurance departments of dealers, and our participation in the major credit application on-line networks, provides us with a strong platform to efficiently grow our consumer business volumes across a broad mix of automotive dealers.

Attractive market opportunities.

We are well-positioned to benefit from continued growth in the automotive finance market as both the U.S. economy and the U.S. Seasonally Adjusted Annualized Rate (SAAR) of vehicle sales continue to rebound from their 2008-2009 recessionary levels. While consumer and business automotive spending has recovered from recent lows, it still remains well below historical average levels. According to U.S. Department of Transportation, the average age of vehicles in the United States has continued to rise and was at an all-time high of 10.8 years in 2011. The chart below shows historical consumer, business and government spending on automobiles as a percentage of U.S. GDP.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

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The chart below shows historical and projected U.S. SAAR (in millions):

Source: Bureau of Economic Analysis as to 2006-2012 data and Blue Chip Economic Indicators, Vol. 38, No. 10, as to projected 2013-2014 data.

The used vehicle financing market is significant and highly fragmented. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. According to Experian Automotive, over 11.1 million used vehicles were sold by franchised dealers in 2012. The fragmented used vehicle financing segment provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.

Leading scalable consumer-focused direct banking franchise.

Our consumer-focused strategy and scalable bank platform position Ally Bank well in the growing direct banking market. We provide a full array of retail banking products to the growing number of customers who choose Ally Bank. Ally Bank provides much of the same functionality as a traditional bank, while seeking to provide superior accessibility, lower fees and better customer service. We also benefit from avoiding the overhead expense of a traditional brick and mortar branch network. We continue to focus on Ally Bank s foundation of innovative, competitive products, and best-in-class service. Our platform is highly scalable. We have consistently benefited from increased operating efficiencies, which have more than supported our continued investment in technology and other competitive differentiators. The Ally Bank brand has attained strong recognition and positions us for further growth. In addition, Ally Bank provides us with a diversified source of stable, low-cost funding.

Strong and streamlined balance sheet and sophisticated risk management.

We believe one of our core strengths is the high quality, short duration, and streamlined nature of our asset base. Our assets are predominately consumer automotive loans and leases and commercial loans to automotive dealers. We have a long history of originating these assets and they have typically performed predictably based on the credit attributes of the loans and leases. These attributes include FICO scores, loan-to-value ratios, and payment-to-income ratios. Since 2008, we have made efforts to significantly streamline our balance sheet to focus on U.S. automotive related assets in order to provide a more predictable earnings stream. These streamlining efforts include selling our automotive finance businesses in Europe, Canada and Latin America and several international insurance businesses, as well as exiting the mortgage origination and servicing business.

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We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During the first nine months of 2013 and fiscal year 2012, we originated $20.8 billion and $30.4 billion of retail automotive loans, respectively. During the first nine months of 2013 and fiscal year 2012, the loss rate on our U.S. consumer automotive portfolio was 0.69% and 0.53%, respectively.

We believe our many years of experience in the automotive industry, and our rigorous underwriting standards result in the high quality of the leases on our balance sheet. We manage risk using our robust combination of credit metrics, including, among others, FICO scores and proprietary vehicle residual value models. Estimating future vehicle residual values is one of the most important steps of writing a new lease. We have extensive experience in underwriting new leases. This experience and the large volume of off-lease and other used vehicles sold through the SmartAuction system help us set appropriate residual value rates at the time a lease is written. During the first nine months of 2013 and fiscal year 2012, we originated a total of 263,000 and 273,200 U.S. automotive leases totaling approximately $8.3 billion and $8.4 billion, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. At September 30, 2013, we maintained a portfolio of $28.5 billion of commercial automotive loans. During the first nine months of 2013 and fiscal year 2012, the loss rate on our U.S. commercial automotive loan portfolio was 0.006% and 0.003%, respectively.

Our balance sheet is well capitalized. At September 30, 2013, we had a Tier 1 capital ratio of 15.4%, and a Tier 1 common ratio of 7.9%. We currently estimate based on Final Basel III rules published in July 2013, that the impact of enhanced Basel III capital requirements on our Tier 1 capital ratio would be less than 40 basis points. We believe this capitalization compares favorably to our peers and positions us for future growth.

Access to liquidity.

We have demonstrated strong access to diversified funding and liquidity sources, which are critical to our business. As of September 30, 2013, we had $31.8 billion of current liquidity in the form of cash, highly liquid unencumbered securities, and committed credit facilities.

Ally Bank provides us stable, low-cost deposit funding utilizing an efficient direct-to-consumer delivery model. Deposits accounted for approximately 44% of our funding at the end of the nine months of 2013, compared to 14% at the end of 2008. We expect the percentage of deposit funding to continue to grow, which will further reduce our cost of funds. We have a diversified source of funding, including unsecured debt markets, unsecured retail term notes, public and private securitizations, committed and uncommitted credit facilities, FHLB advances, CDs, and retail deposits.

Experienced management team.

Our senior management team is comprised of financial professionals with deep operating experience in automotive and consumer finance and banking, and extensive experience managing some of the largest and most successful financial institutions in the world. Our senior management team has successfully led us to consistent profitability in our core Automotive Finance operations and the development of our strong liquidity and capital position following the financial crisis. Furthermore, our senior management team has led our strategic transformation into a U.S.-focused, market-driven and dealer-centric business model, divesting our International businesses and substantially exiting the mortgage origination and servicing business.

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Our Business Strategy

Improve our shareholder return profile and ROE.

Our goal is to increase our run-rate Core ROTCE to by . We plan to achieve our goal through (a) net interest margin expansion driven by lower funding costs, (b) lower non-interest expense to correspond with our streamlined business model, (c) Ally Bank regulatory normalization and (d) capital normalization at both Ally Financial and Ally Bank. We expect to continue to decrease our overall funding costs through proactive liability management, growing our retail deposit base, increasing the number of loans and leases we originate at Ally Bank and efficiently accessing secured and unsecured wholesale markets as certain higher-cost legacy funding matures. We expect to lower our non-interest expense base by rationalizing our operational footprint to reflect our transformation from a multinational and multi-business line franchise to a domestic auto finance business. Our scalable business platform provides us with operating leverage which will also assist returns as we seek to expand our Automotive Finance operations. We will continue to seek to prudently grow our balance sheet by originating high quality automotive assets across a diversified business mix, which we believe will allow us to generate stable, attractive risk-adjusted returns in a variety of interest rate and credit environments. For additional detail see Business Core ROTCE Improvement .

Expand our dealer relationships through innovative products and premium services.

We believe that our dealer-centric business model, full range of product offerings, and sales organization position us to further broaden our relationships with existing and new dealers, and to originate attractive retail automotive loans, leases, and other products. Our strategies, including market driven programs such as Ally Dealer Rewards and SmartAuction, have been designed and implemented to drive higher business volumes with our dealers. We are also leveraging our existing dealer relationships, product suite, and extensive operating experience to expand our diversified dealer network and prudently expand our automotive originations across the credit spectrum in accordance with our underwriting standards. Furthermore, we have dedicated resources to the underwriting and financing of used vehicle sales that allow us to expand loan origination volume with our existing dealer base.

Continue to grow our leading direct bank franchise.

Ally Bank s strategy is to continue to invest in the development of our well regarded brand and strong consumer value proposition in order to expand the relationship with our growing deposit base. For the nine months ended September 30, 2013, most of our U.S. wholesale balances and approximately two-thirds of our U.S. consumer automotive originations were funded within the bank. We plan to continue to increase the amount of assets that are funded by the bank. This growth will allow us to more efficiently utilize the bank s capital and to take advantage of the lower cost and greater stability of Ally Bank s funding sources, including deposits. We expect to continue to prudently expand the products Ally Bank offers in order to improve our customers banking experience, broaden our dealer relationships, and expand our funding alternatives.

Maintain a strong balance sheet through disciplined origination, servicing, and risk management.

We will continue to focus primarily on commercial and consumer automotive loans, leases, and related products. These assets performed well through the credit cycle, including the recent financial crisis.

We believe that we maintain strong levels of capital and liquidity relative to our loan and lease portfolio as well as to other bank holding companies. Our strategy is to expand profitable dealer relationships and grow our earning assets, which we believe will allow us to efficiently utilize our capital and enhance our profitability.

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Our History

Our History and Strategic Transformation

Ally was formed in 1919 as the captive finance subsidiary of GM. In 2006, a majority ownership interest in Ally was sold to third parties.

We became a bank holding company on December 24, 2008, under the Bank Holding Company Act and are subject to supervision and examination by the Board of Governors of the Federal Reserve System. Our bank subsidiary, Ally Bank, is supervised by the Federal Deposit Insurance Corporation and the Utah Department of Financial Institutions. In conjunction with our conversion to a bank holding company, Treasury made its initial investment in Ally as part of the Troubled Asset Relief Program.

Ally has undergone a strategic transformation from a captive finance subsidiary into a focused category leader in U.S. automotive finance. We have substantially streamlined our operations, de-risked our balance sheet, and enhanced our focus on increased risk adjusted returns. As part of that strategy, we have divested our International businesses and have substantially exited the mortgage origination and servicing business.

We have had a long and extensive historical relationship as a financing provider for GM and subsequently with Chrysler, including contractual relationships for manufacturer-subvented retail loan originations. Our over 90-year history has resulted in particularly strong relationships between us and thousands of dealers and provided us with extensive operating experience relative to other automotive finance companies. Our relationships with dealers and transformation to a market-driven business model has substantially diminished our reliance on such agreements, which have or will expire in the near future. Our transformation has allowed us to successfully grow our automotive operations and supported the increase in our standard rate retail loan and lease origination volumes and decrease in subvented volumes, which comprised only 13.7% of our U.S. originations during the first nine months of 2013, compared to 58.0% in 2009.

Recent Developments

Repurchase of Series F-2 Preferred Stock and Issuance of $1.3 Billion of Common Stock

On August 19, 2013, Ally entered into investment agreements (the Investment Agreements) with certain accredited investors within the meaning of Rule 501 of Regulation D promulgated under the Securities Act. Upon the terms and subject to the conditions set forth in the Investment Agreements, Ally agreed to issue and sell to such investors, and such investors agreed to severally purchase from Ally (the Private Placement), an aggregate of 166,667 shares of our common stock at an aggregate price of $1 billion. On November 13, 2013, Ally amended the Investment Agreements to increase the number of shares of common stock issued to certain investors in the private placement by an aggregate of 50,000 shares, which resulted in an increase in aggregate purchase price of $300 million.

In addition, on August 19, 2013, Ally also entered into an Agreement in Respect of Securities Repurchase and Share Adjustment Provision (the Purchase and Release Agreement) with the United States Department of the Treasury (Treasury) for the repurchase by the Company of all outstanding shares of Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (Series F-2 preferred stock) held by Treasury (the Repurchase Transaction) and the elimination or relinquishment (the SAR Termination) of any right of the holder of Series F-2 preferred stock to receive, in certain circumstances, additional shares of common stock pursuant to Section 6(a)(i)(B) of the certificate of designations of the Series F-2 preferred stock (the Share Adjustment Right). Upon the terms and subject to the conditions set forth in the Purchase and Release Agreement, Ally agreed to purchase from Treasury, and Treasury agreed to sell to the Company, all outstanding

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shares of the Series F-2 preferred stock for an aggregate purchase price of an amount in cash equal to $5.2 billion plus accrued and unpaid dividends and Ally agreed to pay to Treasury an amount in cash equal to $725 million in consideration for Treasury s release of any rights it has under the Share Adjustment Right.

On November 15, 2013, Ally announced that the Board of Governors of the Federal Reserve System (the Federal Reserve) did not object to Ally s revised Comprehensive Capital Analysis and Review capital plan for 2013 (the CCAR Plan), which was submitted in September 2013. The non-objection of the Federal Reserve to Ally s CCAR Plan was a condition to the completion of the Private Placement and the Repurchase Transaction and SAR Termination. The closings for these transactions occurred on November 20, 2013.

Regulatory Matters

On December 23, 2013, the Federal Reserve granted Ally s application for financial holding company status. As a financial holding company, Ally is 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.

We have previously disclosed that the Consumer Financial Protection Bureau (CFPB) has been investigating credit practices of certain participants in the automotive finance industry. On December 19, 2013, we entered into consent orders with the U.S. Department of Justice and the CFPB related to these matters. The terms of the consent orders include enhancing dealer monitoring, reducing the perceived disparity for the protected classes outlined in the orders, paying a civil money penalty of $18 million and contributing $80 million toward a settlement fund to be managed by an independent settlement administrator. We expect to take a $98 million charge in the fourth quarter related to these matters.

International Operations Sale

On February 1, 2013, we completed the sale of our Canadian automobile finance operations, Ally Credit Canada Limited, and ResMor Trust (Ally Canada) to Royal Bank of Canada. Ally received $4.1 billion 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. On May 2, 2013, we completed the sale of ABA Seguros, to the ACE Group. Ally received approximately $865 million in proceeds, which was comprised of a $690 million cash payment at closing and a $175 million dividend that was paid in the fourth quarter of 2012.

On November 21, 2012, we announced that we had reached an agreement to sell our operations in Europe and Latin America, as well as our share in a joint venture in China, to General Motors Financial Corp, Inc. (GM Financial). 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. We received $2.6 billion for these European businesses, 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. On June 3, 2013, we completed the sale of our remaining European operations, which included primarily our operations in France. We received approximately $155 million at closing. On October 1, 2013, we completed the sale of our remaining Latin American operations, which included our operations in Brazil. We received approximately $611 million at closing. We expect to complete the sale of the joint venture in China during the next twelve months.

Following the completion of the sale of our international operations, we intend to focus all of our resources on our operations in the United States.

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 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

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Bankruptcy Court). The Bankruptcy Court entered an order confirming a bankruptcy plan on December 11, 2013, which became effective on December 17, 2013. For further details with respect to this matter, refer to Note 1 to the Condensed Consolidated Financial Statements.

