

Ally Financial Inc.
Form 10-Q
July 31, 2017
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2017, or
..TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

Delaware 38-0572512

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Ally Detroit Center

500 Woodward Ave.

Floor 10, Detroit, Michigan

48226

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).

Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At July 27, 2017, the number of shares outstanding of the Registrant's common stock was 449,853,338 shares.

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Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

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| (\$ in millions) | Three months | | Six months | |
|--|------------------------|---------|------------------------|---------|
| | ended June 30, 2017 | 2016 | ended June 30, 2017 | 2016 |
| Financing revenue and other interest income | | | | |
| Interest and fees on finance receivables and loans | \$1,447 | \$1,265 | \$2,815 | \$2,500 |
| Interest and dividends on investment securities and other earning assets | 146 | 99 | 280 | 201 |
| Interest on cash and cash equivalents | 7 | 4 | 12 | 7 |
| Operating leases | 488 | 701 | 1,031 | 1,470 |
| Total financing revenue and other interest income | 2,088 | 2,069 | 4,138 | 4,178 |
| Interest expense | | | | |
| Interest on deposits | 250 | 203 | 481 | 396 |
| Interest on short-term borrowings | 33 | 12 | 60 | 25 |
| Interest on long-term debt | 417 | 436 | 841 | 878 |
| Total interest expense | 700 | 651 | 1,382 | 1,299 |
| Net depreciation expense on operating lease assets | 321 | 434 | 710 | 944 |
| Net financing revenue and other interest income | 1,067 | 984 | 2,046 | 1,935 |
| Other revenue | | | | |
| Insurance premiums and service revenue earned | 227 | 236 | 468 | 466 |
| Gain on mortgage and automotive loans, net | 36 | 3 | 50 | 4 |
| Loss on extinguishment of debt | (1 |) — | (2 |) (4 |
| Other gain on investments, net | 23 | 39 | 50 | 93 |
| Other income, net of losses | 103 | 96 | 218 | 191 |
| Total other revenue | 388 | 374 | 784 | 750 |
| Total net revenue | 1,455 | 1,358 | 2,830 | 2,685 |
| Provision for loan losses | 269 | 172 | 540 | 392 |
| Noninterest expense | | | | |
| Compensation and benefits expense | 265 | 242 | 550 | 494 |
| Insurance losses and loss adjustment expenses | 125 | 145 | 213 | 218 |
| Other operating expenses | 420 | 386 | 825 | 771 |
| Total noninterest expense | 810 | 773 | 1,588 | 1,483 |
| Income from continuing operations before income tax expense | 376 | 413 | 702 | 810 |
| Income tax expense from continuing operations | 122 | 56 | 235 | 206 |
| Net income from continuing operations | 254 | 357 | 467 | 604 |
| (Loss) income from discontinued operations, net of tax | (2 |) 3 | (1 |) 6 |
| Net income | 252 | 360 | 466 | 610 |
| Other comprehensive income, net of tax | 76 | 120 | 96 | 266 |
| Comprehensive income | \$328 | \$480 | \$562 | \$876 |

Statement continues on the next page.

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)

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| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------------|--------|---------------------------------|--------|
| (in dollars) (a) | 2017 | 2016 | 2017 | 2016 |
| Basic earnings per common share | | | | |
| Net income from continuing operations | \$0.55 | \$0.70 | \$1.01 | \$1.18 |
| (Loss) income from discontinued operations, net of tax | (0.01) | 0.01 | — | 0.01 |
| Net income | \$0.55 | \$0.71 | \$1.01 | \$1.20 |
| Diluted earnings per common share | | | | |
| Net income from continuing operations | \$0.55 | \$0.70 | \$1.01 | \$1.18 |
| (Loss) income from discontinued operations, net of tax | (0.01) | 0.01 | — | 0.01 |
| Net income | \$0.55 | \$0.71 | \$1.01 | \$1.19 |
| Cash dividends per common share | \$0.08 | \$— | \$0.16 | \$— |

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

Refer to Note 17 for additional earnings per share information. The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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Condensed Consolidated Balance Sheet (unaudited)

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| (\$ in millions, except share data) | June 30, 2017 | December 31, 2016 |
|---|------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | | |
| Noninterest-bearing | \$ 1,514 | \$ 1,547 |
| Interest-bearing | 2,863 | 4,387 |
| Total cash and cash equivalents | 4,377 | 5,934 |
| Available-for-sale securities (refer to Note 7 for discussion of investment securities pledged as collateral) | 21,764 | 18,926 |
| Held-to-maturity securities (fair value of \$1,156 and \$789) | 1,189 | 839 |
| Loans held-for-sale, net | 17 | — |
| Finance receivables and loans, net | | |
| Finance receivables and loans, net of unearned income | 120,528 | 118,944 |
| Allowance for loan losses | (1,225) | (1,144) |
| Total finance receivables and loans, net | 119,303 | 117,800 |
| Investment in operating leases, net | 9,717 | 11,470 |
| Premiums receivable and other insurance assets | 2,025 | 1,905 |
| Other assets | 5,953 | 6,854 |
| Total assets | \$ 164,345 | \$ 163,728 |
| Liabilities | | |
| Deposit liabilities | | |
| Noninterest-bearing | \$ 107 | \$ 84 |
| Interest-bearing | 86,076 | 78,938 |
| Total deposit liabilities | 86,183 | 79,022 |
| Short-term borrowings | 10,712 | 12,673 |
| Long-term debt | 49,145 | 54,128 |
| Interest payable | 399 | 351 |
| Unearned insurance premiums and service revenue | 2,541 | 2,500 |
| Accrued expenses and other liabilities | 1,892 | 1,737 |
| Total liabilities | 150,872 | 150,411 |
| Contingencies (refer to Note 25) | | |
| Equity | | |
| Common stock and paid-in capital (\$0.01 par value, shares authorized 1,100,000,000; issued 489,581,850 and 485,707,644; and outstanding 452,291,918 and 467,000,306) | 21,208 | 21,166 |
| Accumulated deficit | (6,760) | (7,151) |
| Accumulated other comprehensive loss | (245) | (341) |
| Treasury stock, at cost (37,289,932 and 18,707,338 shares) | (730) | (357) |
| Total equity | 13,473 | 13,317 |
| Total liabilities and equity | \$ 164,345 | \$ 163,728 |

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

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Condensed Consolidated Balance Sheet (unaudited)

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

| (\$ in millions) | June 30, 2017 | December 31, 2016 |
|---|------------------|----------------------|
| Assets | | |
| Finance receivables and loans, net | | |
| Finance receivables and loans, net of unearned income | \$22,035 | \$ 24,630 |
| Allowance for loan losses | (140) | (173) |
| Total finance receivables and loans, net | 21,895 | 24,457 |
| Investment in operating leases, net | 907 | 1,745 |
| Other assets | 827 | 1,390 |
| Total assets | \$23,629 | \$ 27,592 |
| Liabilities | | |
| Long-term debt | \$12,499 | \$ 13,259 |
| Accrued expenses and other liabilities | 12 | 12 |
| Total liabilities | \$12,511 | \$ 13,271 |

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

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Condensed Consolidated Statement of Changes in Equity (unaudited)

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| (\$ in millions) | Common stock and paid-in capital | Preferred stock | Accumulated deficit | Accumulated other comprehensive (loss) income | Treasury stock | Total equity |
|--|--|--------------------|------------------------|--|-------------------|-----------------|
| Balance at January 1, 2016 | \$21,100 | \$ 696 | \$ (8,110) | \$ (231) | \$ (16) | \$13,439 |
| Net income | | | 610 | | | 610 |
| Preferred stock dividends | | | (30) | | | (30) |
| Series A preferred stock redemption | | (696) | | | | (696) |
| Share-based compensation | 36 | | | | | 36 |
| Other comprehensive income | | | | 266 | | 266 |
| Share repurchases related to employee stock-based compensation awards | | | | | (14) | (14) |
| Balance at June 30, 2016 | \$21,136 | \$ — | \$ (7,530) | \$ 35 | \$ (30) | \$13,611 |
| Balance at January 1, 2017 | \$21,166 | \$ — | \$ (7,151) | \$ (341) | \$ (357) | \$13,317 |
| Net income | | | 466 | | | 466 |
| Share-based compensation | 42 | | | | | 42 |
| Other comprehensive income | | | | 96 | | 96 |
| Common stock repurchases (a) | | | | | (373) | (373) |
| Common stock dividends (\$0.16 per share) | | | (75) | | | (75) |
| Balance at June 30, 2017 | \$21,208 | \$ — | \$ (6,760) | \$ (245) | \$ (730) | \$13,473 |

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

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

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Condensed Consolidated Statement of Cash Flows (unaudited)

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| Six months ended June 30, (\$ in millions) | 2017 | 2016 |
|---|---------|---------|
| Operating activities | | |
| Net income | \$466 | \$610 |
| Reconciliation of net income to net cash provided by operating activities | | |
| Depreciation and amortization | 1,003 | 1,241 |
| Provision for loan losses | 540 | 392 |
| Gain on mortgage and automotive loans, net | (50) | (4) |
| Other gain on investments, net | (50) | (93) |
| Loss on extinguishment of debt | 2 | 4 |
| Originations and purchases of loans held-for-sale | (202) | (44) |
| Proceeds from sales and repayments of loans originated as held-for-sale | 187 | 144 |
| Net change in | | |
| Deferred income taxes | 203 | 193 |
| Interest payable | 48 | 76 |
| Other assets | (94) | 17 |
| Other liabilities | (50) | (55) |
| Other, net | 67 | (45) |
| Net cash provided by operating activities | 2,070 | 2,436 |
| Investing activities | | |
| Purchases of available-for-sale securities | (5,853) | (8,657) |
| Proceeds from sales of available-for-sale securities | 2,162 | 6,584 |
| Proceeds from maturities and repayments of available-for-sale securities | 1,230 | 1,536 |
| Purchases of held-to-maturity securities | (313) | (571) |
| Proceeds from maturities and repayments of held-to-maturity securities | 17 | — |
| Purchases of finance receivables and loans held-for-investment | (1,817) | (2,442) |
| Proceeds from sales of finance receivables and loans originated as held-for-investment | 1,280 | 4,156 |
| Originations and repayments of finance receivables and loans held-for-investment and other, net | (1,588) | (3,211) |
| Purchases of operating lease assets | (1,965) | (1,472) |
| Disposals of operating lease assets | 3,043 | 3,047 |
| Acquisitions, net of cash acquired | — | (288) |
| Net change in restricted cash | 474 | 482 |
| Net change in nonmarketable equity investments | 107 | (354) |
| Other, net | (93) | (69) |
| Net cash used in investing activities | (3,316) | (1,259) |

Statement continues on the next page.