Our Mortgage Operations

With the completion of the ResCap settlement, we will have exited the mortgage origination and servicing business. Our ongoing Mortgage operations are limited to the management of our held-for-investment mortgage portfolio. During 2013, we sold our business lending operations to Walter Investment Management Corp, completed substantially all of the sales of agency mortgage servicing rights (MSRs) to Ocwen Financial Corp. and Quicken Loans, Inc., exited the correspondent lending channel, and ceased production of any new jumbo mortgage loans.

Our Challenges

Our business is subject to challenges described within the Risk Factors section and elsewhere in this Prospectus. Some of these challenges include the following:

- The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of the overall U.S. automotive market, and also upon GM and Chrysler,

- 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.

- 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,

- 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 us,

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

- If we are unable to compete successfully or if there is increased competition in the markets in which we operate, our business could be negatively affected.

Corporate Information

Our principal executive offices are located at 200 Renaissance Center, P.O. Box 200, Detroit, Michigan 48265-2000 and our telephone number is (866) 710-4623. Our website is www.ally.com. Our website and the information included on, or linked to our website are not part of this prospectus.

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THE OFFERING

Common stock offered by the selling stockholder	shares.
Common stock to be outstanding after this offering	shares (assuming no exercise of the underwriters over-allotment option).
Over-allotment option	shares from the selling stockholder to cover over-allotments.
Common stock listing	We have applied to list our common stock on the NYSE under the symbol ALLY.
Voting rights	One vote per share.
Use of proceeds	Ally will not receive any proceeds from sale of common stock in the offering.
Dividend policy	We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G preferred stock) prohibits us from making dividend payments on our common stock before January 1, 2014 and restricts our ability to pay dividends thereafter. In addition, so long as any share of our Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Series A preferred stock) remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock. In addition, any plans to commence payment of dividends on our common stock in the future would be subject to the FRB s review and absence of objection.
Risk factors	See Risk Factors beginning on page 18 of this prospectus for a discussion of risks you should carefully consider before deciding whether to invest in our common stock.

Unless we specifically state otherwise, the information in this prospectus does not take into account shares issuable under our equity compensation incentive plan. All applicable share, per share and related information in this prospectus for periods on or subsequent to has been adjusted retroactively for the -for-one stock split on shares of our common stock effected on , 2013.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following summary consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2012, 2011 and 2010 and the consolidated balance sheet data at December 31, 2012 and 2011 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2009 and 2008 and the consolidated balance sheet data at December 31, 2010, 2009 and 2008 are derived from our audited consolidated financial statements not included in this prospectus. The condensed consolidated statement of income data for the nine months ended September 30, 2013 and 2012 and the condensed consolidated balance sheet data at September 30, 2013 and 2012 are derived from, and qualified by reference to, our unaudited condensed consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those condensed consolidated financial statements and notes thereto. In our opinion, the unaudited financial statements provided herein have been prepared on substantially the same basis as the audited historical consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for the periods presented. Our results for the nine months ended September 30, 2013 are not necessarily indicative of those to be expected for the fiscal year.

	At and for nine months ended September 30,		At and for the year ended December 31,				
	2013	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
			($ in millions)				
Financial statement data							
Statement of income data:							
Total financing revenue and other interest income	**$ 6,003**	$ 5,391	**$ 7,342**	$ 6,671	$ 7,156	$ 8,069	$ 10,465
Interest expense	**2,549**	3,105	**4,052**	4,606	4,832	4,876	5,858
Depreciation expense on operating lease assets	**1,449**	1,006	**1,399**	941	1,251	2,256	3,159
Impairment of investment in operating leases							1,082
Net financing revenue	**2,005**	1,280	**1,891**	1,124	1,073	937	366
Total other revenue (a)	**1,159**	2,094	**2,574**	2,288	2,672	3,226	10,996
Total net revenue	**3,164**	3,374	**4,465**	3,412	3,745	4,163	11,362
Provision for loan losses	**361**	236	**329**	161	361	3,584	1,701
Total noninterest expense	**2,521**	2,671	**3,622**	3,428	3,621	3,937	4,213
Income (loss) from continuing operations before income tax (benefit) expense	**282**	467	**514**	(177)	(237)	(3,358)	5,448
Income tax (benefit) expense from continuing operations (b)	**(55)**	31	**(856)**	42	97	12	(87)
Net income (loss) from continuing operations	**337**	436	**1,370**	(219)	(334)	(3,370)	5,535
(Loss) income from discontinued operations, net of tax	**(80)**	(640)	**(174)**	62	1,363	(6,973)	(3,667)
Net income (loss)	**$ 257**	$ (204)	**$ 1,196**	$ (157)	$ 1,029	$ (10,343)	$ 1,868
			(in millions, except per share data)				
Net (loss) income attributable to common shareholders							
Net income (loss) from continuing operations	**$ 337**	$ 436	**$ 1,370**	$ (219)	$ (334)	$ (3,370)	$ 5,535
Less: Preferred stock dividends U.S. Department of Treasury	**401**	401	**535**	534	963	(855)	
Less: Preferred stock dividends	**200**	200	**267**	260	282	(370)	
Less: Impact of preferred stock conversion or amendment				(32)	616		
	(264)	(165)	**568**	(981)	(2,195)	(4,595)	5,535

Net (loss) income from continuing operations attributable to common shareholders (c)							
(Loss) income from discontinued operations, net of tax	**(80)**	(640)	**(174)**	62	1,363	(6,973)	(3,667)
Net (loss) income attributable to common shareholders	**$ (344)**	$ (805)	**$ 394**	$ (919)	$ (832)	(11,568)	1,868
Basic and diluted weighted-average common shares outstanding (c)	**1,330,970**	1,330,970	**1,330,970**	1,330,970	800,597	529,392	108,884

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	At and for nine months ended September 30, 2013	2012	At and for the year ended December 31, 2012	2011	2010	2009	2008
			(per share data in whole dollars)				
Basic and diluted earnings per common share (d)							
Net (loss) income from continuing operations	**$ (199)**	$ (124)	**$ 427**	$ (738)	$ (2,742)	$ (8,677)	$ 50,827
(Loss) income from discontinued operations, net of tax	**(60)**	(481)	**(131)**	47	1,703	(13,173)	(33,675)
Net (loss) income	**$ (259)**	$ (605)	**$ 296**	$ (691)	$ (1,039)	$ (21,850)	$ 17,152
			($ in millions)				
Pro forma data (e)							
Basic and diluted earnings per common share							
Net (loss) income from continuing operations							
(Loss) income from discontinued operations, net of tax							
Net income (loss)							
Basic and diluted weighted-average common shares outstanding							
Non-GAAP financial measures (f):							
Net income (loss)	**$ 257**	$ (204)	**$ 1,196**	$ (157)	$ 1,029	$ (10,343)	$ 1,868
Add: Original issue discount amortization expense (g)	**182**	280	**336**	962	1,300	1,143	70
Add: Income tax (benefit) expense from continuing operations	**(55)**	31	**(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	**(80)**	(640)	**(174)**	62	1,363	(6,973)	(3,667)
Core pretax income (loss) (f)	**$ 464**	$ 747	**$ 850**	$ 785	$ 1,063	$ (2,215)	$ (5,942)
Selected period-end balance sheet data:							
Total assets	**$ 150,556**	$ 182,482	**$ 182,347**	$ 184,059	$ 172,008	$ 172,306	$ 189,476
Long-term debt	**$ 60,701**	$ 93,028	**$ 74,561**	$ 92,885	$ 86,703	$ 88,066	$ 115,935
Preferred stock/interests (d)	**$ 6,940**	$ 6,940	**$ 6,940**	$ 6,940	$ 6,972	$ 12,180	$ 6,287
Total equity	**$ 19,061**	$ 18,674	**$ 19,898**	$ 19,280	$ 20,398	$ 20,794	$ 21,854
Financial ratios							
Return on assets (h)							
Net income (loss) from continuing operations	**.28%**	0.32%	**0.75%**	(0.12)%	(0.19)%	(1.89)%	2.92%
Net income (loss)	**.22%**	(0.15)%	**0.65%**	(0.09)%	0.58%	(5.81)%	0.99%
Core pretax income (loss)	**.39%**	0.54%	**0.46%**	0.43%	0.60%	(1.25)%	(3.14)%
Return on equity (h)							
Net income (loss) from continuing operations	**2.30%**	3.07%	**7.24%**	(1.09)%	(1.62)%	(13.90)%	25.33%
Net income (loss)	**1.75%**	(1.43)%	**6.32%**	(0.78)%	4.98%	(42.65)%	8.55%
Core pretax income (loss)	**3.16%**	5.26%	**4.49%**	3.91%	5.14%	(9.13)%	(27.19)%
Equity to assets (h)	**12.38%**	10.32%	**10.30%**	11.10%	11.69%	13.63%	11.53%
Net interest spread (h)(i)	**1.68%**	1.06%	**1.18%**	0.69%	0.81%	0.31%	(j)
Net interest spread excluding original issue discount (h)(i)	**1.91%**	1.42%	**1.49%**	1.57%	2.16%	1.84%	(j)

Net yield on interest-earning assets (h)(k)	**1.97%**	1.29%	**1.40%**	0.92%	1.02%	0.94%	(j)
Net yield on interest-earning assets excluding original issue discount (h)(k)	**2.15%**	1.58%	**1.66%**	1.68%	2.18%	2.10%	(j)

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	At and for nine months ended September 30, 2013	2012	At and for the year ended December 31, 2012	2011	2010	2009	2008
Regulatory capital ratios							
Tier 1 capital (to risk-weighted assets) (l)	**15.37%**	13.58%	**13.13%**	13.65%	14.93%	14.12%	(j)
Total risk-based capital (to risk-weighted assets) (m)	**16.40%**	14.57%	**14.07%**	14.69%	16.30%	15.52%	(j)
Tier 1 leverage (to adjusted quarterly average assets) (n)	**13.16%**	11.24%	**11.16%**	11.45%	12.99%	12.68%	(j)
Total equity	**$ 19,061**	$ 18,674	**$ 19,898**	$ 19,280	$ 20,398	$ 20,794	(j)
Goodwill and certain other intangibles	**(188)**	(497)	**(494)**	(493)	(532)	(534)	(j)
Unrealized gains and other adjustments	**(1,846)**	(308)	**(1,715)**	(262)	(309)	(447)	(j)
Trust preferred securities	**2,544**	2,543	**2,543**	2,542	2,541	2,540	(j)
Tier 1 capital (l)	**19,571**	20,412	**20,232**	21,067	22,098	22,353	(j)
Preferred stock	**(6,940)**	(6,940)	**(6,940)**	(6,940)	(6,972)	(12,180)	(j)
Trust preferred securities	**(2,544)**	(2,543)	**(2,543)**	(2,542)	(2,541)	(2,540)	(j)
Tier 1 common capital (non-GAAP) (o)	**$ 10,087**	$ 10,929	**$ 10,749**	$ 11,585	$ 12,585	$ 7,633	(j)
Risk-weighted assets (p)	**$ 127,348**	$ 150,302	**$ 154,038**	$ 154,319	$ 147,979	$ 158,326	(j)
Tier 1 common (to risk-weighted assets) (o)	**7.92%**	7.27%	**6.98%**	7.51%	8.50%	4.82%	(j)

(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. Total other revenue for the 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 MSR portfolio.

(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. Refer to Note 25 to the Consolidated Financial Statements for additional information regarding our change in tax status.

(c) 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 nine months ended September 30, 2013 and 2012, and the years ended December 31, 2011, 2010 and 2009, respectively, 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.

(d) 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.

(e) The pro forma financial information gives retroactive effect to the -for-one stock split on shares of our common stock effected on , 2013.

(f) Core pretax income (loss) is not a financial measure defined by generally accepted accounting principles 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.

(g) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange that was reported as a loss on extinguishment of debt in Consolidated Statement of Income, respectively.

(h) The 2013, 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.

(i) 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.

(j) Not applicable at December 31, 2008, as we did not become a bank holding company until December 24, 2008.

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

(l) 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 and purchase contracts less goodwill and other adjustments.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

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RISK FACTORS

You should carefully consider the following risk factors that may affect our business, future operating results and financial condition, as well as the other information set forth in this prospectus before making a decision to invest in our common stock. Any of the following risks could materially and adversely affect our business, financial condition or results of operations. In such case, the trading price of our common stock would likely decline due to any of these risks, and you may lose all or part of your investment.

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, 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.

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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 effect 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. See Business Certain Regulatory Matters for details on our capital plan.

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.

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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;

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- 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 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 September 30, 2013, Ally had $2.5 billion of trust preferred securities, which was 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.

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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. Investigations, proceedings or information-gathering requests that Ally is, or may become, involved in 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

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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 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 the overall U.S. automotive market, and also upon GM and Chrysler.

GM and Chrysler dealers and their retail customers compose a significant portion of our customer base, and our Dealer Financial Service 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.

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.

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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.

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. 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 in the future have exclusive agreements with GM and/or Chrysler.

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 September 30, 2013, $869 million in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2013, and approximately $5.5 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 September 30, 2013, a total of $3.2 billion in principal amount of Demand Notes were outstanding. We also rely on secured funding. At September 30, 2013, approximately $1.8 billion of outstanding consolidated secured debt is scheduled to mature in 2013, approximately $11.5 billion is scheduled to mature in 2014, and approximately $8.8 billion is scheduled to mature in 2015. Furthermore, at September 30, 2013, 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 $191 million during the nine months ended September 30, 2013 and the remaining scheduled amortization of OID is $71 million, $189 million, and $57 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.

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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.

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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.

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 September 30, 2013, the carrying value of our Automotive Finance operations nonprime consumer automobile loans before allowance for loan losses was $5.8 billion, or approximately 10.4% of our total consumer automobile loans. Of these loans, $80 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

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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.

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Treasury (or its designee) will continue to own a substantial interest in us following this offering, and its interests may differ from those of our other stockholders.

Immediately following this offering, Treasury will own approximately % of our outstanding shares of common stock (% if the underwriters in the offering exercise their over-allotment option in full).

Pursuant to the Stockholders Agreement dated August 19, 2013, 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 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 largely is 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

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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. 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.

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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.

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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.

Risks Related to this Offering and Ownership of Our Common Stock

The sale or availability for sale of substantial amounts of our common stock could cause our common stock price to decline or impair our ability to raise capital.

Sales of a substantial number of shares of our common stock in the public market following this offering, or the perception that large sales could occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of equity and equity-related securities. Upon completion of this offering, there will be shares of common stock issued and outstanding.

Of the outstanding shares of common stock, the shares of common stock to be sold in this offering (shares if the underwriters in this offering exercise their over-allotment option in full) will be freely tradable without restriction or further registration under the Securities Act, unless those shares are held by any of our affiliates, as that term is defined under Rule 144 of the Securities Act. Following the expiration of any applicable lock-up periods referred to in the section of this prospectus entitled Shares Eligible for Future Sale, the remaining outstanding shares of common stock may be eligible for resale under Rule 144 under the Securities Act subject to applicable restrictions under Rule 144. In addition, pursuant to Exhibit F of the current Bylaws of Ally Financial Inc. (the Registration Rights Agreement), we have granted our existing common stockholders the right to require us in certain circumstances to file registration statements under the Securities Act covering additional resales of our common stock held by them and the right to participate in other registered offerings in certain circumstances. As of the date hereof, certain provisions restricting such common stockholders ability to sell their stock have expired, as a result, the Registration Rights Agreement no longer contains any restrictions on these holders ability to sell their stock. As restrictions on resale end or if these stockholders exercise their registration rights or otherwise sell their shares, the market price of our common stock could decline.

In particular, following this offering, Treasury or GMAC Common Equity Trust I might sell a large number of the shares of our common stock that they hold. Such sales of a substantial number of shares of our common stock could adversely affect the market price of our common stock.

We have no current plans to pay dividends on our common stock, and our ability to pay dividends on our common stock may be limited.

We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Series G preferred stock prohibits us from making dividend payments on our common stock before January 1, 2014 and allows dividend payments thereafter only if 1) our senior guaranteed notes issued on December 31, 2008 are rated investment grade and 2) the payment, together with other dividend payments we made since December 31, 2008, is less than 25% of the excess of our cumulative consolidated net income from January 1, 2014 to the most recently ended fiscal quarter for which financial statements are available at the time of such dividend payment. In addition, so long as any share of our Series A preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock.

Any indentures and other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing agreements in the future restrict our ability to pay dividends in cash on our common stock, we may be unable to pay dividends in cash on our common stock unless we can refinance the amounts outstanding under those agreements.

In addition, under Delaware law, our Board of Directors may declare dividends on our capital stock only to the extent of our statutory surplus (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital), or if there is no such surplus, out of our net profits for the then current and/or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay cash dividends on our common stock, we may not have sufficient cash to pay dividends in cash on our common stock.

Any plans to commence payment of dividends on our common stock in the future would be subject to the FRB s review and absence of objection. *See* Business Certain Regulatory Matters Bank Holding Company Status . There is no assurance that, upon the FRB s review of our future capital plans, we would be permitted to make any planned payments of dividends on our common stock.

Anti-takeover provisions contained in our organizational documents and Delaware law could delay or prevent a takeover attempt or change in control of our company, which could adversely affect the price of our common stock.

Our amended and restated certificate of incorporation, our amended and restated bylaws, and Delaware law contain provisions that could have the effect of rendering more difficult or discouraging an acquisition deemed undesirable by our Board of Directors. Our organizational documents include provisions:

- Limiting the liability of our directors, and providing indemnification to our directors and officers; and
- Limiting the ability of our stockholders to call and bring business before special meetings.

These provisions, alone or together, could delay hostile takeovers and changes in control of the company or changes in management.

In addition, after the completion of this offering, we will be subject to Section 203 of the General Corporation Law of the State of Delaware (the DGCL), which generally prohibits a corporation from engaging in various business combination transactions with any interested stockholder (generally defined as a stockholder who owns 15% or more of a corporation s voting stock) for a period of three years following the

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time that such stockholder became an interested stockholder, except under certain circumstances including receipt of prior board approval.

Any provision of our Certificate of Incorporation or our Bylaws or Delaware law that has the effect of delaying or deterring a hostile takeover or change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

See Description of Capital Stock for a further discussion of these provisions.

Because there has not been any public market for our common stock, the market price and trading volume of our common stock may be volatile.

You should consider an investment in our common stock to be risky and you should invest in our common stock only if you can withstand a significant loss and wide fluctuations in the market value of your investment. The price of our common stock after the closing of this offering may fluctuate widely, depending upon many factors, including, but not limited to:

- the perceived prospects for the auto finance and mortgage industries in general or for our company;
- differences between our actual financial and operating results and those expected by investors;
- changes in the share price of public companies with which we compete;
- news about our new products or services, enhancements, significant contracts, acquisitions or strategic investments;
- changes in our capital structure, such as future issuances of securities, repurchases of our common stock or our incurrence of debt;
- changes in general economic or market conditions;
- broad market fluctuations;
- regulatory actions or changes in applicable laws, rules or regulations;
- unfavorable or lack of published research by securities or industry analysts; and
- departure of key personnel.

Our common stock may trade at prices significantly below the initial public offering price. In addition, when the market price of a company s common equity drops significantly, stockholders often institute securities class action lawsuits against the company. A lawsuit against us could cause us to incur substantial costs and could divert the time and attention of our management and other resources.

Treasury, which is the selling stockholder, is a federal agency and your ability to bring a claim against Treasury under the federal securities laws may be limited.

The doctrine of sovereign immunity, as limited by the Federal Tort Claims Act (the FTCA), provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. The FTCA bars claims for fraud or misrepresentation. At least one federal court, in a case involving a federal agency, has held that the United States may assert its sovereign

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immunity to claims brought under the federal securities laws. In addition, Treasury and its officers, agents, and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Exchange Act by virtue of Section 3(c) thereof. The underwriters are not claiming to be agents of Treasury in this offering. Accordingly, any attempt to assert such a claim against the officers, agents or employees of Treasury for a violation of the Securities Act of 1933, as amended (the Securities Act) or the Exchange Act resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part or resulting from any other act or omission in connection with the offering of the common stock by Treasury would likely be barred.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We have made statements under the captions Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations, Business and in other sections of this prospectus that 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, project, outlook, priorities, target, intend, evaluate, pursue, seek, may, would, could, should, believe, potential, 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 prospectus, including those under the caption Risk Factors. 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. Factors that could cause our actual results to be materially different from our expectations include, among others, the risk factors set forth herein under the caption Risk Factors, and the following:

- Maintaining the mutually beneficial relationship between the company and GM, and the company and Chrysler;
- The profitability and financial condition of GM and Chrysler;
- 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).

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USE OF PROCEEDS

The selling stockholder is selling all of the shares of common stock in this offering and Ally will not receive any proceeds from the sale of the shares.

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DIVIDEND POLICY

We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Series G preferred stock prohibits us from making dividend payments on our common stock before January 1, 2014 and allows dividend payments thereafter only if (1) our senior guaranteed notes issued on December 31, 2008 are rated investment grade and (2) the payment, together with other dividend payments we made since December 31, 2008, is less than 25% of the excess of our cumulative consolidated net income from January 1, 2014 to the most recently ended fiscal quarter for which financial statements are available at the time of such dividend payment. In addition, so long as any share of our Series A preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on such series of preferred stock.

Any plans to commence payment of dividends on our common stock in the future would, as announced by the FRB on March 18, 2011, with respect to the completion of its Comprehensive Capital Analysis and Review of the capital plans of the nineteen largest U.S. bank holding companies, including Ally, be subject to the FRB s review and absence of objection. *See* Business Certain Regulatory Matters Bank Holding Company Status .

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CAPITALIZATION

The following table sets forth our capitalization as of September 30, 2013, (i) actual and (ii) pro forma to reflect the -for-one stock split on shares of our common stock effected on , 2013 and this offering.

This table should be read in conjunction with Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto appearing elsewhere in this prospectus.

	As of September 30, 2013	
	Actual	Pro forma
	($ in millions)	
Cash and cash equivalents	$ 6,549	$
Short-term borrowings	6,015	
Long-term debt	60,701	
Series A preferred stock, 1,021,764 shares issued and outstanding, actual, pro forma and pro forma as adjusted	1,021	
Series F-2 preferred stock, 118,750,000 shares issued and outstanding, actual and 0 shares issued and outstanding, pro forma and pro forma as adjusted	5,685	
Series G preferred stock, 2,576,601 shares issued and outstanding, actual and pro forma	234	
Common stock, $0.01 par value per share, 1,330,970 shares issued and outstanding, actual, shares issued and outstanding pro forma and additional paid-in capital	19,669	
Accumulated deficit	(7,365)	
Accumulated other comprehensive income	(183)	
Total equity	19,061	
Total capitalization	$ 85,777	$

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SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2012, 2011 and 2010 and the consolidated balance sheet data at December 31, 2012 and 2011 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2009 and 2008 and the consolidated balance sheet data at December 31, 2010, 2009 and 2008 are derived from our audited consolidated financial statements not included in this prospectus. The condensed consolidated statement of income data for the nine months ended September 30, 2013 and 2012 and the condensed consolidated balance sheet data at September 30, 2013 and 2012 are derived from, and qualified by reference to, our unaudited condensed consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those condensed consolidated financial statements and notes thereto. In our opinion, the unaudited financial statements provided herein have been prepared on substantially the same basis as the audited historical consolidated financial statements and reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for the periods presented. Our results for the nine months ended September 30, 2013 are not necessarily indicative of those to be expected for the fiscal year.

	At and for nine months ended September 30, 2013	2012	At and for the year ended December 31, 2012	2011	2010	2009	2008
	($ in millions)						
Financial statement data							
Statement of income data:							
Total financing revenue and other interest income	**$ 6,003**	$ 5,391	**$ 7,342**	$ 6,671	$ 7,156	$ 8,069	$ 10,465
Interest expense	**2,549**	3,105	**4,052**	4,606	4,832	4,876	5,858
Depreciation expense on operating lease assets	**1,449**	1,006	**1,399**	941	1,251	2,256	3,159
Impairment of investment in operating leases							1,082
Net financing revenue	**2,005**	1,280	**1,891**	1,124	1,073	937	366
Total other revenue (a)	**1,159**	2,094	**2,574**	2,288	2,672	3,226	10,996
Total net revenue	**3,164**	3,374	**4,465**	3,412	3,745	4,163	11,362
Provision for loan losses	**361**	236	**329**	161	361	3,584	1,701
Total noninterest expense	**2,521**	2,671	**3,622**	3,428	3,621	3,937	4,213
Income (loss) from continuing operations before income tax (benefit) expense	**282**	467	**514**	(177)	(237)	(3,358)	5,448
Income tax (benefit) expense from continuing operations (b)	**(55)**	31	**(856)**	42	97	12	(87)
Net income (loss) from continuing operations	**337**	436	**1,370**	(219)	(334)	(3,370)	5,535
(Loss) income from discontinued operations, net of tax	**(80)**	(640)	**(174)**	62	1,363	(6,973)	(3,667)
Net income (loss)	**$ 257**	$ (204)	**$ 1,196**	$ (157)	$ 1,029	$ (10,343)	$ 1,868
	(in millions, except per share data)						
Net (loss) income attributable to common shareholders							
Net income (loss) from continuing operations	**$ 337**	$ 436	**$ 1,370**	$ (219)	$ (334)	$ (3,370)	$ 5,535
Less: Preferred stock dividends U.S. Department of Treasury	**401**	401	**535**	534	963	(855)	
Less: Preferred stock dividends	**200**	200	**267**	260	282	(370)	
Less: Impact of preferred stock conversion or amendment				(32)	616		
Net (loss) income from continuing operations attributable to common shareholders (c)	**(264)**	(165)	**568**	(981)	(2,195)	(4,595)	5,535

(Loss) income from discontinued operations, net of tax		**(80)**		(640)		**(174)**		62		1,363	(6,973)	(3,667)
Net (loss) income attributable to common shareholders	**$**	**(344)**	$	(805)	**$**	**394**	$	(919)	$	(832)	(11,568)	1,868
Basic and diluted weighted-average common shares outstanding (c)		**1,330,970**		1,330,970		**1,330,970**		1,330,970		800,597	529,392	108,884