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

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Condensed Consolidated Statement of Cash Flows (unaudited)

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| Six months ended June 30, (\$ in millions) | 2017 | 2016 |
|---|----------|----------|
| Financing activities | | |
| Net change in short-term borrowings | (1,962) | (2,112) |
| Net increase in deposits | 7,133 | 6,308 |
| Proceeds from issuance of long-term debt | 9,330 | 9,020 |
| Repayments of long-term debt | (14,366) | (14,305) |
| Repurchase and redemption of preferred stock | — | (696) |
| Repurchase of common stock | (373) | (14) |
| Dividends paid | (75) | (30) |
| Net cash used in financing activities | (313) | (1,829) |
| Effect of exchange-rate changes on cash and cash equivalents | 2 | 3 |
| Net decrease in cash and cash equivalents | (1,557) | (649) |
| Cash and cash equivalents at beginning of year | 5,934 | 6,380 |
| Cash and cash equivalents at June 30, | \$4,377 | \$5,731 |
| Supplemental disclosures | | |
| Cash paid for | | |
| Interest | \$1,331 | \$1,234 |
| Income taxes | 28 | 12 |
| Noncash items | | |
| Held-to-maturity securities received in consideration for loans sold | 56 | — |
| Finance receivables and loans transferred to loans held-for-sale | 1,298 | 4,174 |
| Other disclosures | | |
| Proceeds from repayments of mortgage loans held-for-investment originally designated as held-for-sale | 20 | 18 |

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

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Notes to Condensed Consolidated Financial Statements (unaudited)

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

Ally Financial Inc. (together with its consolidated subsidiaries unless the context requires otherwise, Ally, the Company, or we, us, or our) is a leading digital financial services company offering diversified financial products for consumers, businesses, automotive dealers and corporate clients. Our legacy dates back to 1919, and Ally was redesigned in 2009 with a distinctive brand and relentless focus on our customers. We reconverted to a Delaware corporation in 2009 and are registered as a bank holding company (BHC) under the Bank Holding Company Act of 1956 as amended and a financial holding company (FHC) under the Gramm-Leach-Bliley Act of 1999 as amended. Our banking subsidiary, Ally Bank, is an award-winning online bank, and an indirect, wholly-owned subsidiary of Ally Financial Inc. Collectively, Ally Financial Inc. and its subsidiaries offer a variety of deposit and banking products including CDs, online savings, money market and checking accounts, IRA products, automotive lending products to customers and dealers, corporate finance lending, insurance products and services, a cash back credit card, mortgage lending offerings through Ally Home, and wealth management solutions through Ally Invest.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period and related disclosures. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes. Our most significant estimates pertain to the allowance for loan losses, valuations of automotive lease assets and residuals, fair value of financial instruments, legal and regulatory reserves, and the determination of the provision for income taxes.

The Condensed Consolidated Financial Statements at June 30, 2017, and for the three months and six months ended June 30, 2017, and 2016, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related Notes) included in our Annual Report on Form 10-K for the year ended December 31, 2016, as filed on February 27, 2017, with the U.S. Securities and Exchange Commission (SEC).

Significant Accounting Policies

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification (ASC) 740, Income Taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. This method differs from that described in Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K, which describes our annual significant income tax accounting policy and related methodology.

Securitizations and Variable Interest Entities

We securitize, transfer, and service consumer and commercial automotive loans and operating leases. Securitization transactions typically involve the use of variable interest entities (VIEs) and are accounted for either as sales or secured borrowings. We may retain economic interests in securitized and sold assets, which are generally in the form of senior or subordinated interests, other residual interests, and servicing rights.

In order to conclude whether or not a VIE is required to be consolidated, careful consideration and judgment must be given to our continuing involvement with the VIE. In circumstances where we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, we would conclude that we would consolidate the

entity, which would also preclude us from recording an accounting sale on the transaction. In the case of a consolidated VIE, the accounting is consistent with a secured borrowing, (e.g., we continue to carry the loans and we record the related securitized debt on our Condensed Consolidated Balance Sheet).

In transactions where we are not determined to be the primary beneficiary of the VIE, we must determine whether or not we achieve a sale for accounting purposes. In order to achieve a sale for accounting purposes, the assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond our control. If we were to fail any of the three criteria for sale accounting, the accounting would be consistent with the preceding paragraph (i.e., a secured borrowing). Refer to Note 10 to the Condensed Consolidated Financial Statements for discussion on VIEs.

Gains or losses on off-balance sheet securitizations take into consideration the fair value of any retained interests including the value of certain servicing assets or liabilities, if any, which are initially recorded at fair value at the date of sale. The estimate of the fair value of the retained interests and servicing requires us to exercise significant judgment about the timing and amount of future cash flows from the interests. Refer to Note 21 to the Condensed Consolidated Financial Statements for a discussion of fair value estimates.

Gains or losses on off-balance sheet securitizations and sales are reported in gain on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. Retained interests are classified as securities or as other assets depending on their nature. On December 24, 2016, the risk retention rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-

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Notes to Condensed Consolidated Financial Statements (unaudited)

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Frank Act) of 2010 became effective, requiring us to retain at least five percent of the credit risk of the assets underlying asset-backed securitizations. This note was updated to address the Dodd-Frank Act risk retention rules and differs from our description in Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K.

We retain servicing responsibilities for all of our consumer and commercial automotive loan and operating lease securitizations. We may receive servicing fees for off-balance sheet securitizations based on the securitized loan balances and certain ancillary fees, all of which are reported in servicing fees in the Condensed Consolidated Statement of Comprehensive Income. Typically, the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. Whether on- or off-balance sheet, the investors in the securitization trusts generally have no recourse to our assets outside of protections afforded through customary market representation and warranty repurchase provisions. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

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

As of December 31, 2016, we adopted Accounting Standards Update (ASU) 2016-09. The amendments in this update changed several aspects of share-based payment accounting. The amendments allowed for an entity-wide accounting policy election to either account for forfeitures as they occur or estimate the number of awards that are expected to vest. We elected to account for forfeitures as they occur. The amendments modified the tax withholding requirements to allow entities to withhold an amount up to the employee's maximum individual statutory tax rates without resulting in a liability classification of the award as opposed to limiting the withholding to the minimum statutory tax rates as required under previous accounting guidance. The amendments required that all excess tax benefits and tax deficiencies related to share-based payment awards be recognized in income tax expense or benefit in the income statement in the period in which they occur. The adoption of these amendments did not have a material impact to the financial statements. The amendments also addressed the classification and presentation of certain items on the cash flow statement. Specifically, cash flows related to excess tax benefits should be classified as an operating activity instead of a financing activity and cash flows related to cash paid to a tax authority by an employer when withholding shares from an employee's award for tax withholding purposes should be classified as a financing activity. The adoption of the amendment requiring excess tax benefits to be classified as an operating activity did not have a material impact to our Condensed Consolidated Statement of Cash Flows. The adoption of the amendment requiring amounts paid to a tax authority by an employer when withholding shares from an employee's award for tax withholding purposes to be classified as a financing activity resulted in the reclassification of cash flows in our Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2016, of \$14 million from operating activities to financing activities.

Recently Issued Accounting Standards

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

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09. The purpose of this guidance is to streamline and consolidate existing revenue recognition principles in GAAP and to converge revenue recognition principles with International Financial Reporting Standards (IFRS). The core principle of the amendments is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. The amendments include a five step process for consideration of the core principle, guidance on the accounting treatment for costs associated with a contract, and disclosure requirements related to the revenue process. As originally issued, the amendments in ASU 2014-09 were to be effective beginning on January 1, 2017. However, in

August 2015, the FASB issued ASU 2015-14, which deferred the effective date of the guidance until January 1, 2018, and permitted early adoption as of the original effective date in ASU 2014-09. The FASB created a transition resource group to work with stakeholders and clarify the new guidance as necessary. The FASB has issued several additional ASUs to clarify guidance and provide implementation support for ASU 2014-09. The clarifying guidance elaborates on the key concepts within ASU 2014-09 and clarifies how those concepts interact with other GAAP requirements. Management has considered these additional ASUs when assessing the overall impact of ASU 2014-09. The amendments to the revenue recognition principles can be applied on adoption either through a full retrospective application or on a modified retrospective basis with a cumulative effect adjustment on the date of initial adoption with certain practical expedients. A majority of our revenue streams are not within the scope of this ASU as they are governed by other accounting standards. Management has determined that certain revenue streams and contractual arrangements are in scope of this guidance, including deposit fees, revenue on certain noninsurance contracts, brokering commissions through our insurance operations, sales of other real estate owned, sales of repossessed and off-lease vehicles, remarketing fee income through SmartAuction, and fee income generated through Ally Invest. Management does not expect these amendments to impact current revenue recognition patterns for a majority of the in scope revenue streams and contracts. However, we expect that the application of this guidance to noninsurance contracts within our insurance business will result in the deferral of certain amounts we currently recognize as revenue and expense upon the origination of the contract and the immediate recognition of certain expenses upon the origination of the contract that are currently deferred. Our assessment is not final; however, we do not expect the impact of the new guidance to these specific contracts to be material to the financial statements. We currently plan to adopt this guidance as of January 1, 2018, and expect to use the modified retrospective approach.