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	At and for nine months ended September 30,		At and for the year ended December 31,				
	2013	2012	2012	2011	2010	2009	2008
			($ in millions)				
			(in millions, except per share data)				
			(per share data in whole dollars)				
Basic and diluted earnings per common share (d)							
Net (loss) income from continuing operations	$ (199)	$ (124)	$ 427	$ (738)	$ (2,742)	$ (8,677)	$ 50,827
(Loss) income from discontinued operations, net of tax	(60)	(481)	(131)	47	1,703	(13,173)	(33,675)
Net (loss) income	$ (259)	$ (605)	$ 296	$ (691)	$ (1,039)	$ (21,850)	$ 17,152
			($ in millions)				
Pro forma data (e)							
Basic and diluted earnings per common share							
Net (loss) income from continuing operations							
(Loss) income from discontinued operations, net of tax							
Net income (loss)							
Basic and diluted weighted-average common shares outstanding							
Non-GAAP financial measures (f):							
Net income (loss)	$ 257	$ (204)	$ 1,196	$ (157)	$ 1,029	$ (10,343)	$ 1,868
Add: Original issue discount amortization expense (g)	182	280	336	962	1,300	1,143	70
Add: Income tax (benefit) expense from continuing operations	(55)	31	(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	(80)	(640)	(174)	62	1,363	(6,973)	(3,667)
Core pretax income (loss) (f)	$ 464	$ 747	$ 850	$ 785	$ 1,063	$ (2,215)	$ (5,942)
Selected period-end balance sheet data:							
Total assets	$ 150,556	$ 182,482	$ 182,347	$ 184,059	$ 172,008	$ 172,306	$ 189,476
Long-term debt	$ 60,701	$ 93,028	$ 74,561	$ 92,885	$ 86,703	$ 88,066	$ 115,935
Preferred stock/interests (d)	$ 6,940	$ 6,940	$ 6,940	$ 6,940	$ 6,972	$ 12,180	$ 6,287
Total equity	$ 19,061	$ 18,674	$ 19,898	$ 19,280	$ 20,398	$ 20,794	$ 21,854
Financial ratios							
Return on assets (h)							
Net income (loss) from continuing operations	.28%	0.32%	0.75%	(0.12)%	(0.19)%	(1.89)%	2.92%
Net income (loss)	.22%	(0.15)%	0.65%	(0.09)%	0.58%	(5.81)%	0.99%
Core pretax income (loss)	.39%	0.54%	0.46%	0.43%	0.60%	(1.25)%	(3.14)%
Return on equity (h)							
Net income (loss) from continuing operations	2.30%	3.07%	7.24%	(1.09)%	(1.62)%	(13.90)%	25.33%
Net income (loss)	1.75%	(1.43)%	6.32%	(0.78)%	4.98%	(42.65)%	8.55%
Core pretax income (loss)	3.16%	5.26%	4.49%	3.91%	5.14%	(9.13)%	(27.19)%
Equity to assets (h)	12.38%	10.32%	10.30%	11.10%	11.69%	13.63%	11.53%
Net interest spread (h)(i)	1.68%	1.06%	1.18%	0.69%	0.81%	0.31%	(j)
Net interest spread excluding original issue discount (h)(i)	1.91%	1.42%	1.49%	1.57%	2.16%	1.84%	(j)
Net yield on interest-earning assets (h)(k)	1.97%	1.29%	1.40%	0.92%	1.02%	0.94%	(j)
Net yield on interest-earning assets excluding original issue discount (h)(k)	2.15%	1.58%	1.66%	1.68%	2.18%	2.10%	(j)

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	At and for nine months ended September 30, 2013	2012	At and for the year ended December 31, 2012	2011	2010	2009	2008
			($ in millions) (in millions, except per share data)				
Regulatory capital ratios							
Tier 1 capital (to risk-weighted assets) (l)	**15.37%**	13.58%	**13.13%**	13.65%	14.93%	14.12%	(j)
Total risk-based capital (to risk-weighted assets) (m)	**16.40%**	14.57%	**14.07%**	14.69%	16.30%	15.52%	(j)
Tier 1 leverage (to adjusted quarterly average assets) (n)	**13.16%**	11.24%	**11.16%**	11.45%	12.99%	12.68%	(j)
Total equity	**$ 19,061**	$ 18,674	**$ 19,898**	$ 19,280	$ 20,398	$ 20,794	(j)
Goodwill and certain other intangibles	**(188)**	(497)	**(494)**	(493)	(532)	(534)	(j)
Unrealized gains and other adjustments	**(1,846)**	(308)	**(1,715)**	(262)	(309)	(447)	(j)
Trust preferred securities	**2,544**	2,543	**2,543**	2,542	2,541	2,540	(j)
Tier 1 capital (l)	**19,571**	20,412	**20,232**	21,067	22,098	22,353	(j)
Preferred stock	**(6,940)**	(6,940)	**(6,940)**	(6,940)	(6,972)	(12,180)	(j)
Trust preferred securities	**(2,544)**	(2,543)	**(2,543)**	(2,542)	(2,541)	(2,540)	(j)
Tier 1 common capital (non-GAAP) (o)	**$ 10,087**	$ 10,929	**$ 10,749**	$ 11,585	$ 12,585	$ 7,633	(j)
Risk-weighted assets (p)	**$ 127,348**	$ 150,302	**$ 154,038**	$ 154,319	$ 147,979	$ 158,326	(j)
Tier 1 common (to risk-weighted assets) (o)	**7.92%**	7.27%	**6.98%**	7.51%	8.50%	4.82%	(j)

(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. Total other revenue for the 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 MSR portfolio.

(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. Refer to Note 25 to the Consolidated Financial Statements for additional information regarding our change in tax status.

(c) 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 nine months ended September 30, 2013 and 2012, and the years ended December 31, 2011, 2010 and 2009, respectively, 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.

(d) 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.

(e) The pro forma financial information gives retroactive effect to the -for-one stock split on shares of our common stock effected on , 2013.

(f) Core pretax income (loss) is not a financial measure defined by generally accepted accounting principles 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.

(g) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange that was reported as a loss on extinguishment of debt in Consolidated Statement of Income, respectively.

(h) The 2013, 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.

(i) 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.

(j) Not applicable at December 31, 2008, as we did not become a bank holding company until December 24, 2008.

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

(l) 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 and purchase contracts less goodwill and other adjustments.

(m) 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.

(n) 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.

(o) 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.

(p) 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

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

Our Business

Dealer Financial Services

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to approximately 16,000 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 for incentivized retail loans. Our agreement with GM expires on December 31, 2013. Ally currently competes in the marketplace for all other parts of the business with GM dealers including wholesale financing, standard rate consumer financing, and leasing. In addition, through April 30, 2013, Ally acted as preferred financing provider to Chrysler Group LLC (Chrysler) (including Fiat) for incentivized retail loans. 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.

On June 9, 2013, Maserati provided us with notification of nonrenewal related to its agreement with us and as a result, the agreement will expire on June 8, 2014.

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.

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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.

Mortgage

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 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.

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. On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries entered into a Plan Support Agreement with the Debtors, the official committee of unsecured creditors appointed in the Debtors Chapter 11 cases, and certain other creditors. See Prospectus Summary Recent Developments.

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.

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, 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.

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.

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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 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 September 30, 2013, Ally Bank had $51.5 billion of deposits, including $41.7 billion of retail deposits. The growth of our retail base from $7.2 billion at the end of 2008 to $41.7 billion at September 30, 2013, 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 September 30, 2013, deposit liabilities totaled $52.0 billion, which constituted 44% of our total funding. This compares to just 14% at December 31, 2008.

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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 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).

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.

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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, also referred to herein as Series F-2 preferred stock) 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.

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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.

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.

	Investment type	Date	Cash investment	Warrants	Total
				($ in millions)	
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 Book Value	December 31, 2012 Face Value
	($ in millions)	
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.

On November 20, 2013, we repurchased the New MCP for an aggregate purchase price of $5.2 billion plus accrued and unpaid dividends and paid Treasury $725 million in consideration for Treasury s release of any rights it has under the Share Adjustment Rights. See Prospectus Summary Recent Developments Repurchase of Series F-2 Preferred Stock and Issuance of $1.3 Billion of Common Stock.

On December 23, 2013, the Federal Reserve granted Ally s application for financial holding company status. As a financial holding company, Ally is 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. See Prospectus Summary Recent Developments Regulatory Matters.

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 Prospectus Summary Recent Developments and Note 2 to the Condensed Consolidated Financial Statements for more details. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

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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 sections of this Management s Discussion and Analysis of Financial Condition and Results of Operations that follow.

	Nine months ended September 30,		
($ in millions)	**2013**	**2012**	**Favorable/ (unfavorable) % change**
Total net revenue (loss)			
Dealer Financial Services			
Automotive Finance operations	**$ 2,557**	$ 2,315	**10**
Insurance operations	**969**	913	**6**
Mortgage operations	**56**	1,014	**(94)**
Corporate and Other	**(418)**	(868)	**52**
Total	**$ 3,164**	$ 3,374	**(6)**
Income (loss) from continuing operations before income tax expense (benefit)			
Dealer Financial Services			
Automotive Finance operations	**$ 1,064**	$ 1,018	**5**
Insurance operations	**189**	133	**42**
Mortgage operations	**(251)**	496	**(151)**
Corporate and Other	**(720)**	(1,180)	**39**
Total	**$ 282**	$ 467	**(40)**

n/m = not meaningful

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($ in millions)	2012	2011	2010	Favorable/ (unfavorable) 2012-2011 % change	Favorable/ (unfavorable) 2011-2010 % change
	Year ended December 31				
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

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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 this prospectus for a more complete discussion of operating results by line of business.

	Nine months ended September 30,		
($ in millions)	**2013**	**2012**	**Favorable/ (unfavorable) % change**
Net financing revenue			
Total financing revenue and other interest income	**$ 6,003**	$ 5,391	**11**
Interest expense	**2,549**	3,105	**18**
Depreciation expense on operating lease assets	**1,449**	1,006	**(44)**
Net financing revenue	**2,005**	1,280	**57**
Other revenue			
Net servicing income (loss)	**(99)**	400	**n/m**
Insurance premiums and service revenue earned	**768**	793	**(3)**
Gain on mortgage and automotive loans, net	**52**	248	**(79)**
Loss on extinguishment of debt	**(42)**		**(100)**
Other gain (loss) on investments, net	**156**	130	**20**
Other income, net of losses	**324**	523	**(38)**
Total other revenue	**1,159**	2,094	**(45)**
Total net revenue	**3,164**	3,374	**(6)**
Provision for loan losses	**361**	236	**(53)**
Noninterest expense			
Compensation and benefits expense	**782**	830	**6**
Insurance losses and loss adjustment expenses	**346**	337	**(3)**
Other operating expenses	**1,393**	1,504	**7**
Total noninterest expense	**2,521**	2,671	**6**
Income from continuing operations before income tax expense (benefit)	**282**	467	**(40)**
Income tax expense (benefit) from continuing operations	**(55)**	31	**n/m**
Net income from continuing operations	**$ 337**	$ 436	**(23)**

n/m = not meaningful

First Nine Months of 2013 Compared to First Nine Months of 2012

We earned net income from continuing operations of $337 million for the nine months ended September 30, 2013, compared to $436 million for the nine months ended September 30, 2012. Net income from continuing operations for the 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 decrease was 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 $612 million for the nine months ended September 30, 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 strong GM lease originations. Additionally, we continued to prudently expand our nonprime origination volume across a broad credit spectrum, effecting margin expansion.

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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 18% for the nine months ended September 30, 2013, compared to the same period 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 $100 million for the nine months ended September 30, 2013, compared to the same period in 2012, due to bond maturities and normal monthly amortization.

Depreciation expense on operating lease assets increased 44% for the nine months ended September 30, 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 $99 million for the nine months ended September 30, 2013, compared to net servicing income of $400 million for the same period in 2012. The decrease was primarily due to the completed sales of our agency MSRs portfolio to Ocwen and Quicken in the second quarter of 2013.

Gain on mortgage and automotive loans decreased $196 million for the nine months ended September 30, 2013, compared to the same period in 2012. The decrease was 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 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 nine months ended September 30, 2013, compared to the same period in 2012 due to the accelerated recognition of issuance expenses related to calls of redeemable debt.

Other gain on investments, net, was $156 million for the nine months ended September 30, 2013, respectively, compared to gains of $130 million for the same period in 2012. The increase was 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 38% for the nine months ended September 30, 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, partially offset by a fair value adjustment on derivatives related to the wind-down of our MSR portfolio.

The provision for loan losses was $361 million for the nine months ended September 30, 2013, compared to $236 million for the same period in 2012. The increase for the nine months ended September 30, 2013 was 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 6% for the nine months ended September 30, 2013, compared to the same period in 2012. The decrease was 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.

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We recognized consolidated income tax benefit from continuing operations of $55 million for the nine months ended September 30, 2013, compared to income tax expense of $31 million for the same period 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.

	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,

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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.

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.

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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.

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.

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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.

Dealer Financial Services

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

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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.

	Nine months ended September 30,		
($ in millions)	**2013**	**2012**	**Favorable/ (unfavorable) % change**
Net financing revenue			
Consumer	**$ 2,242**	$ 2,088	**7**
Commercial	**795**	858	**(7)**
Loans held-for-sale		15	**(100)**
Operating leases	**2,354**	1,699	**39**
Other interest income	**18**	42	**(57)**
Total financing revenue and other interest income	**5,409**	4,702	**15**
Interest expense	**1,610**	1,645	**2**
Depreciation expense on operating lease assets	**1,449**	1,006	**(44)**
Net financing revenue	**2,350**	2,051	**15**
Other revenue			
Servicing fees	**48**	86	**(44)**
Gain on automotive loans, net		41	**(100)**
Other income	**159**	137	**16**
Total other revenue	**207**	264	**(22)**
Total net revenue	**2,557**	2,315	**10**
Provision for loan losses	**350**	194	**(80)**
Noninterest expense			
Compensation and benefits expense	**327**	304	**(8)**
Other operating expenses	**816**	799	**(2)**
Total noninterest expense	**1,143**	1,103	**(4)**
Income from continuing operations before income tax expense (benefit)	**$ 1,064**	$ 1,018	**5**
Total assets	**$ 108,609**	$ 123,252	**(12)**

First Nine Months of 2013 Compared to First Nine Months of 2012

Our Automotive Finance operations earned income from continuing operations before income tax expense of $1.1 billion for the nine months ended September 30, 2013, compared to $1.0 billion for the nine months ended September 30, 2012. Results for the 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 $154 million for the nine months ended September 30, 2013, compared to the same period 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

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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.

Commercial financing revenue decreased 7% for the nine months ended September 30, 2013, compared to the same period 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 39% for the nine months ended September 30, 2013, compared to the same period 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 44% for the nine months ended September 30, 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.

Servicing fee income decreased 44% for the nine months ended September 30, 2013, compared to the same period in 2012, due to lower levels of off-balance sheet retail serviced assets.

Gains from the sale of automotive loans were $0 for the nine months ended September 30, 2013, compared to $41 million for the same period 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 $22 million for the nine months ended September 30, 2013, compared to the same period in 2012. The increase 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 $350 million for the nine months ended September 30, 2013, compared to $194 million for the same period in 2012. The increase was 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.