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Notes to Condensed Consolidated Financial Statements (unaudited)

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

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

Leases (ASU 2016-02)

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

Financial Instruments — Credit Losses (ASU 2016-13)

In June 2016, the FASB issued ASU 2016-13. The amendments in this update introduce a new accounting model to measure credit losses for financial assets measured at amortized cost. Credit losses for financial assets measured at amortized cost should be determined based on the total current expected credit losses over the life of the financial asset or group of financial assets. In effect, the financial asset or group of financial assets should be presented at the net amount expected to be collected. Credit losses will no longer be measured as they are incurred for financial assets

measured at amortized cost. The amendments also modify the accounting for available-for-sale debt securities whereby credit losses will be recorded through an allowance for credit losses rather than a write-down to the security's cost basis, which allows for reversals of credit losses when estimated credit losses decline. Credit losses for available-for-sale debt securities should be measured in a manner similar to current GAAP. The amendments are effective on January 1, 2020, with early adoption permitted as of January 1, 2019. The amendments must be applied using a modified retrospective approach with a cumulative-effect adjustment through retained earnings as of the beginning of the fiscal year upon adoption. The new accounting model for credit losses represents a significant departure from existing GAAP, and will likely materially increase the allowance for credit losses with a resulting negative adjustment to retained earnings. Management created a formal working group to govern the implementation of these amendments consisting of key stakeholders from finance, risk, and accounting and is currently evaluating the impact of the amendments. We are in the process of designing and building the models and procedures that will be used to calculate the credit loss reserves in accordance with these amendments. We currently plan to adopt these amendments on January 1, 2020, and expect to use the modified retrospective approach as required.

Statement of Cash Flows — Restricted Cash (ASU 2016-18)

In November 2016, the FASB issued ASU 2016-18. The amendments in this update require that amounts classified as restricted cash and restricted cash equivalents be included within the beginning-of-period and end-of-period amounts along with cash and cash equivalents on the statement of cash flows. Prior to this ASU, specific guidance on the presentation of changes in restricted cash and restricted cash equivalents within the statement of cash flows did not exist. The amendments are effective on January 1, 2018, with early adoption permitted. The amendments must be applied retrospectively to all periods presented within the statement of cash flows upon adoption. The amendments will not impact financial results, but will result in a change in the presentation of restricted cash and restricted cash equivalents within the statement of cash flows. We currently plan to adopt these amendments on January 1, 2018, and expect to use the retrospective approach as required.

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Receivables — Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities (ASU 2017-08)

In March 2017, the FASB issued ASU 2017-08. The amendments in this update require premiums on purchased callable debt securities to be amortized to the security's earliest call date. Prior to this ASU, premiums and discounts on purchased callable debt securities were generally required to be amortized to the security's maturity date. The amendments do not require an accounting change for securities held at a discount. The amendments are effective on January 1, 2019, with early adoption permitted. The amendments must be applied using a modified retrospective approach with a cumulative-effect adjustment through retained earnings as of the beginning of the fiscal year upon adoption. Management is currently evaluating the impact of these amendments. We currently plan to adopt these amendments on January 1, 2019, and expect to use the modified retrospective approach as required.

2. Acquisitions

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

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

(\$ in millions)

| | |
|---|-------|
| Purchase price | |
| Cash consideration | \$298 |
| Allocation of purchase price to net assets acquired | |
| Intangible assets (a) | 82 |
| Cash and short-term investments (b) | 50 |
| Other assets | 14 |
| Deferred tax asset, net | 4 |
| Employee compensation and benefits | (41) |
| Other liabilities | (4) |
| Goodwill | \$193 |

(a) We recorded \$2 million and \$5 million of amortization on these intangible assets during the three months and six months ended June 30, 2017, respectively.

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

The goodwill of \$193 million arising from the acquisition consists largely of expected growth of the business as we leverage the Ally brand and our marketing capabilities to scale the acquired technology platform and expand the suite of financial products we offer to our existing growing customer base. None of the goodwill recognized is expected to be deductible for income tax purposes. Refer to Note 12 for a reconciliation of the carrying amount of goodwill at the beginning and end of the reporting period.

On August 1, 2016, we acquired assets that constitute a business from Blue Yield, an online automotive lender exchange which we rebranded as Clearlane, as we continue to expand our automotive finance offerings to include a direct-to-consumer option. We completed the acquisition for \$28 million of total consideration. As a result of the

purchase, we recognized \$20 million of goodwill within Automotive Finance operations.

3. Discontinued Operations

Prior to the adoption of ASU 2014-08, which was prospectively applied only to newly identified disposals that qualify as discontinued operations beginning after January 1, 2015, we have classified operations as discontinued when operations and cash flows will be eliminated from our ongoing operations and we do not expect to retain any significant continuing involvement in their operations after the respective sale or disposal transactions. For all periods presented, the operating results for these discontinued operations have been removed from continuing operations and presented separately as discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income. The Notes to the Condensed Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

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Our discontinued operations relate to previous discontinued operations in our Automotive Finance operations, Insurance operations, and Corporate Finance operating segments, and other operations for which we continue to have wind-down, legal, and minimal operational costs. Select financial information of discontinued operations is summarized below.

| | Three months ended June 30, 2017 | | Six months ended June 30, 2016 | |
|----------------------|----------------------------------|--------|--------------------------------|------|
| (\$ in millions) | 2017 | 2016 | 2017 | 2016 |
| Pretax (loss) income | \$ (2) | \$ (2) | \$ (1) | \$ 2 |
| Tax benefit | — | (5) | — | (4) |

4. Other Income, Net of Losses

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

| | Three months ended June 30, 2017 | | Six months ended June 30, 2016 | |
|--|----------------------------------|------|--------------------------------|-------|
| (\$ in millions) | 2017 | 2016 | 2017 | 2016 |
| Remarketing fees | \$27 | \$25 | \$56 | \$53 |
| Late charges and other administrative fees | 25 | 22 | 52 | 47 |
| Servicing fees | 14 | 18 | 30 | 31 |
| Income from equity-method investments | 5 | 5 | 5 | 11 |
| Other, net | 32 | 26 | 75 | 49 |
| Total other income, net of losses | \$103 | \$96 | \$218 | \$191 |

5. Reserves for Insurance Losses and Loss Adjustment Expenses

The following table shows a rollforward of our reserves for insurance losses and loss adjustment expenses.

| (\$ in millions) | 2017 | 2016 |
|--|-------|-------|
| Total gross reserves for insurance losses and loss adjustment expenses at January 1, | \$149 | \$169 |
| Less: Reinsurance recoverable | 108 | 120 |
| Net reserves for insurance losses and loss adjustment expenses at January 1, | 41 | 49 |
| Net insurance losses and loss adjustment expenses incurred related to: | | |
| Current year | 211 | 221 |
| Prior years (a) | 2 | (3) |
| Total net insurance losses and loss adjustment expenses incurred | 213 | 218 |
| Net insurance losses and loss adjustment expenses paid or payable related to: | | |
| Current year | (183) | (184) |
| Prior years | (27) | (25) |
| Total net insurance losses and loss adjustment expenses paid or payable | (210) | (209) |
| Net reserves for insurance losses and loss adjustment expenses at June 30, | 44 | 58 |
| Plus: Reinsurance recoverable | 135 | 106 |
| Total gross reserves for insurance losses and loss adjustment expenses at June 30, | \$179 | \$164 |

(a) There have been no material adverse changes to the reserve for prior years.

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6. Other Operating Expenses

Details of other operating expenses were as follows.

| (\$ in millions) | Three months ended June 30, | | Six months ended June 30, | |
|--------------------------------------|-----------------------------|-------|---------------------------|-------|
| | 2017 | 2016 | 2017 | 2016 |
| Insurance commissions | \$104 | \$97 | \$203 | \$191 |
| Technology and communications | 71 | 67 | 140 | 133 |
| Lease and loan administration | 39 | 34 | 75 | 66 |
| Advertising and marketing | 33 | 21 | 63 | 48 |
| Regulatory and licensing fees | 28 | 21 | 55 | 42 |
| Vehicle remarketing and repossession | 25 | 22 | 53 | 46 |
| Professional services | 27 | 26 | 53 | 50 |
| Premises and equipment depreciation | 23 | 21 | 45 | 42 |
| Occupancy | 11 | 12 | 23 | 25 |
| Non-income taxes | 8 | 8 | 16 | 17 |
| Other | 51 | 57 | 99 | 111 |
| Total other operating expenses | \$420 | \$386 | \$825 | \$771 |

7. Investment Securities

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

| (\$ in millions) | June 30, 2017 | | | | December 31, 2016 | | | |
|--|----------------|-------------|-------------------|------------|-------------------|-------------|-------------------|------------|
| | Amortized cost | Gross gains | unrealized losses | Fair value | Amortized cost | Gross gains | unrealized losses | Fair value |
| Available-for-sale securities | | | | | | | | |
| Debt securities | | | | | | | | |
| U.S. Treasury | \$1,891 | \$ — | \$ (39) | \$1,852 | \$1,680 | \$ — | \$ (60) | \$1,620 |
| U.S. States and political subdivisions | 780 | 13 | (11) | 782 | 794 | 7 | (19) | 782 |
| Foreign government | 148 | 2 | — | 150 | 157 | 5 | — | 162 |
| Agency mortgage-backed residential | 13,809 | 39 | (172) | 13,676 | 10,473 | 29 | (212) | 10,290 |
| Mortgage-backed residential | 2,063 | 11 | (36) | 2,038 | 2,162 | 5 | (70) | 2,097 |
| Mortgage-backed commercial | 474 | 2 | (1) | 475 | 537 | 2 | (2) | 537 |
| Asset-backed | 1,010 | 6 | (2) | 1,014 | 1,396 | 6 | (2) | 1,400 |
| Corporate debt | 1,273 | 8 | (9) | 1,272 | 1,452 | 7 | (16) | 1,443 |
| Total debt securities (a) (b) | 21,448 | 81 | (270) | 21,259 | 18,651 | 61 | (381) | 18,331 |
| Equity securities | 549 | 9 | (53) | 505 | 642 | 7 | (54) | 595 |
| Total available-for-sale securities | \$21,997 | \$ 90 | \$ (323) | \$21,764 | \$19,293 | \$ 68 | \$ (435) | \$18,926 |
| Held-to-maturity securities | | | | | | | | |
| Debt securities | | | | | | | | |
| Agency mortgage-backed residential (c) | \$1,143 | \$ 2 | \$ (35) | \$1,110 | \$839 | \$ — | \$ (50) | \$789 |
| Asset-backed retained notes | 46 | — | — | 46 | — | — | — | — |
| Total held-to-maturity securities | \$1,189 | \$ 2 | \$ (35) | \$1,156 | \$839 | \$ — | \$ (50) | \$789 |

(a)

Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$12 million and \$14 million at June 30, 2017, and December 31, 2016, respectively.

Investment securities with a fair value of \$3,316 million and \$4,881 million at June 30, 2017, and December 31, 2016, respectively, were pledged to secure advances from the Federal Home Loan Bank (FHLB), short-term (b) borrowings or repurchase agreements and for other purposes as required by contractual obligation or law. Under these agreements, Ally has granted the counterparty the right to sell or pledge \$1,420 million and \$737 million of the underlying investment securities at June 30, 2017, and December 31, 2016, respectively.

Agency mortgage-backed residential debt securities are held for liquidity purposes. Securities with a fair value of (c) \$0 million and \$87 million at June 30, 2017, and December 31, 2016, respectively, were pledged to secure advances from the FHLB.

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The maturity distribution of investment securities outstanding is summarized in the following tables. Call or prepayment options may cause actual maturities to differ from contractual maturities.

| (\$ in millions) | Total | | Due in one year or less | | Due after one year through five years | | Due after five years through ten years | | Due after ten years | |
|--|----------|-------|-------------------------|-------|---------------------------------------|-------|--|-------|---------------------|-------|
| | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield |
| June 30, 2017 | | | | | | | | | | |
| Fair value of available-for-sale debt securities (a) | | | | | | | | | | |
| U.S. Treasury | \$1,852 | 1.7% | \$— | —% | \$21 | 1.7% | \$1,831 | 1.7% | \$— | —% |
| U.S. States and political subdivisions | 782 | 3.1 | 38 | 2.5 | 45 | 2.4 | 165 | 2.8 | 534 | 3.3 |
| Foreign government | 150 | 2.5 | — | — | 68 | 2.6 | 82 | 2.4 | — | — |
| Agency mortgage-backed residential | 13,676 | 3.0 | — | — | — | — | 3 | 2.9 | 13,673 | 3.0 |
| Mortgage-backed residential | 2,038 | 2.9 | — | — | — | — | — | — | 2,038 | 2.9 |
| Mortgage-backed commercial | 475 | 3.1 | — | — | — | — | 3 | 2.9 | 472 | 3.1 |
| Asset-backed | 1,014 | 2.9 | — | — | 801 | 3.0 | 57 | 2.9 | 156 | 2.7 |
| Corporate debt | 1,272 | 2.9 | 125 | 2.3 | 617 | 2.6 | 496 | 3.2 | 34 | 5.2 |
| Total available-for-sale debt securities | \$21,259 | 2.9 | \$163 | 2.3 | \$1,552 | 2.8 | \$2,637 | 2.1 | \$16,907 | 3.0 |
| Amortized cost of available-for-sale debt securities | \$21,448 | | \$163 | | \$1,545 | | \$2,675 | | \$17,065 | |
| Amortized cost of held-to-maturity securities | | | | | | | | | | |
| Agency mortgage-backed residential | \$1,143 | 3.0% | \$— | —% | \$— | —% | \$— | —% | \$1,143 | 3.0% |
| Asset-backed retained notes | 46 | 1.6 | 4 | 0.8 | 41 | 1.6 | 1 | 3.0 | — | — |
| Total held-to-maturity securities | \$1,189 | 2.9 | \$4 | 0.8 | \$41 | 1.6 | \$1 | 3.0 | \$1,143 | 3.0 |
| December 31, 2016 | | | | | | | | | | |
| Fair value of available-for-sale debt securities (a) | | | | | | | | | | |
| U.S. Treasury | \$1,620 | 1.7% | \$2 | 4.6% | \$60 | 1.6% | \$1,558 | 1.7% | \$— | —% |
| U.S. States and political subdivisions | 782 | 3.1 | 64 | 1.7 | 29 | 2.3 | 172 | 2.8 | 517 | 3.4 |
| Foreign government | 162 | 2.6 | — | — | 58 | 2.8 | 104 | 2.4 | — | — |
| Agency mortgage-backed residential | 10,290 | 2.9 | — | — | — | — | 29 | 2.6 | 10,261 | 2.9 |
| Mortgage-backed residential | 2,097 | 2.9 | — | — | — | — | — | — | 2,097 | 2.9 |
| Mortgage-backed commercial | 537 | 2.6 | — | — | — | — | 3 | 2.8 | 534 | 2.6 |
| Asset-backed | 1,400 | 2.8 | — | — | 1,059 | 2.8 | 143 | 3.2 | 198 | 2.6 |
| Corporate debt | 1,443 | 2.8 | 72 | 2.2 | 840 | 2.6 | 489 | 3.2 | 42 | 4.7 |
| Total available-for-sale debt securities | \$18,331 | 2.8 | \$138 | 2.0 | \$2,046 | 2.7 | \$2,498 | 2.2 | \$13,649 | 2.9 |
| Amortized cost of available-for-sale debt securities | \$18,651 | | \$138 | | \$2,040 | | \$2,563 | | \$13,910 | |
| Amortized cost of held-to-maturity securities (b) | \$839 | 2.9% | \$— | —% | \$— | —% | \$— | —% | \$839 | 2.9% |

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

(b)

Our held-to-maturity securities portfolio as of December 31, 2016, consisted of agency mortgage-backed residential debt securities.

The balances of cash equivalents were \$1.2 billion and \$291 million at June 30, 2017, and December 31, 2016, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

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The following table presents interest and dividends on investment securities.

| (\$ in millions) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|------|---------------------------|-------|
| | 2017 | 2016 | 2017 | 2016 |
| Taxable interest | \$130 | \$89 | \$249 | \$183 |
| Taxable dividends | 3 | 5 | 5 | 9 |
| Interest and dividends exempt from U.S. federal income tax | 6 | 5 | 11 | 9 |
| Interest and dividends on investment securities | \$139 | \$99 | \$265 | \$201 |

The following table presents gross gains and losses realized upon the sales of available-for-sale securities. There were no other-than-temporary impairments upon the sales of available-for-sale securities for either period.

| (\$ in millions) | Three months ended June 30, | | Six months ended June 30, | |
|--------------------------------|-----------------------------|------|---------------------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| Gross realized gains | \$24 | \$40 | \$51 | \$94 |
| Gross realized losses (a) | (1) | (1) | (1) | (1) |
| Other gain on investments, net | \$23 | \$39 | \$50 | \$93 |

Certain available-for-sale securities were sold at a loss in 2017 and 2016 as a result of market conditions within (a) these respective periods (e.g., a downgrade in the rating of a debt security). Any such sales were made in accordance with our risk management policies and practices.

The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the assessment of whether such losses were deemed to be other-than-temporary, we believe that the unrealized losses are not indicative of an other-than-temporary impairment of these securities. As of June 30, 2017, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis, and we expect to recover the entire amortized cost basis of the securities. As of June 30, 2017, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at June 30, 2017. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

| (\$ in millions) | June 30, 2017 | | | | December 31, 2016 | | | |
|--|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|
| | Less than 12 months | | 12 months or longer | | Less than 12 months | | 12 months or longer | |
| | Fair value | Unrealized loss | Fair value | Unrealized loss | Fair value | Unrealized loss | Fair value | Unrealized loss |
| Available-for-sale securities | | | | | | | | |
| Debt securities | | | | | | | | |
| U.S. Treasury | \$1,829 | \$ (39) | \$ — | \$ — | \$1,612 | \$ (60) | \$ — | \$ — |
| U.S. States and political subdivisions | 401 | (10) | 15 | (1) | 524 | (19) | — | — |

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| | | | | | | | | |
|--|----------|-----------|---------|----------|----------|-----------|---------|-----------|
| Foreign government | 26 | — | — | — | 38 | — | — | — |
| Agency mortgage-backed residential | 9,293 | (162) | 448 | (10) | 8,052 | (196) | 587 | (16) |
| Mortgage-backed residential | 410 | (6) | 763 | (30) | 813 | (17) | 860 | (53) |
| Mortgage-backed commercial | 102 | (1) | 49 | — | 47 | (1) | 149 | (1) |
| Asset-backed | 293 | (1) | 107 | (1) | 375 | (2) | 127 | — |
| Corporate debt | 495 | (7) | 36 | (2) | 744 | (14) | 46 | (2) |
| Total temporarily impaired debt securities | 12,849 | (226) | 1,418 | (44) | 12,205 | (309) | 1,769 | (72) |
| Temporarily impaired equity securities | 140 | (9) | 124 | (44) | 151 | (8) | 269 | (46) |
| Total temporarily impaired available-for-sale securities | \$12,989 | \$ (235) | \$1,542 | \$ (88) | \$12,356 | \$ (317) | \$2,038 | \$ (118) |

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8. Finance Receivables and Loans, Net

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

| (\$ in millions) | June 30, 2017 | December 31, 2016 |
|---|------------------|----------------------|
| Consumer automotive (a) | \$66,774 | \$ 65,793 |
| Consumer mortgage | | |
| Mortgage Finance (b) | 8,866 | 8,294 |
| Mortgage — Legacy (c) | 2,428 | 2,756 |
| Total consumer mortgage | 11,294 | 11,050 |
| Total consumer | 78,068 | 76,843 |
| Commercial | | |
| Commercial and industrial | | |
| Automotive | 34,782 | 35,041 |
| Other | 3,620 | 3,248 |
| Commercial real estate — Automotive | 4,058 | 3,812 |
| Total commercial | 42,460 | 42,101 |
| Total finance receivables and loans (d) | \$120,528 | \$ 118,944 |

(a) Includes \$28 million and \$43 million of fair value adjustment for loans in hedge accounting relationships at June 30, 2017, and December 31, 2016, respectively. Refer to Note 19 for additional information.