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($ in millions)	Year ended December 31, 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

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dealer floorplan lending and dealer loan portfolio, partially offset by lower yields as a result of competitive markets for automotive commercial financing.

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 offering 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.

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

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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.

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.

	Consumer automotive financing volume		**% Share of consumer sales**	
Nine months ended September 30, ***(units in thousands)***	**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 nine months ended September 30, 2013, compared to the same period 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 decrease was partially offset by an increase in used volume and GM new vehicle originations resulting from stronger lease volume.

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Year ended December 31, *(units in thousands)*	Consumer automotive financing volume 2012	2011	2010	% Share of consumer sales 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.

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Historically, we were also party to an agreement to make available automotive financing products and services to Chrysler dealers and customers. We provided dealer financing and services and retail financing to qualified Chrysler dealers and customers as we deemed appropriate according to our credit policies and in our sole discretion, and Chrysler was 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 expired on April 30, 2013.

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

	Consumer automotive financing originations		**% Share of originations**	
Nine months ended September 30, (*$ in millions*)	**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 nine months ended September 30, 2013, total GM new vehicle originations increased, compared to the same period 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.

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Year ended December 31, ($ in billions)	Consumer automotive financing originations 2012	2011	2010	% Share of consumer sales 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 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.

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Internet auctions Once the lessee and dealer decline their option 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.

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

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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.

Nine months ended September 30, (*$ in millions*)	Average balance 2013	Average balance 2012	% Share of dealer inventory 2013	% Share of dealer inventory 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 increased during the nine months ended September 30, 2013, compared to the same period in 2012. Wholesale penetration with GM and Chrysler decreased during the nine months ended September 30, 2013, compared to the same period in 2012, as a result of increased competition in the wholesale marketplace. The decrease in wholesale penetration 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.

Year ended December 31, (*$ in millions*)	Average balance 2012	Average balance 2011	Average balance 2010	% Share of dealer inventory 2012	% Share of dealer inventory 2011	% Share of dealer inventory 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

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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.

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.

	Nine months ended September 30,		
($ in millions)	**2013**	**2012**	**Favorable/ (unfavorable) % change**
Insurance premiums and other income			
Insurance premiums and service revenue earned	**$ 768**	$ 793	**(3)**
Investment income	**190**	90	**111**
Other income	**11**	30	**(63)**
Total insurance premiums and other income	**969**	913	**6**
Expense			
Insurance losses and loss adjustment expenses	**346**	337	**(3)**
Acquisition and underwriting expense			
Compensation and benefits expense	**46**	45	**(2)**
Insurance commissions expense	**278**	286	**3**
Other expenses	**110**	112	**2**
Total acquisition and underwriting expense	**434**	443	**2**
Total expense	**780**	780	
Income from continuing operations before income tax expense (benefit)	**$ 189**	$ 133	**42**
Total assets	**$ 7,323**	$ 8,461	**(13)**
Insurance premiums and service revenue written	**$ 773**	$ 822	**(6)**
Combined ratio (a)	**100.8%**	96.4%	

(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.

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First Nine Months of 2013 Compared to First Nine Months of 2012

Our Insurance operations earned income from continuing operations before income tax expense of $189 million for the nine months ended September 30, 2013, compared to $133 million for the nine months ended September 30, 2012. The increase was 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 $768 million for the nine months ended September 30, 2013, compared to $793 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 increased $100 million for the nine months ended September 30, 2013, compared to the same period in 2012. The increase was primarily due to higher realized investment gains and lower recognition of other-than-temporary impairment.

Insurance losses and loss adjustment expenses totaled $346 million for the nine months ended September 30, 2013, compared to $337 million for the same period in 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.

	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.

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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 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 adjusted 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.

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.

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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.

($ in millions)	Nine months ended September 30, 2013	2012
Vehicle service contracts		
New retail	**$ 328**	$ 309
Used retail	**395**	394
Reinsurance	**(106)**	(89)
Total vehicle service contracts	**617**	614
Wholesale	**115**	93
Other finance and insurance (a)	**41**	115
Total	**$ 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 $55 million for the nine months ended September 30, 2012.

Insurance premiums and service revenue written was $773 million for the nine months ended September 30, 2013, compared to $822 million for the same period 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 premiums 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.

($ in millions)	Year ended December 31, 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.

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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.

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**	**December 31, 2011**
Cash			
Noninterest-bearing cash	**$ 238**	$ 129	$ 211
Interest-bearing cash	**420**	488	629
Total cash	**658**	617	840
Available-for-sale securities			
Debt securities			
U.S. Treasury and federal agencies	**1,153**	1,090	496
U.S. States and political subdivisions	**179**		
Foreign government	**300**	303	678
Mortgage-backed	**1,145**	714	590
Asset-backed	**27**	8	95
Corporate debt	**1,058**	1,264	1,491
Other debt			23
Total debt securities	**3,862**	3,379	3,373
Equity securities	**913**	1,148	1,054
Total available-for-sale securities	**4,775**	4,527	4,427
Total cash and securities	**$ 5,433**	$ 5,144	$ 5,267

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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.

Nine months ended September 30, *($ in millions)*	2013	2012	Favorable/ (unfavorable) % change
Net financing revenue			
Total financing revenue and other interest income	**$ 298**	$ 471	**(37)**
Interest expense	**236**	360	**34**
Net financing revenue	**62**	111	**(44)**
Servicing fees	**66**	240	**(73)**
Servicing asset valuation and hedge activities, net	**(213)**	74	**n/m**
Total servicing income, net	**(147)**	314	**(147)**
Gain on mortgage loans, net	**52**	244	**(79)**
Other income, net of losses	**89**	345	**(74)**
Total other (loss) revenue	**(6)**	903	**(101)**
Total net revenue	**56**	1,014	**(94)**
Provision for loan losses	**14**	53	**74**
Noninterest expense			
Compensation and benefits expense	**35**	67	**48**
Representation and warranty expense	**103**	171	**40**
Other operating expenses	**155**	227	**32**
Total noninterest expense	**293**	465	**37**
(Loss) income from continuing operations before income tax expense (benefit)	**$ (251)**	$ 496	**(151)**
Total assets	**$ 8,562**	$ 17,004	**(50)**

n/m = not meaningful

First Nine Months of 2013 Compared to First Nine Months of 2012

Our Mortgage operations incurred a loss from continuing operations before income tax expense of $251 million for the nine months ended September 30, 2013, compared to income from continuing operations before income tax expense of $496 million for the nine months ended September 30, 2012. The decrease was 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 $62 million for the nine months ended September 30, 2013, compared to $111 million for the same period in 2012. The decrease in net financing revenue was 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 decrease was partially offset by lower interest expense as a result of lower funding costs.

We incurred a net servicing loss of $147 million for the nine months ended September 30, 2013, compared to net servicing income of $314 million for the same period in 2012. The decrease was primarily due to the completed sales of our agency MSRs portfolio to Ocwen and Quicken.

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The net gain on mortgage loans decreased $192 million for the nine months ended September 30, 2013, compared to the same period in 2012. The decrease was 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 $89 million for the nine months ended September 30, 2013, compared to $345 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, partially offset by a fair value adjustment on derivatives related to the wind-down of our MSR portfolio.

The provision for loan losses decreased $39 million for the nine months ended September 30, 2013, compared to the same period 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 $172 million for the nine months ended September 30, 2013, compared to the same period in 2012. The decrease was 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.

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

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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.

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.

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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

Historically, we had 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 were originated or purchased by the correspondent lenders and subsequently sold to us. All of the purchases from correspondent lenders were conducted through Ally Bank. We qualified and approved any correspondent lenders who participate in the loan purchase programs. On April 17, 2013, we announced a decision to exit the correspondent lending channel and close production of any new jumbo mortgage loans.

Direct-lending network Our direct-lending network consisted of internet and telephone-based call center operations as well as our retail network. Virtually all of the residential mortgage loans of this channel were brokered to Ally Bank.

Mortgage brokerage network Residential mortgage loans originated through mortgage brokers. We reviewed and underwrote the application submitted by the mortgage broker, approved or denied 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, funded the loan through Ally Bank. We qualified and approved all mortgage brokers who generated mortgage loans and monitored their performance.

During 2013, we exited the direct lending channel and reached a decision to exit the correspondent lending channel and cease production of any new jumbo mortgage loans.

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

	2013		2012	
Nine months ended September 30, ***($ in millions)***	**Number of loans**	**Dollar amount of loans**	**Number of loans**	**Dollar amount of loans**
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	**31,248**	**$ 6,804**	100,981	$ 22,630

	2012		2011		2010	
Year ended December 31, ***($ in millions)***	**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

On April 17, 2013, we announced a decision to exit the correspondent lending channel and close production of any new jumbo mortgage loans. 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.

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

Nine months ended September 30, *($ in millions)*	2013 Number of loans	2013 Dollar amount of loans	2012 Number of loans	2012 Dollar amount of loans
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	**31,248**	**$ 6,804**	100,981	$ 22,630

Year ended December 31, *($ in millions)*	2012 Number of loans	2012 Dollar amount of loans	2011 Number of loans	2011 Dollar amount of loans	2010 Number of loans	2010 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

89% of Ally Bank s serviced mortgage assets are subserviced by Ocwen as of September 30, 2013, 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. Refer to Note 27 to the Condensed Consolidated Financial Statements for further information.

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.

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Loans Outstanding

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

($ in millions)	September 30, 2013	December 31, 2012	December 31, 2011
Prime conforming	**$ 109**	**$ 2,407**	$ 3,345
Prime nonconforming			571
Prime second-lien			545
Government (a)	**1**	**8**	3,294
Nonprime			561
International			17
Total (b)	**110**	**2,415**	8,333
Net premiums (discounts)	**(56)**	**26**	(221)
Fair value option election adjustment	**9**	**49**	60
Lower-of-cost or fair value adjustment			(60)
Total, net (c)	**$ 63**	**$ 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.

($ in millions)	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

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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. On April 16, 2013, we completed substantially all of the sales of agency MSRs to Ocwen Financial Corp. and Quicken Loans, Inc.

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

($ in millions)	**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

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 (b)	**$ 130,324**	$ 356,430

(a) As of September 30, 2013, primary servicing consists of our on-balance sheet mortgage portfolios only.

(b) 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.

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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.

	Nine months ended September 30,		
($ in millions)	**2013**	**2012**	**Favorable/ (unfavorable) % change**
Net financing loss			
Total financing revenue and other interest income	**$ 203**	$ 115	**77**
Interest expense			
Original issue discount amortization	**191**	291	**34**
Other interest expense	**462**	748	**38**
Total interest expense	**653**	1,039	**37**
Net financing loss (a)	**(450)**	(924)	**51**
Other revenue			
Loss on extinguishment of debt	**(42)**		**n/m**
Other gain on investments, net	**3**	67	**(96)**
Other income, net of losses	**71**	(11)	**n/m**
Total other revenue	**32**	56	**(43)**
Total net loss	**(418)**	(868)	**52**
Provision for loan losses	**(3)**	(11)	**(73)**
Noninterest expense			
Compensation and benefits expense	**374**	414	**10**
Other operating expense (b)	**(69)**	(91)	**(24)**
Total noninterest expense	**305**	323	**6**
Loss from continuing operations before income tax expense (benefit)	**$ (720)**	$ (1,180)	**39**
Total assets	**$ 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 $552 million for the nine months ended September 30, 2013, and $604 million for the nine months ended September 30, 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.

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

($ in millions)	**Nine months ended September 30, 2013**	**2012**
Original issue discount amortization		
2008 bond exchange amortization	**$ (176)**	$ (267)
Other debt issuance discount amortization	**(15)**	(24)
Total original issue discount amortization (a)	**(191)**	(291)
Net impact of the funds transfer pricing methodology		
Unallocated liquidity costs (b)	**(291)**	(326)
Funds-transfer pricing / cost of funds mismatch (c)	**154**	(85)
Unassigned equity costs (d)	**(162)**	(268)
Total net impact of the funds transfer pricing methodology	**(299)**	(679)
Other (including Commercial Finance Group net financing revenue)	**40**	46
Total net financing losses for Corporate and Other	**$ (450)**	$ (924)
Outstanding original issue discount balance	**$ 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.

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First Nine Months of 2013 Compared to First Nine Months of 2012

Loss from continuing operations before income tax expense for Corporate and Other was $720 million for the nine months ended September 30, 2013, compared to $1,180 million for the nine months ended September 30, 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 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 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 $40 million for the nine months ended September 30, 2013, compared to $36 million for the nine months ended September 30, 2012.

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.

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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 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 $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.

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Cash and Securities

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

($ in millions)	**September 30, 2013**	**December 31, 2012**	**2011**
Cash			
Noninterest-bearing cash	**$ 825**	$ 944	$ 1,768
Interest-bearing cash	**5,056**	5,942	9,781
Total cash	**5,881**	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	**868**	1,124	1,051
U.S states and political subdivisions			1
Foreign government			106
Mortgage-backed	**10,082**	6,191	6,722
Asset-backed	**2,238**	2,332	2,520
Other debt (a)			305
Total debt securities	**13,188**	9,647	10,705
Equity securities	**4**	4	4
Total available-for-sale securities	**13,192**	9,651	10,709
Total cash and securities	**$ 19,073**	$ 16,537	$ 22,847

(a) Includes intersegment eliminations.

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.

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.