(b) Includes loans originated as interest-only mortgage loans of \$24 million and \$30 million at June 30, 2017, and December 31, 2016, respectively, 3% of which are expected to start principal amortization in 2017, none in 2018, 34% in 2019, 43% in 2020, and none thereafter.

(c) Includes loans originated as interest-only mortgage loans of \$587 million and \$714 million at June 30, 2017, and December 31, 2016, respectively, 7% of which are expected to start principal amortization in 2017, 2% in 2018, none in 2019, none in 2020, and 1% thereafter.

(d) Totals include net increases of \$439 million and \$359 million at June 30, 2017, and December 31, 2016, respectively, for unearned income, unamortized premiums and discounts, and deferred fees and costs.

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

| Three months ended June 30, 2017 (\$ in millions) | Consumer automotive | Consumer mortgage | Commercial | Total |
|---|------------------------|----------------------|------------|---------|
| Allowance at April 1, 2017 | \$ 941 | \$ 86 | \$ 128 | \$1,155 |
| Charge-offs (a) | (290) | (6) | — | (296) |
| Recoveries | 91 | 6 | — | 97 |
| Net charge-offs | (199) | — | — | (199) |
| Provision for loan losses | 260 | (3) | 12 | 269 |
| Allowance at June 30, 2017 | \$ 1,002 | \$ 83 | \$ 140 | \$1,225 |

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

| Three months ended June 30, 2016 (\$ in millions) | Consumer automotive | Consumer mortgage | Commercial | Total |
|---|------------------------|----------------------|------------|---------|
| Allowance at April 1, 2016 | \$ 850 | \$ 115 | \$ 112 | \$1,077 |

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| | | | | |
|----------------------------|--------|--------|--------|---------|
| Charge-offs (a) | (227) | (9) | (1) | (237) |
| Recoveries | 79 | 5 | 1 | 85 |
| Net charge-offs | (148) | (4) | — | (152) |
| Provision for loan losses | 168 | (2) | 6 | 172 |
| Other (b) | (8) | — | — | (8) |
| Allowance at June 30, 2016 | \$ 862 | \$ 109 | \$ 118 | \$1,089 |

Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

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

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| Six months ended June 30, 2017 (\$ in millions) | Consumer automotive | Consumer mortgage | Commercial | Total |
|---|------------------------|----------------------|------------|------------|
| Allowance at January 1, 2017 | \$ 932 | \$ 91 | \$ 121 | \$ 1,144 |
| Charge-offs (a) | (631) | (15) | — | (646) |
| Recoveries | 181 | 13 | — | 194 |
| Net charge-offs | (450) | (2) | — | (452) |
| Provision for loan losses | 527 | (6) | 19 | 540 |
| Other (b) | (7) | — | — | (7) |
| Allowance at June 30, 2017 | \$ 1,002 | \$ 83 | \$ 140 | \$ 1,225 |
| Allowance for loan losses at June 30, 2017 | | | | |
| Individually evaluated for impairment | \$ 34 | \$ 31 | \$ 32 | \$ 97 |
| Collectively evaluated for impairment | 968 | 52 | 108 | 1,128 |
| Finance receivables and loans at gross carrying value | | | | |
| Ending balance | \$ 66,774 | \$ 11,294 | \$ 42,460 | \$ 120,528 |
| Individually evaluated for impairment | 380 | 242 | 151 | 773 |
| Collectively evaluated for impairment | 66,394 | 11,052 | 42,309 | 119,755 |

Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

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

| Six months ended June 30, 2016 (\$ in millions) | Consumer automotive | Consumer mortgage | Commercial | Total |
|---|------------------------|----------------------|------------|------------|
| Allowance at January 1, 2016 | \$ 834 | \$ 114 | \$ 106 | \$ 1,054 |
| Charge-offs (a) | (480) | (19) | (1) | (500) |
| Recoveries | 159 | 9 | 1 | 169 |
| Net charge-offs | (321) | (10) | — | (331) |
| Provision for loan losses | 375 | 5 | 12 | 392 |
| Other (b) | (26) | — | — | (26) |
| Allowance at June 30, 2016 | \$ 862 | \$ 109 | \$ 118 | \$ 1,089 |
| Allowance for loan losses at June 30, 2016 | | | | |
| Individually evaluated for impairment | \$ 26 | \$ 37 | \$ 23 | \$ 86 |
| Collectively evaluated for impairment | 836 | 72 | 95 | 1,003 |
| Finance receivables and loans at gross carrying value | | | | |
| Ending balance | \$ 63,281 | \$ 11,084 | \$ 38,288 | \$ 112,653 |
| Individually evaluated for impairment | 348 | 254 | 122 | 724 |
| Collectively evaluated for impairment | 62,933 | 10,830 | 38,166 | 111,929 |

Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

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

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

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| | Three months ended June 30, | Six months ended June 30, | | |
|---------------------------|--------------------------------------|------------------------------|---------|---------|
| (\$ in millions) | 2017 | 2016 | 2017 | 2016 |
| Consumer automotive | \$85 | \$1,560 | \$1,298 | \$4,159 |
| Consumer mortgage | 3 | 4 | 6 | 6 |
| Commercial | — | 28 | — | 28 |
| Total sales and transfers | \$88 | \$1,592 | \$1,304 | \$4,193 |

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

| (\$ in millions) | Three months | | Six months | |
|--|------------------------|------------------------|------------------------|------------------------|
| | ended June 30, 2017 | ended June 30, 2016 | ended June 30, 2017 | ended June 30, 2016 |
| Consumer automotive | \$611 | \$— | \$679 | \$— |
| Consumer mortgage | 809 | 1,018 | 1,136 | 2,388 |
| Total purchases of finance receivables and loans | \$1,420 | \$1,018 | \$1,815 | \$2,388 |

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

| (\$ in millions) | 30–59 days past due | 60–89 days past due | 90 days or more past due | Total past due | Current | Total finance receivables and loans |
|-------------------------------------|------------------------|------------------------|--------------------------------|-------------------|-----------|--|
| June 30, 2017 | | | | | | |
| Consumer automotive | \$ 1,569 | \$ 350 | \$ 236 | \$ 2,155 | \$64,619 | \$ 66,774 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 32 | 3 | 6 | 41 | 8,825 | 8,866 |
| Mortgage — Legacy | 34 | 18 | 55 | 107 | 2,321 | 2,428 |
| Total consumer mortgage | 66 | 21 | 61 | 148 | 11,146 | 11,294 |
| Total consumer | 1,635 | 371 | 297 | 2,303 | 75,765 | 78,068 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Automotive | 18 | — | 8 | 26 | 34,756 | 34,782 |
| Other | — | — | — | — | 3,620 | 3,620 |
| Commercial real estate — Automotive | — | — | — | — | 4,058 | 4,058 |
| Total commercial | 18 | — | 8 | 26 | 42,434 | 42,460 |
| Total consumer and commercial | \$ 1,653 | \$ 371 | \$ 305 | \$ 2,329 | \$118,199 | \$ 120,528 |
| December 31, 2016 | | | | | | |
| Consumer automotive | \$ 1,850 | \$ 428 | \$ 302 | \$ 2,580 | \$63,213 | \$ 65,793 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 39 | 6 | 4 | 49 | 8,245 | 8,294 |
| Mortgage — Legacy | 45 | 18 | 57 | 120 | 2,636 | 2,756 |
| Total consumer mortgage | 84 | 24 | 61 | 169 | 10,881 | 11,050 |
| Total consumer | 1,934 | 452 | 363 | 2,749 | 74,094 | 76,843 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Automotive | 3 | — | 7 | 10 | 35,031 | 35,041 |
| Other | — | — | — | — | 3,248 | 3,248 |
| Commercial real estate — Automotive | — | — | — | — | 3,812 | 3,812 |
| Total commercial | 3 | — | 7 | 10 | 42,091 | 42,101 |
| Total consumer and commercial | \$ 1,937 | \$ 452 | \$ 370 | \$ 2,759 | \$116,185 | \$ 118,944 |

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

| (\$ in millions) | June 30, December 31, | |
|---|-----------------------|--------|
| | 2017 | 2016 |
| Consumer automotive | \$ 540 | \$ 598 |
| Consumer mortgage | | |
| Mortgage Finance | 9 | 10 |
| Mortgage — Legacy | 83 | 89 |
| Total consumer mortgage | 92 | 99 |
| Total consumer | 632 | 697 |
| Commercial | | |
| Commercial and industrial | | |
| Automotive | 75 | 33 |
| Other | 69 | 84 |
| Commercial real estate — Automotive | 7 | 5 |
| Total commercial | 151 | 122 |
| Total consumer and commercial finance receivables and loans | \$ 783 | \$ 819 |