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Loan and Lease Exposure

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

($ in millions)	September 30, 2013	December 31, 2012	December 31, 2011
Finance receivables and loans			
Dealer Financial Services	**$ 84,899**	$ 86,542	$ 100,734
Mortgage operations	**8,772**	9,821	12,753
Corporate and Other	**1,610**	2,692	1,268
Total finance receivables and loans	**95,281**	99,055	114,755
Held-for-sale loans			
Dealer Financial Services			425
Mortgage operations	**63**	2,490	8,112
Corporate and Other	**19**	86	20
Total held-for-sale loans	**82**	2,576	8,557
Total on-balance sheet loans	**$ 95,363**	$ 101,631	$ 123,312
Off-balance sheet securitized loans			
Dealer Financial Services	**$ 1,031**	$ 1,495	$
Mortgage operations		119,384	326,975
Corporate and Other			
Total off-balance sheet securitized loans	**$ 1,031**	$ 120,879	$ 326,975
Operating lease assets			
Dealer Financial Services	**$ 17,254**	$ 13,550	$ 9,275
Mortgage operations			
Corporate and Other			
Total operating lease assets	**$ 17,254**	$ 13,550	$ 9,275
Serviced loans and leases			
Dealer Financial Services	**$ 116,436**	$ 134,122	$ 122,881
Mortgage operations	**7,798**	130,324	356,430
Corporate and Other	**1,541**	1,344	1,762
Total serviced loans and leases	**$ 125,775**	$ 265,790	$ 481,073

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.

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.

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.

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Credit Risk Management

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

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

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

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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.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**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.

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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 for additional information.

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.

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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 accepted 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.

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.

Nine months ended September 30, *($ in millions)*	Net charge-offs (recoveries) 2013	2012	Net charge-off ratios (a) 2013	2012
Consumer				
Finance receivables and loans at historical cost	**$ 346**	$ 351	**0.7%**	0.6%
Commercial				
Finance receivables and loans at historical cost	**(3)**	(31)		(0.1)
Total finance receivables and loans at historical cost	**$ 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 $343 million for the nine months ended September 30, 2013, compared to $320 million for the nine months ended September 30, 2012. 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.

Year ended December 31, *($ in millions)*	Net charge-offs (recoveries) 2012	2011	Net charge-off ratios (a) 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.

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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 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 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.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**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 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.

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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.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
December 31, ***($ in millions)***	**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.

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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.

	Nine months ended September 30,			
	Net charge-offs		Net charge-off ratios (a)	
($ in millionsa)	**2013**	**2012**	**2013**	**2012**
Consumer automobile (b)	**$ 288**	$ 240	**0.7%**	0.5%
Consumer mortgage				
1st Mortgage	**34**	65	**0.7**	1.2
Home equity	**24**	46	**1.3**	2.1
Total consumer finance receivables and loans	**$ 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 nine months ended September 30, 2013, and $73 million for the nine months ended September 30, 2012.

Our net charge-offs from total consumer automobile finance receivables and loans were $288 million for the nine months ended September 30, 2013, compared to $240 million for the nine months ended September 30, 2012. 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 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 $58 million for the nine months ended September 30, 2013, compared to $111 million for the same period in 2012. The decrease was driven by continued runoff of legacy mortgage assets and improvements in home prices.

	Net charge-offs		Net charge-off ratios (a)	
Year ended December 31, ***($ in millions)***	**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

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$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.

	Nine months ended September 30,	
($ in millions)	**2013**	**2012**
Consumer automobile (a)	**$ 20,832**	$ 31,281
Consumer mortgage		
1st Mortgage	**6,804**	22,700
Home equity		
Total consumer loan originations	**$ 27,636**	$ 53,981

(a) Includes no international consumer automobile originations for the nine months ended September 30, 2013, and $7.7 billion for the nine months ended September 30, 2012.

Total automobile-originated loans decreased $10.4 billion for the nine months ended September 30, 2013, compared to the same period in 2012. The decrease was 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 $15.9 billion for the nine months ended September 30, 2013. 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.

Consumer loan originations retained on-balance sheet as held-for-investment were $21.6 billion for the nine months ended September 30, 2013, compared to $32.9 billion for the nine months ended September 30, 2012. The decrease was 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.

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

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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.

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 (a)		December 31, 2011	
	Automobile	**1st Mortgage and home equity**	**Automobile**	**1st Mortgage and home equity**	**Automobile**	**1st Mortgage and home equity**
Texas	**13.1%**	**5.8%**	12.9%	5.8%	9.5%	5.5%
California	**5.7**	**29.5**	5.6	29.2	4.6	25.7
Florida	**6.9**	**3.6**	6.7	3.6	4.8	4.0
Pennsylvania	**5.3**	**1.6**	5.2	1.6	3.6	1.6
Michigan	**4.5**	**4.0**	5.0	4.1	4.0	4.8
Illinois	**4.4**	**4.4**	4.3	4.8	3.1	5.0
New York	**4.4**	**1.9**	4.6	2.0	3.5	2.3
Georgia	**3.9**	**2.1**	3.7	1.9	2.5	1.8
Ohio	**4.0**	**0.7**	4.0	0.8	2.9	1.0
North Carolina	**3.3**	**1.9**	3.3	2.0	2.2	2.1
Other United States	**44.5**	**44.5**	44.7	44.2	32.9	45.9
Foreign					26.4	0.3
Total consumer finance receivables and loans	**100.0%**	**100.0%**	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.

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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.

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.

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.

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

	Outstanding		Nonperforming		Accruing past due 90 days or more	
($ in millions)	**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.

	2012			2011		
December 31, ***($ in millions)***	**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.

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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
Michigan	106	5	111
Other United States	968	107	1,075
Total higher-risk mortgage loans	$ 2,063	$ 192	$ 2,255
December 31, 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.

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During the nine months ended September 30, 2013, the credit performance of the commercial portfolio remained strong as net charge-offs remained stable. 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.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**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.

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December 31, *($ in millions)*	Outstanding 2012	Outstanding 2011	Nonperforming (a) 2012	Nonperforming (a) 2011	Accruing past due 90 days or more (b) 2012	Accruing past due 90 days or more (b) 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.

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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.

	Nine months ended September 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
($ in millions)	**2013**	**2012**	**2013**	**2012**
Commercial and industrial				
Automobile (b)	**$**	$ 3	**%**	%
Mortgage		(1)		
Other (c)	**(3)**	(30)	**(0.2)**	(2.2)
Commercial real estate				
Automobile		(2)		(0.1)
Mortgage (d)		(1)		(11.7)
Total commercial finance receivables and loans	**$ (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 nine months ended September 30, 2013, and $1 million of international net charge-offs for the nine months ended September 30, 2012.

(c) Includes no international net charge-offs for the nine months ended September 30, 2013, and $27 million of international recoveries for the nine months ended September 30, 2012.

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

Our net charge-offs from commercial finance receivables and loans resulted in $3 million of recoveries for the nine months ended September 30, 2013, compared to recoveries of $31 million for the same period in 2012. The change in net charge-offs was largely driven by strong recoveries in certain wind-down portfolios during the nine months ended September 30, 2012 that did not repeat for the same period in 2013.

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Year ended December 31, *($ in millions)*	Net charge-off (recoveries) 2012	2011	Net charge-off ratios (a) 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 $2.8 billion and $2.6 billion at September 30, 2013 and December 31, 2012, respectively.

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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%

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.

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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.

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.

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.

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Allowance for Loan Losses

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

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.

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.

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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.

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.

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(*$ 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 loans 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.

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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.

($ in millions)	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.

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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 Allowance for loan losses	2013 Allowance as a % of loans outstanding	2013 Allowance as a % of allowance for loan losses	2012 Allowance for loan losses	2012 Allowance as a % of loans outstanding	2012 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.

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December 31, ($ in millions)	2012 Allowance for loan losses	2012 Allowance as a % of loans outstanding	2012 Allowance as a % of allowance for loan losses	2011 Allowance for loan losses	2011 Allowance as a % of loans outstanding	2011 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%

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Provision for Loan Losses

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

($ in millions)	Nine months ended September 30, 2013	2012
Consumer		
Consumer automobile	**$ 355**	$ 200
Consumer mortgage		
1st Mortgage	**18**	34
Home equity	**(4)**	20
Total consumer loans	**369**	254
Commercial		
Commercial and industrial		
Automobile	**1**	47
Mortgage		(1)
Other	**(3)**	(11)
Commercial real estate		
Automobile	**(6)**	(53)
Mortgage		
Total commercial loans	**(8)**	(18)
Total provision for loan losses	**$ 361**	$ 236

The provision for consumer loan losses increased $115 million for the nine months ended September 30, 2013, compared to the same period in 2012. The increase was 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.

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Provision for commercial loan losses were credits of $8 million for the nine months ended September 30, 2013, compared to credits of $18 million for the same period 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.

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

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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 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 (*in units*)	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.

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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.

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.

	2012		2011	
December 31, ***($ in millions)***	**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.

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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.

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

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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 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.

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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 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.

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

($ in millions)	**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.

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.

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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.

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.

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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 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.

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.

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Funding Sources

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

($ in millions)	Bank	Parent	Total	%
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.

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Committed Funding Facilities

($ in billions)	Outstanding September 30, 2013	Outstanding December 31, 2012	Unused Capacity (a) September 30, 2013	Unused Capacity (a) December 31, 2012	Total Capacity September 30, 2013	Total Capacity 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.

December 31, *($ in billions)*	Outstanding 2012	Outstanding 2011	Unused capacity (a) 2012	Unused capacity (a) 2011	Total capacity 2012	Total capacity 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

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(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.

Other Funding Facilities

	Outstanding		Unused Capacity		Total Capacity	
($ in billions)	**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.

	Outstanding		Unused capacity		Total capacity	
December 31, *($ in billions)*	**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

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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 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 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 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 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 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.

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.

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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.

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. 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. On November 13, 2013, Ally amended the investment agreements to increase the number of shares of common stock issued to certain investors in the private placement by an aggregate of 50,000 shares for an aggregate purchase price of $300 million. The transactions closed on November 20, 2013. In September 2013, we submitted a revised capital plan, and on November 15, 2013, received non-objection of the revised capital plan from the Federal Reserve.

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	December 13, 2013 (a)
Moody s	Not Prime	B1	Stable	December 19, 2013 (b)
S&P	B	BB	Stable	December 12, 2013 (c)
DBRS	R-4	BB	Stable	July 3, 2013 (d)

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(a) Fitch upgraded our senior debt rating to BB from BB- and affirmed our short term rating of B on December 13, 2013.

(b) Moody s upgraded our corporate family rating to Ba3 and confirmed our senior debt ratings of B1 and our short term ratings of Not Prime on December 19, 2013.

(c) Standard & Poor s upgraded our senior debt rating to BB from B+ and upgraded our short term rating to B from C on December 12, 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.

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 9 to the Condensed 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.

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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.

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 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 $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 $133 million for the nine months ended September 30, 2013, compared to $307 million for the same period 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.

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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.

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 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.

		Payments due by period			
December 31, 2012 ***($ in millions)***	**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

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(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.

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.

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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 22 to the Condensed Consolidated Financial Statements for description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 22 to the Condensed Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

The following table summarizes assets and liabilities measured at fair value and the amounts measured using Level 3 inputs. The table includes recurring and nonrecurring measurements.

($ in millions)	**September 30, 2013**	**Year ended December 31, 2012**	**2011**
Assets at fair value	$ 18,711	$ 20,408	$ 30,172
As a percentage of total assets	12%	11%	16%
Liabilities at fair value	$ 228	$ 2,468	$ 6,299
As a percentage of total liabilities	n/m	2%	4%
Assets at fair value using Level 3 inputs	$ 364	$ 1,288	$ 4,666
As a percentage of assets at fair value	2%	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

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.

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

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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, 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

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assuming values for key variables in the modeling and discounting process. All of our mortgage servicing rights are carried at estimated fair value.

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.

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).

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.

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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.

During 2013, 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 is described above. 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 is described above.

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements for further information related to recently adopted and recently issued accounting standards.

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 prospectus.

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Net Interest Margin Tables

The following tables present an analysis of net interest margin excluding discontinued operations for the periods shown.

Nine months ended September 30, *($ in millions)*	2013 Average balance (b)	2013 Interest income/ interest expense	2013 Yield/ rate	2012 Average balance (b)	2012 Interest income/ interest expense	2012 Yield/ rate	Increase (decrease) due to (a) Volume	Increase (decrease) due to (a) Yield/rate	Increase (decrease) due to (a) 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.

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(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.

(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.

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Year ended December 31, ($ in millions)	2012 Average balance (a)	Interest income/ interest expense	Yield/ rate	2011 Average balance (a)	Interest income/ interest expense	Yield/ rate	2010 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.

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(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.

The following table presents an analysis of the changes in net interest income, volume and rate.

	2012 vs 2011			**2011 vs 2010**		
	Increase (decrease) due to (a)			**Increase (decrease) due to (a)**		
Year ended December 31, *($ in millions)*	**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.

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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.

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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.

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(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.

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

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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**	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.

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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 Amount	2012 % of total	2011 Amount	2011 % of total	2010 Amount	2010 % of total	2009 Amount	2009 % of total	2008 Amount	2008 % 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	1,207	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 allowances for loan losses	$ 1,170	100.0	$ 1,503	100.0	$ 1,873	100.0	$ 2,445	100.0	$ 3,433	100.0

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Deposit Liabilities

The following table presents the average balances and interest rates paid for types of domestic and foreign deposits.

	2012		2011		2010	
Year ended December 31, ***($ in millions)***	**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

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Business

General

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.

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 approximately 16,000 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

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. The Bankruptcy Court entered an order confirming the Plan on December 11, 2013, and the Plan became effective on December 17, 2013. 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 Note 1 to the Condensed Consolidated Financial Statements.

Sale of International Business

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 automobile finance operations, Ally Credit Canada Limited, and ResMor Trust (Ally Canada) to Royal Bank of Canada. Ally received $4.1 billion 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. On May 2, 2013, we completed the sale of ABA Seguros, to the ACE Group. Ally received approximately $865 million in proceeds, which was comprised of a $690 million cash payment at closing and a $175 million dividend that was paid in the fourth quarter of 2012.