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

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at gross carrying value. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is not expected. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information.

| (\$ in millions) | June 30, 2017 | | | December 31, 2016 | | |
|-------------------------|---------------|---------------|----------|-------------------|---------------|----------|
| | Performing | Nonperforming | Total | Performing | Nonperforming | Total |
| Consumer automotive | \$66,234 | \$ 540 | \$66,774 | \$65,195 | \$ 598 | \$65,793 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 8,857 | 9 | 8,866 | 8,284 | 10 | 8,294 |
| Mortgage — Legacy | 2,345 | 83 | 2,428 | 2,667 | 89 | 2,756 |
| Total consumer mortgage | 11,202 | 92 | 11,294 | 10,951 | 99 | 11,050 |
| Total consumer | \$77,436 | \$ 632 | \$78,068 | \$76,146 | \$ 697 | \$76,843 |

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

| (\$ in millions) | June 30, 2017 | | | December 31, 2016 | | |
|-------------------------------------|---------------|----------------|----------|-------------------|----------------|----------|
| | Pass | Criticized (a) | Total | Pass | Criticized (a) | Total |
| Commercial and industrial | | | | | | |
| Automotive | \$32,851 | \$ 1,931 | \$34,782 | \$33,160 | \$ 1,881 | \$35,041 |
| Other | 2,859 | 761 | 3,620 | 2,597 | 651 | 3,248 |
| Commercial real estate — Automotive | 3,906 | 152 | 4,058 | 3,653 | 159 | 3,812 |
| Total commercial | \$39,616 | \$ 2,844 | \$42,460 | \$39,410 | \$ 2,691 | \$42,101 |

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

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K.

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

| (\$ in millions) | Unpaid principal balance (a) | Gross carrying value | Impaired with no allowance | Impaired with an allowance | Allowance for impaired loans |
|---|---------------------------------------|----------------------------|----------------------------------|----------------------------------|---------------------------------------|
| June 30, 2017 | | | | | |
| Consumer automotive | \$ 396 | \$ 380 | \$ 102 | \$ 278 | \$ 34 |
| Consumer mortgage | | | | | |
| Mortgage Finance | 8 | 8 | 4 | 4 | — |
| Mortgage — Legacy | 238 | 234 | 55 | 179 | 31 |
| Total consumer mortgage | 246 | 242 | 59 | 183 | 31 |
| Total consumer | 642 | 622 | 161 | 461 | 65 |
| Commercial | | | | | |
| Commercial and industrial | | | | | |
| Automotive | 75 | 75 | 27 | 48 | 5 |
| Other | 78 | 69 | 10 | 59 | 26 |
| Commercial real estate — Automotive | 7 | 7 | 3 | 4 | 1 |
| Total commercial | 160 | 151 | 40 | 111 | 32 |
| Total consumer and commercial finance receivables and loans | \$ 802 | \$ 773 | \$ 201 | \$ 572 | \$ 97 |
| December 31, 2016 | | | | | |
| Consumer automotive | \$ 407 | \$ 370 | \$ 131 | \$ 239 | \$ 28 |
| Consumer mortgage | | | | | |
| Mortgage Finance | 8 | 8 | 3 | 5 | — |
| Mortgage — Legacy | 243 | 239 | 56 | 183 | 34 |
| Total consumer mortgage | 251 | 247 | 59 | 188 | 34 |
| Total consumer | 658 | 617 | 190 | 427 | 62 |
| Commercial | | | | | |
| Commercial and industrial | | | | | |
| Automotive | 33 | 33 | 7 | 26 | 3 |
| Other | 99 | 84 | — | 84 | 19 |
| Commercial real estate — Automotive | 5 | 5 | 2 | 3 | 1 |
| Total commercial | 137 | 122 | 9 | 113 | 23 |
| Total consumer and commercial finance receivables and loans | \$ 795 | \$ 739 | \$ 199 | \$ 540 | \$ 85 |

(a) Adjusted for charge-offs.

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

| Three months ended June 30, (\$ in millions) | 2017 | | 2016 | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Average balance | Interest income | Average balance | Interest income |
| Consumer automotive | \$391 | \$ 5 | \$341 | \$ 4 |
| Consumer mortgage | | | | |
| Mortgage Finance | 8 | — | 8 | — |
| Mortgage — Legacy | 238 | 3 | 251 | 3 |
| Total consumer mortgage | 246 | 3 | 259 | 3 |
| Total consumer | 637 | 8 | 600 | 7 |
| Commercial | | | | |
| Commercial and industrial | | | | |
| Automotive | 54 | 1 | 35 | — |
| Other | 73 | 8 | 65 | — |
| Commercial real estate — Automotive | 6 | — | 6 | — |
| Total commercial | 133 | 9 | 106 | — |
| Total consumer and commercial finance receivables and loans | \$770 | \$ 17 | \$706 | \$ 7 |

| Six months ended June 30, (\$ in millions) | 2017 | | 2016 | |
|---|-----------------|-----------------|-----------------|-----------------|
| | Average balance | Interest income | Average balance | Interest income |
| Consumer automotive | \$381 | \$ 10 | \$335 | \$ 8 |
| Consumer mortgage | | | | |
| Mortgage Finance | 8 | — | 8 | — |
| Mortgage — Legacy | 239 | 5 | 253 | 5 |
| Total consumer mortgage | 247 | 5 | 261 | 5 |
| Total consumer | 628 | 15 | 596 | 13 |
| Commercial | | | | |
| Commercial and industrial | | | | |
| Automotive | 47 | 1 | 32 | — |
| Other | 77 | 8 | 56 | 1 |
| Commercial real estate — Automotive | 6 | — | 7 | — |
| Total commercial | 130 | 9 | 95 | 1 |
| Total consumer and commercial finance receivables and loans | \$758 | \$ 24 | \$691 | \$ 14 |

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. For automotive loans, we may offer several types of assistance to aid our customers, including extension of the loan maturity date and rewriting the loan terms. Additionally, for mortgage loans, as part of certain programs, we offer mortgage loan modifications to qualified borrowers. These programs 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. Total TDRs recorded at gross carrying value were \$690 million and \$663 million at June 30, 2017, and December 31, 2016, respectively.

Commercial commitments to lend additional funds to borrowers whose terms had been modified in a TDR were \$4 million and \$2 million at June 30, 2017, and December 31, 2016, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information.

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

| Three months ended June 30, (\$ in millions) | 2017 | | | 2016 | | |
|---|-----------------|---------------------------------------|--|-----------------|---------------------------------------|--|
| | Number of loans | Pre-modification gross carrying value | Post-modification gross carrying value | Number of loans | Pre-modification gross carrying value | Post-modification gross carrying value |
| Consumer automotive | 5,762 | \$ 103 | \$ 88 | 4,767 | \$ 79 | \$ 68 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | — | — | — | 2 | 1 | 1 |
| Mortgage — Legacy | 19 | 3 | 2 | 26 | 4 | 4 |
| Total consumer mortgage | 19 | 3 | 2 | 28 | 5 | 5 |
| Total consumer | 5,781 | 106 | 90 | 4,795 | 84 | 73 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Other | 1 | 21 | 21 | — | — | — |
| Total commercial | 1 | 21 | 21 | — | — | — |
| Total consumer and commercial finance receivables and loans | 5,782 | \$ 127 | \$ 111 | 4,795 | \$ 84 | \$ 73 |

| Six months ended June 30, (\$ in millions) | 2017 | | | 2016 | | |
|---|-----------------|---------------------------------------|--|-----------------|---------------------------------------|--|
| | Number of loans | Pre-modification gross carrying value | Post-modification gross carrying value | Number of loans | Pre-modification gross carrying value | Post-modification gross carrying value |
| Consumer automotive | 12,209 | \$ 218 | \$ 187 | 10,389 | \$ 168 | \$ 144 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 1 | — | — | 3 | 2 | 2 |
| Mortgage — Legacy | 72 | 15 | 14 | 57 | 8 | 8 |
| Total consumer mortgage | 73 | 15 | 14 | 60 | 10 | 10 |
| Total consumer | 12,282 | 233 | 201 | 10,449 | 178 | 154 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Other | 2 | 44 | 44 | — | — | — |
| Total commercial | 2 | 44 | 44 | — | — | — |
| Total consumer and commercial finance receivables and loans | 12,284 | \$ 277 | \$ 245 | 10,449 | \$ 178 | \$ 154 |

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The following tables present information about finance receivables and loans recorded at gross carrying value that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

| Three months ended June 30, (\$ in millions) | 2017 | | | 2016 | | |
|--|-----------------|----------------------|-------------------|-----------------|----------------------|-------------------|
| | Number of loans | Gross carrying value | Charge-off amount | Number of loans | Gross carrying value | Charge-off amount |
| Consumer automotive | 2,143 | \$ 25 | \$ 17 | 1,858 | \$ 23 | \$ 13 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | — | — | — | — | — | — |
| Mortgage — Legacy | — | — | — | 2 | — | — |
| Total consumer finance receivables and loans | 2,143 | \$ 25 | \$ 17 | 1,860 | \$ 23 | \$ 13 |

| Six months ended June 30, (\$ in millions) | 2017 | | | 2016 | | |
|--|-----------------|----------------------|-------------------|-----------------|----------------------|-------------------|
| | Number of loans | Gross carrying value | Charge-off amount | Number of loans | Gross carrying value | Charge-off amount |
| Consumer automotive | 4,132 | \$ 49 | \$ 33 | 3,658 | \$ 46 | \$ 25 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 1 | 1 | — | — | — | — |
| Mortgage — Legacy | — | — | — | 3 | — | — |
| Total consumer finance receivables and loans | 4,133 | \$ 50 | \$ 33 | 3,661 | \$ 46 | \$ 25 |

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

| (\$ in millions) | June 30, 2017 | December 31, 2016 |
|-------------------------------------|---------------|-------------------|
| Vehicles | \$12,136 | \$ 14,584 |
| Accumulated depreciation | (2,419) | (3,114) |
| Investment in operating leases, net | \$9,717 | \$ 11,470 |

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

| (\$ in millions) | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|-------|---------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Depreciation expense on operating lease assets (excluding remarketing gains) | \$353 | \$520 | \$739 | \$1,085 |
| Remarketing gains | (32) | (86) | (29) | (141) |
| Net depreciation expense on operating lease assets | \$321 | \$434 | \$710 | \$944 |

10. Securitizations and Variable Interest Entities

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

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

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

We provide a wide range of consumer and commercial automotive loans, operating leases, and commercial loans to a diverse customer base. We securitize consumer and commercial automotive loans, and operating leases through private-label securitizations. We often

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securitize these loans and notes secured by operating leases (collectively referred to as financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. The pretax gain on sales of financial assets into nonconsolidated consumer automotive securitization trusts was \$0 million and \$2 million for the three months and six months ended June 30, 2017, respectively. There were no pretax gains or losses for the three months and six months ended June 30, 2016.