On November 21, 2012, we announced that we had reached an agreement to sell our operations in Europe and Latin America, as well as our share in a joint venture in China, to General Motors Financial Corp, Inc. (GM Financial). 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. We received $2.6 billion for these European businesses, 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. On June 3, 2013, we completed the sale of our remaining European operations, which included primarily our operations in France. We received approximately $155 million at closing. On October 1, 2013, we completed the sale of our remaining Latin American operations, which included our operations in Brazil. We received approximately $611 million at closing. We expect to complete the sale of the joint venture in China during the next twelve months.

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. Following the completion of the sale of our international operations, we intend to focus all of our resources on our operations in the United States.

Dealer Financial Services

Dealer Financial Services includes our Automotive Finance operations and Insurance operations. Our primary customers are automotive dealers, which are primarily independently owned businesses. As a 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 approximately 16,000 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,

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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 1,700 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.

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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.

Historically, we were also party to an agreement to make available automotive financing products and services to Chrysler dealers and customers. We provided dealer financing and services and retail financing to qualified Chrysler dealers and customers as we deemed appropriate according to our credit policies and in our sole discretion, and Chrysler was 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 expired on April 30, 2013.

The agreement with GM described above does not, and our agreement with Chrysler described above did 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.

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On June 9, 2013, Maserati provided us with notification of nonrenewal related to its agreement with us and as a result, the agreement will expire on June 8, 2014.

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. On April 17, 2013, we announced a decision to exit the correspondent lending channel and close production of any new jumbo mortgage loans. 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. On April 16, 2013, we completed substantially all of the sales of agency MSRs to Ocwen Financial Corp. and Quicken Loans, Inc. 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.

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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 34% 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.

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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.

Our Strengths

Automotive financial services category leader with full product suite.

We are one of the largest providers of automotive financing products, including wholesale loans and retail loans and leases, in the United States and are an integral part of the automotive industry. We believe that our over 90-year history has provided us extensive knowledge of the automotive industry and the financial services needs of its dealers, automotive manufacturers, and retail consumers.

The combination of our full suite of finance and insurance products, premium service standards, market driven programs, dealer training and support, and infrastructure and scale, distinguish us as a preferred and trusted business partner to our dealer customers and puts us in a position to compete effectively with other financial institutions and new entrants to the market.

Market-driven and dealer-centric business model.

Implementation of our market-driven programs, such as Ally Dealer Rewards and SmartAuction, since 2008 have enabled us to grow our Dealer Financial Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. This business model has allowed us to offer more products, expand our dealer base, and strengthen our existing network of dealer relationships. These strong relationships have allowed us to diversify our asset base and decrease our subvented retail loan origination volumes to 13.7% of our U.S. originations during the first nine months of 2013, compared to 58.0% in 2009. In addition, as of September 30, 2013, over 5,400 of our automotive dealer customers utilized four or more of our products and during the first nine months of 2013, 68% of our U.S. dealer customers received benefits under the Ally Dealer Rewards program.

Our 2,400 automotive finance and insurance employees are dedicated to directly supporting the needs of our dealer customers in the United States. This infrastructure allows us to accommodate our growing volume of business and support our existing customers. Our national sales force meets the needs of our dealer customers,

expands our market penetration in the dealer network, and supports our existing and new OEM partners. Our sales force consists of direct dealer account relationship professionals, supplemental product support coverage professionals, and primary manufacturer relationship account professionals.

Infrastructure scale and breadth.

We believe the scale and breadth of our platform provide us with a significant competitive advantage. We have invested significantly in our technology infrastructure and other initiatives to support our automotive platform to further enhance our dealer and retail customer relationships and increase business volumes. This focus has resulted in increased credit application flow and originations from dealers representing various manufacturers. We are able to access applications with respect to almost all brands sold by U.S. automotive dealerships. In the first nine months of 2013, we had access to nearly 6 million applications compared to almost 7 million applications in 2012 and 2 million applications in 2009. We believe that our scale, breadth of platform and strong market presence across all 50 states differentiate us from others in the auto finance industry. The combination of our extensive infrastructure, our relationships with finance and insurance departments of dealers,

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and our participation in the major credit application on-line networks, provides us with a strong platform to efficiently grow our consumer business volumes across a broad mix of automotive dealers.

Attractive market opportunities.

We are well-positioned to benefit from continued growth in the automotive finance market as both the U.S. economy and the U.S. Seasonally Adjusted Annualized Rate (SAAR) of vehicle sales continue to rebound from their 2008-2009 recessionary levels. While consumer and business automotive spending has recovered from recent lows, it still remains well below historical average levels. According to U.S. Department of Transportation, the average age of vehicles in the United States has continued to rise and was at an all-time high of 10.8 years in 2011. The chart below shows historical consumer, business and government spending on automobiles as a percentage of U.S. GDP.

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

The chart below shows historical and projected U.S. SAAR (in millions):

Source: Bureau of Economic Analysis as to 2006-2012 data and Blue Chip Economic Indicators, Vol. 38, No. 10, as to projected 2013-2014 data.

The used vehicle financing market is significant and highly fragmented. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. According to Experian Automotive, over 11.1 million used vehicles were sold by franchised dealers in 2012. The fragmented used vehicle financing segment provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.

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Leading scalable consumer-focused direct banking franchise.

Our consumer-focused strategy and scalable bank platform position Ally Bank well in the growing direct banking market. We provide a full array of retail banking products to the growing number of customers who choose Ally Bank. Ally Bank provides much of the same functionality as a traditional bank, while seeking to provide superior accessibility, lower fees and better customer service. We also benefit from avoiding the overhead expense of a traditional brick and mortar branch network. We continue to focus on Ally Bank s foundation of innovative, competitive products, and best-in-class service. Our platform is highly scalable. We have consistently benefited from increased operating efficiencies, which have more than supported our continued investment in technology and other competitive differentiators. The Ally Bank brand has attained strong recognition and positions us for further growth. In addition, Ally Bank provides us with a diversified source of stable, low-cost funding.

Strong and streamlined balance sheet and sophisticated risk management.

We believe one of our core strengths is the high quality, short duration, and streamlined nature of our asset base. Our assets are predominately consumer automotive loans and leases and commercial loans to automotive dealers. We have a long history of originating these assets and they have typically performed predictably based on the credit attributes of the loans and leases. These attributes include FICO scores, loan-to-value ratios, and payment-to-income ratios. Since 2008, we have made efforts to significantly streamline our balance sheet to focus on U.S. automotive related assets in order to provide a more predictable earnings stream. These streamlining efforts include selling our automotive finance businesses in Europe, Canada and Latin America and several international insurance businesses, as well as exiting the mortgage origination and servicing business.

We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During the first nine months of 2013 and fiscal year 2012, we originated $20.8 billion and $30.4 billion of retail automotive loans, respectively. During the first nine months of 2013 and fiscal year 2012, the loss rate on our U.S. consumer automotive portfolio was 0.69% and 0.53%, respectively.

We believe our many years of experience in the automotive industry, and our rigorous underwriting standards result in the high quality of the leases on our balance sheet. We manage risk using our robust combination of credit metrics, including, among others, FICO scores and proprietary vehicle residual value models. Estimating future vehicle residual values is one of the most important steps of writing a new lease. We have extensive experience in underwriting new leases. This experience and the large volume of off-lease and other used vehicles sold through the SmartAuction system help us set appropriate residual value rates at the time a lease is written. During the first nine months of 2013 and fiscal year 2012, we originated a total of 263,000 and 273,200 U.S. automotive leases totaling approximately $8.3 billion and $8.4 billion, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. At September 30, 2013, we maintained a portfolio of $28.5 billion of commercial automotive loans. During the first nine months of 2013 and fiscal year 2012, the loss rate on our U.S. commercial automotive loan portfolio was 0.006% and 0.003%, respectively.

Our balance sheet is well capitalized. At September 30, 2013, we had a Tier 1 capital ratio of 15.4%, and a Tier 1 common ratio of 7.9%. We currently estimate based on Final Basel III rules published in July 2013, that the impact of enhanced Basel III capital requirements on our Tier 1 capital ratio would be less than 40 basis points. We believe this capitalization compares favorably to our peers and positions us for future growth.

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Access to liquidity.

We have demonstrated strong access to diversified funding and liquidity sources, which are critical to our business. As of September 30, 2013, we had $31.8 billion of current liquidity in the form of cash, highly liquid unencumbered securities, and committed credit facilities.

Ally Bank provides us stable, low-cost deposit funding utilizing an efficient direct-to-consumer delivery model. Deposits accounted for approximately 44% of our funding at the end of the nine months of 2013, compared to 14% at the end of 2008. We expect the percentage of deposit funding to continue to grow, which will further reduce our cost of funds. We have a diversified source of funding, including unsecured debt markets, unsecured retail term notes, public and private securitizations, committed and uncommitted credit facilities, FHLB advances, CDs, and retail deposits.

Experienced management team.

Our senior management team is comprised of financial professionals with deep operating experience in automotive and consumer finance and banking, and extensive experience managing some of the largest and most successful financial institutions in the world. Our senior management team has successfully led us to consistent profitability in our core Automotive Finance operations and the development of our strong liquidity and capital position following the financial crisis. Furthermore, our senior management team has led our strategic transformation into a U.S.-focused, market-driven and dealer-centric business model, divesting our International businesses and substantially exiting the mortgage origination and servicing business.

Our Business Strategy

Improve our shareholder return profile and ROE.

Our goal is to increase our run-rate Core ROTCE to by . We plan to achieve our goal through (a) net interest margin expansion driven by lower funding costs, (b) lower non-interest expense to correspond with our streamlined business model, (c) Ally Bank regulatory normalization and (d) capital normalization at both Ally Financial and Ally Bank. We expect to continue to decrease our overall funding costs through proactive liability management, growing our retail deposit base, increasing the number of loans and leases we originate at Ally Bank and efficiently accessing secured and unsecured wholesale markets as certain higher-cost legacy funding matures. We expect to lower our non-interest expense base by rationalizing our operational footprint to reflect our transformation from a multinational and multi-business line franchise to a domestic auto finance business. Our scalable business platform provides us with operating leverage which will also assist returns as we seek to expand our Automotive Finance operations. We will continue to seek to prudently grow our balance sheet by originating high quality automotive assets across a diversified business mix, which we believe will allow us to generate stable, attractive risk-adjusted returns in a variety of interest rate and credit environments. For additional detail see Core ROTCE Improvement .

Expand our dealer relationships through innovative products and premium services.

We believe that our dealer-centric business model, full range of product offerings, and sales organization position us to further broaden our relationships with existing and new dealers, and to originate attractive retail automotive loans, leases, and other products. Our strategies, including market driven programs such as Ally Dealer Rewards and SmartAuction, have been designed and implemented to drive higher business volumes with our dealers. We are also leveraging our existing dealer relationships, product suite, and extensive operating experience to expand our diversified dealer network and prudently expand our automotive originations across the credit spectrum in accordance with our underwriting standards. Furthermore, we have dedicated resources to the underwriting and financing of used vehicle sales that allow us to expand loan origination volume with our existing dealer base.

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Continue to grow our leading direct bank franchise.

Ally Bank s strategy is to continue to invest in the development of our well regarded brand and strong consumer value proposition in order to expand the relationship with our growing deposit base. For the nine months ended September 30, 2013, most of our U.S. wholesale balances and approximately two-thirds of our U.S. consumer automotive originations were funded within the bank. We plan to continue to increase the amount of assets that are funded by the bank. This growth will allow us to more efficiently utilize the bank s capital and to take advantage of the lower cost and greater stability of Ally Bank s funding sources, including deposits. We expect to continue to prudently expand the products Ally Bank offers in order to improve our customers banking experience, broaden our dealer relationships, and expand our funding alternatives.

Maintain a strong balance sheet through disciplined origination, servicing, and risk management.

We will continue to focus primarily on commercial and consumer automotive loans, leases, and related products. These assets performed well through the credit cycle, including the recent financial crisis.

We believe that we maintain strong levels of capital and liquidity relative to our loan and lease portfolio as well as to other bank holding companies. Our strategy is to expand profitable dealer relationships and grow our earning assets, which we believe will allow us to efficiently utilize our capital and enhance our profitability.

Core ROTCE Improvement

Our goal is to increase our run-rate Core ROTCE to by . We plan to achieve our goal through (a) net interest margin expansion driven by lower funding costs, (b) lower non-interest expense to correspond with our streamlined business model, (c) Ally Bank regulatory normalization and (d) capital normalization at both Ally Financial and Ally Bank. We expect to continue to decrease our overall funding costs through proactive liability management, growing our retail deposit base, increasing the number of loans and leases we originate at Ally Bank and efficiently accessing secured and unsecured wholesale markets as certain higher-cost legacy funding matures. We expect to lower our non-interest expense base by rationalizing our operational footprint to reflect our transformation from a multinational and multi-business line franchise to a domestic auto finance business. Our scalable business platform provides us with operating leverage which will also assist returns as we seek to expand our Automotive Finance operations. We will continue to seek to prudently grow our balance sheet by originating high quality automotive assets across a diversified business mix, which we believe will allow us to generate stable, attractive risk-adjusted returns in a variety of interest rate and credit environments.

NIM Expansion We expect to continue to expand our net interest margin by decreasing our overall funding costs through proactive liability management, growing our retail deposit base, increasing the number of loans and leases we originate at Ally Bank and efficiently accessing secured and unsecured wholesale markets as certain higher-cost legacy funding matures. This is expected to drive our cost of funds down. In 2013, we began a process of redeeming higher cost legacy callable unsecured debt. We have called or issued call notices for approximately $ billion of principal amount of callable unsecured debt which had a weighted average coupon of %. There is an additional $ billion principal amount of callable unsecured debt that we plan to redeem through the first quarter of 2014 which has a weighted average coupon of %. In addition, we have $ billion principal amount of non-callable unsecured debt that matures in 2014 and 2015, with an average rate of %. While we plan to refinance a portion of this debt with unsecured debt with more favorable rates, the majority of the related funding needs will be addressed through deposit growth, other more cost efficient forms of funding and available liquidity.