We provide long-term guarantee contracts to investors in certain nonconsolidated affordable housing entities and have extended a line of credit to provide liquidity. Since we do not have control over the entities or the power to make decisions, we do not consolidate the entities and our involvement is limited to the guarantee and the line of credit. We have involvement with various other nonconsolidated equity investments, including affordable housing entities and venture capital funds and loan funds. We do not consolidate these entities and our involvement is limited to our outstanding investment, additional capital committed to these funds plus any previously recognized low income housing tax credits that are subject to recapture.

Refer to Note 11 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K for further description of our securitization activities and our involvement with VIEs.

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The following table presents our involvement in consolidated and nonconsolidated VIEs in which we hold variable interests. For additional detail related to the assets and liabilities of consolidated variable interest entities refer to the Condensed Consolidated Balance Sheet.

| (\$ in millions) | Carrying value of total assets | Carrying value of total liabilities | Assets sold to nonconsolidated VIEs (a) | Maximum exposure to loss in nonconsolidated VIEs |
|--|--------------------------------|-------------------------------------|---|--|
| June 30, 2017 | | | | |
| On-balance sheet variable interest entities | | | | |
| Consumer automotive | \$18,495 (b) | \$7,941 (c) | | |
| Commercial automotive | 14,052 | 4,657 | | |
| Off-balance sheet variable interest entities | | | | |
| Consumer automotive | 48 (d) | — | \$ 2,662 | \$ 2,710 (e) |
| Commercial other | 539 (f) | 229 (g) | — | 719 (h) |
| Total | \$33,134 | \$12,827 | \$ 2,662 | \$ 3,429 |
| December 31, 2016 | | | | |
| On-balance sheet variable interest entities | | | | |
| Consumer automotive | \$20,869 (b) | \$8,557 (c) | | |
| Commercial automotive | 16,278 | 4,764 | | |
| Off-balance sheet variable interest entities | | | | |
| Consumer automotive | 24 (d) | — | \$ 2,899 | \$ 2,923 (e) |
| Commercial other | 460 (f) | 169 (g) | — | 651 (h) |
| Total | \$37,631 | \$13,490 | \$ 2,899 | \$ 3,574 |

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

Includes \$9.0 billion and \$9.6 billion of assets that are not encumbered by VIE beneficial interests held by third parties at June 30, 2017, and December 31, 2016, respectively. Ally or consolidated affiliates hold the interests in these assets, which eliminate in consolidation.

Includes \$87 million and \$50 million of liabilities due to consolidated affiliates at June 30, 2017, and December 31, 2016, respectively. These liabilities are not obligations to third-party beneficial interest holders. These liabilities are secured by a portion of the unencumbered assets and eliminate in consolidation.

Includes \$46 million classified as held-to-maturity securities and \$2 million classified as other assets at June 30, 2017. Of the total amount at June 30, 2017, \$48 million represents retained notes and certificated residual interests. These assets represent our compliance with the risk retention rules under the Dodd-Frank Act, requiring us to retain at least five percent of the credit risk of the assets underlying asset-backed securitizations, which became effective on December 24, 2016. Amounts at December 31, 2016, are classified as other assets.

Maximum exposure to loss represents the current unpaid principal balance of outstanding loans, retained notes, certificated residual interests, as well as certain noncertificated interests retained from the sale of automotive finance receivables. This measure is based on the very unlikely event that all of our sold loans have defects that would trigger a representation and warranty provision and the underlying collateral supporting the loans becomes worthless. This required disclosure is not an indication of our expected loss.

(f) Amounts are classified as other assets.

(g) Amounts are classified as accrued expenses and other liabilities.

(h)

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

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Cash Flows with Off-balance Sheet Securitization Entities

The following table summarizes cash flows received and paid related to securitization entities and asset-backed financings where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the six months ended June 30, 2017, and 2016. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

| Six months ended June 30, (\$ in millions) | Consumer automotive |
|--|---------------------|
| 2017 | |
| Cash proceeds from transfers completed during the period | \$ 1,187 |
| Cash disbursements for repurchases during the period (a) | (491) |
| Servicing fees | 18 |
| Cash flows received on retained interests in securitization entities | 10 |
| Other cash flows | 4 |
| 2016 | |
| Cash proceeds from transfers completed during the period | \$ 1,604 |
| Servicing fees | 17 |
| Other cash flows | 5 |

(a) During the second quarter of 2017, we elected to not renew a retail automotive credit conduit facility and also purchased the related retail automotive loans and settled associated retained interests.

Delinquencies and Net Credit Losses

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

| (\$ in millions) | Total Amount | | Amount 60 days or more past due | |
|---|---------------|-------------------|---------------------------------|-------------------|
| | June 30, 2017 | December 31, 2016 | June 30, 2017 | December 31, 2016 |
| On-balance sheet loans | | | | |
| Consumer automotive | \$66,774 | \$ 65,793 | \$586 | \$ 730 |
| Consumer mortgage | 11,297 | 11,050 | 82 | 85 |
| Commercial automotive | 38,840 | 38,853 | 8 | 7 |
| Commercial other | 3,634 | 3,248 | — | — |
| Total on-balance sheet loans | 120,545 | 118,944 | 676 | 822 |
| Off-balance sheet securitization entities | | | | |
| Consumer automotive | 2,662 | 2,392 | 13 | 13 |
| Total off-balance sheet securitization entities | 2,662 | 2,392 | 13 | 13 |
| Whole-loan sales (a) | 1,947 | 3,164 | 3 | 6 |
| Total | \$125,154 | \$ 124,500 | \$692 | \$ 841 |

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

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| (\$ in millions) | Net credit losses | | | |
|---|-----------------------------|-------|---------------------------|-------|
| | Three months ended June 30, | | Six months ended June 30, | |
| | 2017 | 2016 | 2017 | 2016 |
| On-balance sheet loans | | | | |
| Consumer automotive | \$199 | \$148 | \$450 | \$321 |
| Consumer mortgage | — | 4 | 2 | 10 |
| Total on-balance sheet loans | 199 | 152 | 452 | 331 |
| Off-balance sheet securitization entities | | | | |
| Consumer automotive | 3 | 2 | 6 | 4 |
| Total off-balance sheet securitization entities | 3 | 2 | 6 | 4 |
| Whole-loan sales (a) | 1 | 1 | 2 | 1 |
| Total | \$203 | \$155 | \$460 | \$336 |

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

11. Servicing Activities

Automotive Finance Servicing Activities

We service consumer automotive contracts. Historically, we have sold a portion of our consumer automotive contracts. With respect to contracts we sell, we generally retain the right to service and earn a servicing fee for our servicing function. We have concluded that the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automotive servicing fee income of \$14 million and \$30 million during the three months and six months ended June 30, 2017, respectively, compared to \$18 million and \$31 million during the three months and six months ended June 30, 2016.

Automotive Finance Serviced Assets

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

| (\$ in millions) | June 30, 2017 | December 31, 2016 |
|--|------------------|----------------------|
| On-balance sheet automotive finance loans and leases | | |
| Consumer automotive | \$66,491 | \$ 65,646 |
| Commercial automotive | 38,840 | 38,853 |
| Operating leases | 9,615 | 11,311 |
| Other | 67 | 67 |
| Off-balance sheet automotive finance loans | | |
| Securitizations | 2,690 | 2,412 |
| Whole-loan sales | 1,964 | 3,191 |
| Total serviced automotive finance loans and leases | \$119,667 | \$ 121,480 |

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12. Other Assets

The components of other assets were as follows.

| (\$ in millions) | June 30, December 31, | |
|---|-----------------------|----------|
| | 2017 | 2016 |
| Property and equipment at cost | \$985 | \$ 901 |
| Accumulated depreciation | (565) | (525) |
| Net property and equipment | 420 | 376 |
| Restricted cash collections for securitization trusts (a) | 1,259 | 1,694 |
| Nonmarketable equity investments (b) | 938 | 1,046 |
| Net deferred tax assets | 764 | 994 |
| Accrued interest and rent receivables | 470 | 476 |
| Goodwill (c) | 240 | 240 |
| Cash reserve deposits held for securitization trusts (d) | 143 | 184 |
| Other accounts receivable | 115 | 100 |
| Restricted cash and cash equivalents | 113 | 111 |
| Cash collateral placed with counterparties | 103 | 167 |
| Fair value of derivative contracts in receivable position (e) | 41 | 95 |
| Other assets | 1,347 | 1,371 |
| Total other assets | \$5,953 | \$ 6,854 |

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

Includes investments in FHLB stock of \$454 million and \$577 million at June 30, 2017, and December 31, 2016, (b) respectively; and Federal Reserve Bank (FRB) stock of \$444 million and \$435 million at June 30, 2017, and December 31, 2016, respectively.