Lower Non-Interest Expense We expect to lower our non-interest expenses by rationalizing our operational footprint as the Company has been significantly streamlined in 2012 and 2013. We have transitioned from a multi-business line, multinational company to a focused, domestic auto finance company. These expense savings are expected to be achieved by reductions in personnel costs, information technology expenses and professional fees, partially offset by higher origination and servicing expenses. Our operating efficiency and profitability will be further improved by economies of scale as we seek to prudently grow our Automotive Finance operations. As a result, our goal is to achieve an Efficiency Ratio (Adjusted) in the range of % to % by . See below for the definition of Efficiency Ratio (Adjusted).

Collectively, we expect that NIM expansion and non-interest expense savings will increase our run-rate Core ROTCE by approximately to bps by .

Ally Bank Regulatory Normalization Certain requirements currently imposed by our regulators impact Ally Bank s ability to optimally deploy capital and fund the full range of business initiatives of Ally Financial. For example, we fund auto loans at Ally Financial if the borrower has a FICO score between 620 and 660 due to restrictions at Ally Bank. While there is no impact to originations, these requirements result in more loans being funded at Ally Financial, consequently increasing the amount of higher cost unsecured debt we issue. We believe that over time these requirements will normalize relative to other banks and have a favorable impact on our financial performance.

Capital Normalization: Ally s current Tier 1 Common Ratio is % and we expect to generate excess capital due in part to the three areas of improvement mentioned above as well as preferred dividend savings resulting from the repurchase of the Series F-2 preferred stock. By redeploying the excess capital generated and rationalizing our capital base, this would result in incremental improvement to our run-rate Core ROTCE.

Ally Bank regulatory normalization and capital normalization each require regulatory approvals, which are beyond our control. In addition, benefits from these regulatory changes are expected to occur later in time than benefits from NIM expansion and reductions in non-interest expense.

Other Items:

We believe that certain items benefiting our 2013 Core ROTCE will provide a lower benefit in the future, including gains on our investment portfolio and mortgage income. The strength of the debt and equity markets in 2013 resulted in larger investment gains than we expect to realize in the future. Also, certain mortgage income related to our business lending and correspondent lending activities will not be realized in the future as we substantially exited these activities in 2012 and 2013. Additionally, as we continue to prudently expand automotive originations across the credit spectrum, we expect our provision for loan losses to increase, offsetting some of the expected improvement in net interest margin. Collectively, we expect these other items will reduce our run-rate Core ROTCE.

Efficiency Ratio (Adjusted)

Efficiency Ratio (Adjusted) is equal to (A) total non-interest expense less (i) Insurance operating segment related expenses, (ii) mortgage repurchase expense and (iii) expense related to repositioning items divided by (B) total net revenue less (i) Insurance operating segment related revenue, (ii) OID amortization expense and (iii) any revenue related to repositioning items. See below for a discussion of our repositioning items.

Core ROTCE Calculation

We calculate Core ROTCE as Operating Net Income Available to Common divided by Normalized Common Equity.

Operating Net Income Available to Common is calculated as (a) Pre-Tax Income from Continuing Operations minus (b) Income Tax Expense using a normalized 34% rate plus (c) expense associated with original issue bond discount amortization minus (d) preferred dividends associated with our Series A and Series G preferred stock plus (e) impact of any disclosed repositioning items. In 2013, our repositioning items consist of expenses related to MSR transaction, ResCap separation, and sale of International Operations.

Normalized Common Equity is calculated as the two period average of (a) shareholder equity minus (b) the book value of preferred stock outstanding minus (c) goodwill and other intangibles minus (d) remaining original issue bond discount minus (e) remaining net deferred tax asset.

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The following table shows the calculation of Core ROTCE for 2013:

	Year ended December 31, 2013 ($ in millions)
Pre Tax Income from Continuing Operations	$
Add Back: Original Issue Discount Expense	
Add Back: Repositioning Items	
Core Pre Tax Income	$
Normalized Income Tax Expense @34%	
Core Net Income	$
Reported Series A Preferred Stock Dividends	
Reported Series G Preferred Stock Dividends	
Operating Net Income Available to Common	$

	As of December 31, 2012 ($ in billions)	As of December 31, 2013 ($ in billions)
GAAP Total Equity	$	$
Less: Series F-2 Preferred Book Value		
Less: Series A Preferred		
Less: Series G Preferred		
Less: Goodwill & Intangibles		
GAAP Tangible Common Equity	$	$
Less: Unamortized Original Issue Discount		
Less: Net Deferred Tax Assets*		
Core Tangible Common Equity	$	$
Less: Diff. in Series F-2 BV & Repurchase of Series F-2 and Share Adjustment Right		
Plus: Primary Common Capital Raise		
Normalized Common Equity	$	$
Core ROTCE		%

* Net of deferred tax liability.

Core Net Income, Operating Net Income Available to Common, Normalized Common Equity and Core ROTCE are non-GAAP financial measures. We believe that Core ROTCE is a useful measure to assess our operating performance and demonstrates how effectively we deploy common equity in our businesses. Other companies may use a similar non-GAAP financial measure that is calculated differently from the way we calculate it. Accordingly, our Core ROTCE may not be comparable to a similar measure used by other companies.

In setting the Core ROTCE target described above, we have made significant assumptions with respect to, among other things:

general conditions in the markets in which our businesses operate, particularly the competitive landscape and our ability to grow our automotive originations in line with overall market growth;

receipt of required regulatory approvals;

forward interest rate curve as of , which assumes a general rise in interest rates;

stable asset yields;

our ability to take certain consolidated capital rationalization measures and that such measures will have no net impact to earnings;

the reduction of Ally Bank leverage ratio requirement; and

effective tax rate of 34%.

While the Core ROTCE target and its components are presented with numerical specificity and we believe such targets to be reasonable as of the date of this prospectus, given the uncertainties surrounding such assumptions, there are significant risks that these assumptions may not be realized and thus the goals may not be achieved. Accordingly, our actual results are likely to differ from these targets and the differences may be material and adverse, particularly if actual events adversely differ from one or more of our key assumptions. The targets and their underlying assumptions are forward-looking statements. We strongly caution investors not to place undue reliance on any of these assumptions or targets. Except as may be required by applicable securities laws, we are not under any obligation (and expressly disclaim any obligation) to update or alter any assumptions, goals, targets, projections or other related statements that we may make. See Note Regarding Forward-Looking Statements and Risk Factors for additional information regarding these forward-looking statements.

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.

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 financial holding company, Ally is 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.

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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.

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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. 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. In September 2013, we submitted a revised capital plan, and on November 15, 2013, received non-objection of the revised capital plan from the Federal Reserve.

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

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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 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.

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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 currently 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 consent of Treasury. Ally has further agreed that until Treasury ceases to hold Ally preferred stock, Ally will comply with certain restrictions on executive privileges 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 section of this prospectus entitled Executive Compensation.

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

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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 our 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

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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 and engage in new activities.

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.

Segment and Geographic 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.

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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 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.

Legal Proceedings

Refer to Note 26 to the Condensed Consolidated Financial Statements for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 29 to our Consolidated Financial Statements.

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MANAGEMENT

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)
Stephen A. Feinberg	52	Director
Kim S. Fennebresque	62	Director
Gerald Greenwald	77	Director
Brian P. MacDonald	47	Director (Member of Audit Committee)
Marjorie Magner	63	Director
Henry S. Miller	67	Director
Mathew Pendo	49	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
Christopher A. Halmy	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 of the Ally Risk Management and Compliance Committee, and a member of the Audit Committee. Clark is the Managing Partner of Eachwin Capital, an investment management firm. Previously, she 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. She serves on the board of the Stanford Management Company, which manages the University s endowment. Clark earned a bachelor s degree from the

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University of Southern California and a master s degree in Business Administration from Stanford University Graduate School of Business.

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.

Brian P. MacDonald Appointed to the Ally board of directors in May 2013. He also serves on the Audit Committee. MacDonald is President and Chief Executive Officer of ETP Holdco Corporation. Prior to Energy Transfer Partners acquisition of Sunoco, Inc. in October 2012, MacDonald served as Chairman, President and Chief Executive Officer of Sunoco, Inc., a leading logistics and retail company based in Philadelphia, Pennsylvania, and Chairman of Sunoco Logistics Partners, L.P., a master limited partnership focused on the transport and storage of crude oil and refined petroleum products. MacDonald joined Sunoco from Dell, Inc. where he had been chief financial officer for the company s commercial business unit, corporate vice president and treasurer and chairman of Dell Financial Services, the financing arm of Dell. He also previously worked for General Motors Corporation where he held a variety of positions in financial management. MacDonald has a Bachelor of Science degree from Mount Allison University and Masters in Business Administration from McGill University.

Marjorie Magner Director of Ally since May 2010. She also serves on the 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

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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.

Mathew Pendo Appointed to the Ally board of directors in April 2013. He also serves on the Audit Committee. Pendo is the former Chief Investment Officer of the Troubled Asset Relief Program (TARP) program of Treasury. Prior to his two-year tenure with Treasury, he spent seven years as a managing director in investment banking at Barclays Capital including roles as co-head of U.S. investment banking and co-head of global industrials. Prior to Barclays, he spent 18 years at Merrill Lynch in investment banking in New York, Los Angeles, and Palo Alto working with companies in the financial services and technology industries. Pendo currently serves on the board of directors for the New Canaan Country School and previously served on the board of directors for the Collegiate Charter Schools of Brooklyn. He graduated cum laude from Princeton University in 1985 with a degree in economics.

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 Autobytel 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

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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.

Christopher A. Halmy Chief Financial Officer of Ally since November 2013. In this role, he is responsible for the oversight of the company s financial reporting, controls and analysis, accounting, and investor relations, as well as treasury activities, including capital, funding and balance sheet management. Prior to his current position, Halmy served as Ally s corporate treasurer since June 2011. He joined Ally in 2009 and previously served as structured funding executive with responsibility for the strategy, planning, and execution of securitizations and structured funding globally. In this role, he also was responsible for bank relationships and compliance related to existing transactions in the market. Prior to joining Ally, Halmy was the global funding executive at Bank of America where he was responsible for funding and liquidity activities. During his tenure at Bank of America, he also led the mortgage and auto securitization group. Prior to joining Bank of America in 1997, Halmy held treasury, finance and accounting positions at MBNA America, N.A., Merrill Lynch & Co., JP Morgan & Co. and Deloitte & Touche. Halmy holds a bachelor s degree in accounting and a master s degree in business administration from Villanova University. Halmy is also a certified public accountant.

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

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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.

Board and Committee Composition

Our current directors were elected pursuant to the terms of the Amended and Restated Governance Agreement dated May 21, 2009 (the Governance Agreement). On August 19, 2013, FIM Holdings LLC (FIM) and Treasury entered into separate agreements with Ally pursuant to which each of Ally, FIM and Treasury irrevocably relinquished and surrendered all rights, privileges and powers afforded to such party and releasing all obligations and duties owed or required to be performed under the Governance Agreement. In addition, on August 19, 2013, Ally, FIM and Treasury entered into a Stockholders Agreement (the Stockholders Agreement) in order to memorialize certain understandings relating to the composition of the Ally board of directors (the Board). Based on the current ownership of our common stock, the Stockholders Agreement provides that the 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 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 designated by Treasury, and three independent directors. See Certain Stockholder Agreements.

The Board has independently and affirmatively determined that all Board members, except for Mr. Carpenter, meet all the requirements for independence under the rules and regulations promulgated by the NYSE.

Audit Committee We have established a separately designated standing Audit Committee. Members currently include Chairman Robert T. Blakely, Mayree C. Clark, Brian P. MacDonald and Mathew Pendo. Each member is independent as required by Rule 10A-3 of the Exchange Act and under rules of the NYSE, and the Board has determined that all members are also qualified as audit committee financial experts, as defined by

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the SEC. The Audit Committee operates pursuant to a charter approved by the Board of Directors. The Audit Committee reviews and, as it deems appropriate, recommends to our Board of Directors our internal accounting and financial controls and the accounting principles and auditing practices and procedures to be employed in preparation and review of our financial statements. The Audit Committee also makes recommendations to the Board concerning the engagement of independent public auditors and the scope of the audit to be undertaken by such auditors.

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), Gerald Greenwald, Franklin W. Hobbs, Marjorie Magner, and Henry S. Miller, Members of the CNG Committee currently include Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, and Franklin W. Hobbs. The Risk Committee operates pursuant to a charter approved by the Board of Directors. The Risk Committee assists the Board of Directors in setting risk appetite and tolerances, and overseeing our management s responsibility to manage our risk profile and implement our risk program, with emphasis on credit, market, liquidity, operational, and reputational risks from both an enterprise and a line of business perspective. Additionally, the Risk Committee oversees our management s responsibility to implement our compliance program, with emphasis on our compliance with legal and regulatory requirements. The Board has independently and affirmatively determined that all CNG Committee members meet all the requirements for independence under the rules and regulations promulgated by the NYSE. The CNG Committee operates pursuant to a charter approved by the Board of Directors. For a description of CNG s responsibilities, see Executive Compensation.

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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 is 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.

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Frederic W. Cook & Co. (Cook) served as an independent advisor in 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.

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

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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 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	KeyCorp	U.S. Bancorp
Capital One Financial	PNC Financial	Wells Fargo
Discover	Regions Financial	
Fifth Third Bancorp	SunTrust Banks	

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 (IRSUs)) 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. Effective May 3, 2013, Thomas Marano resigned as Chief Executive Officer of ResCap.

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.

	2012 Base salary			
NEO	**Cash ($)**	**Deferred Cash ($) (a)**	**Equity (Deferred stock units) ($)**	**Total ($)**
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 (b)	550,000		2,450,000	3,000,000
Thomas Marano (c)	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.

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(b) Effective November 8, 2013, James G. Mackey resigned as Chief Financial Officer of Ally.

(c) Effective May 3, 2013, Thomas Marano resigned as Chief Executive Officer of ResCap.

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.