Includes goodwill of \$27 million at our Insurance operations at both June 30, 2017, and December 31, 2016; \$193 million within Corporate and Other at both June 30, 2017, and December 31, 2016; and \$20 million within (c) Automotive Finance operations at both June 30, 2017, and December 31, 2016. No changes to the carrying amount of goodwill were recorded during the six months ended June 30, 2017.

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

(e) For additional information on derivative instruments and hedging activities, refer to Note 19.

13. Deposit Liabilities

Deposit liabilities consisted of the following.

| (\$ in millions) | June 30, December 31, | |
|--|-----------------------|-----------|
| | 2017 | 2016 |
| Noninterest-bearing deposits | \$107 | \$ 84 |
| Interest-bearing deposits | | |
| Savings and money market checking accounts | 50,732 | 46,976 |
| Certificates of deposit | 35,299 | 31,795 |
| Dealer deposits | 45 | 167 |
| Total deposit liabilities | \$86,183 | \$ 79,022 |

At June 30, 2017, and December 31, 2016, certificates of deposit included \$13.2 billion and \$12.1 billion, respectively, of certificates of deposit in denominations of \$100 thousand or more. At June 30, 2017, and December 31, 2016, certificates of deposit included \$3.7 billion and \$3.5 billion, respectively, in denominations in excess of \$250 thousand federal insurance limits.

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14. Debt

Short-term Borrowings

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

| (\$ in millions) | June 30, 2017 | | | December 31, 2016 | | |
|---|---------------|----------------|----------|-------------------|----------------|----------|
| | Unsecured | Secured (a) | Total | Unsecured | Secured (a) | Total |
| Demand notes | \$3,457 | \$— | \$3,457 | \$3,622 | \$— | \$3,622 |
| Federal Home Loan Bank | — | 4,300 | 4,300 | — | 7,875 | 7,875 |
| Financial instruments sold under agreements to repurchase | — | 1,706 | 1,706 | — | 1,176 | 1,176 |
| Other | 1,249 | (b)— | 1,249 | — | — | — |
| Total short-term borrowings | \$4,706 | \$6,006 | \$10,712 | \$3,622 | \$9,051 | \$12,673 |

(a) Refer to the section below titled Long-term Debt for further details on assets restricted as collateral for payment of the related debt.

(b) Balance represents private unsecured committed credit facility and includes debt issuance costs of \$1 million as of June 30, 2017. This debt is scheduled to mature in December 2017.

We periodically enter into term repurchase agreements, short-term borrowing agreements in which we sell financial instruments to one or more investors while simultaneously committing to repurchase them at a specified future date, at the stated price plus accrued interest. As of June 30, 2017, the financial instruments sold under agreements to repurchase consisted of \$139 million of U.S. Treasury securities set to mature within the next 30 days, and agency mortgage-backed residential debt securities set to mature as follows: \$652 million within the next 30 days, \$348 million within 31 to 60 days, and \$183 million within 61 to 90 days. For further details refer to Note 7 and Note 22. Additionally, in December 2016, we sold asset-backed automotive financial instruments, which are our retained interests from certain on-balance sheet securitizations, subject to a repurchase agreement initially set to mature by July 2017 in exchange for \$500 million, which was recorded as a short-term secured borrowing. As of June 30, 2017, the balance was \$384 million. In July 2017, we extended the maturity of this repurchase agreement to March 2018. The asset-backed automotive financial instruments that we sold subject to the repurchase agreement are secured by finance receivables that we have securitized. Refer to Note 10 for additional information on our securitization activities.

The primary risk associated with these repurchase agreements is that the counterparty will be unable to perform under the terms of the contract. As the borrower, we are exposed to the excess market value of the securities pledged over the amount borrowed. Daily mark-to-market collateral management is designed to limit this risk to the initial margin. However, should a counterparty declare bankruptcy or become insolvent, we may incur additional delays and costs. As of June 30, 2017, we placed cash collateral totaling \$11 million with counterparties under these collateral arrangements associated with our repurchase agreements.

Long-term Debt

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

| (\$ in millions) | June 30, 2017 | | | December 31, 2016 | | |
|---------------------------|---------------|----------|----------|-------------------|----------|----------|
| | Unsecured | Secured | Total | Unsecured | Secured | Total |
| Long-term debt | | | | | | |
| Due within one year | \$3,342 | \$8,402 | \$11,744 | \$4,274 | \$10,279 | \$14,553 |
| Due after one year (a) | 13,909 | 23,192 | 37,101 | 15,450 | 23,810 | 39,260 |
| Fair value adjustment (b) | 309 | (9) | 300 | 326 | (11) | 315 |
| Total long-term debt (c) | \$17,560 | \$31,585 | \$49,145 | \$20,050 | \$34,078 | \$54,128 |

(a) Includes \$2.6 billion of trust preferred securities at both June 30, 2017, and December 31, 2016.

(b) Represents the fair value adjustment associated with the application of hedge accounting on certain of our long-term debt positions. Refer to Note 19 for additional information.

(c) Includes advances from the FHLB of Pittsburgh of \$6.5 billion and \$6.1 billion at June 30, 2017, and December 31, 2016, respectively.

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The following table presents the scheduled remaining maturity of long-term debt at June 30, 2017, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

| (\$ in millions) | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 and thereafter | Fair value adjustment | Total |
|-------------------------|---------|----------|----------|---------|---------|---------------------|-----------------------|----------|
| Unsecured | | | | | | | | |
| Long-term debt | \$1,792 | \$3,700 | \$1,681 | \$2,249 | \$638 | \$8,473 | \$309 | \$18,842 |
| Original issue discount | (47) | (100) | (39) | (39) | (43) | (1,014) | — | (1,282) |
| Total unsecured | 1,745 | 3,600 | 1,642 | 2,210 | 595 | 7,459 | 309 | 17,560 |
| Secured | | | | | | | | |
| Long-term debt | 4,824 | 7,928 | 8,610 | 6,109 | 2,566 | 1,557 | (9) | 31,585 |
| Total long-term debt | \$6,569 | \$11,528 | \$10,252 | \$8,319 | \$3,161 | \$9,016 | \$300 | \$49,145 |

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

| (\$ in millions) | June 30, 2017 | | December 31, 2016 | |
|---|---------------|-----------|-------------------|-----------|
| | Total (a) | Ally Bank | Total (a) | Ally Bank |
| Investment securities (b) | \$3,260 | \$1,896 | \$4,895 | \$4,231 |
| Mortgage assets held-for-investment and lending receivables | 11,193 | 11,193 | 10,954 | 10,954 |
| Consumer automotive finance receivables (b) | 25,658 | 4,421 | 27,846 | 5,751 |
| Commercial automotive finance receivables | 17,883 | 17,733 | 19,487 | 19,280 |
| Investment in operating leases, net | 956 | 28 | 2,040 | 913 |
| Total assets restricted as collateral (c) (d) | \$58,950 | \$35,271 | \$65,222 | \$41,129 |
| Secured debt | \$37,591 (e) | \$17,194 | \$43,129 (e) | \$22,149 |

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

A portion of the restricted investment securities and consumer automotive finance receivables are restricted under (b) repurchase agreements. Refer to the section above titled Short-term Borrowings for information on the repurchase agreements.

Ally Bank has an advance agreement with the FHLB, and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling \$17.1 billion and \$19.0 billion at June 30, 2017, and December 31, 2016, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans and investment securities. Ally Bank has access to the FRB Discount Window. Ally Bank had assets pledged and (c) restricted as collateral to the FRB totaling \$2.4 billion at both June 30, 2017, and December 31, 2016, respectively. These assets were composed of consumer automotive finance receivables and loans and operating lease assets. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(d) Excludes restricted cash and cash reserves for securitization trusts recorded within other assets on the Condensed Consolidated Balance Sheet. Refer to Note 12 for additional information.

(e) Includes \$6.0 billion and \$9.1 billion of short-term borrowings at June 30, 2017, and December 31, 2016, respectively.

Trust Preferred Securities

At June 30, 2017, we have issued and outstanding approximately \$2.6 billion in aggregate liquidation preference of 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series 2 (Series 2 TRUPS). Each Series 2 TRUPS security has a liquidation amount of \$25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions were payable at an annual rate of 8.125% payable quarterly in arrears, through

but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. Ally at any time on or after February 15, 2016, may redeem the Series 2 TRUPS at a redemption price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest through the date of redemption. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Funding Facilities

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

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As of June 30, 2017, Ally Bank had exclusive access to \$2.0 billion of funding capacity from committed credit facilities. Funding programs supported by the FRB and the FHLB complement Ally Bank's private collateralized funding vehicles.

The total capacity in our committed funding facilities is provided by banks through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At June 30, 2017, \$15.6 billion of our \$16.4 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of June 30, 2017, we had \$2.6 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

| (\$ in millions) | Outstanding | | Unused capacity (a) | | Total capacity | |
|----------------------------|---------------|-------------------|---------------------|-------------------|----------------|-------------------|
| | June 30, 2017 | December 31, 2016 | June 30, 2017 | December 31, 2016 | June 30, 2017 | December 31, 2016 |
| Bank funding | | | | | | |
| Secured (b) | \$ 1,750 | \$ 3,250 | \$ 250 | \$ 350 | \$ 2,000 | \$ 3,600 |
| Parent funding | | | | | | |
| Secured | 10,880 | 11,550 | 2,295 | 1,975 | 13,175 | 13,525 |
| Unsecured | 1,250 | — | — | 1,250 | 1,250 | 1,250 |
| Total committed facilities | \$ 13,880 | \$ 14,800 | \$ 2,545 | \$ 3,575 | \$ 16,425 | \$ 18,375 |

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

(b) Excludes off-balance sheet credit facility amounts.

15. Accrued Expenses and Other Liabilities

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

| (\$ in millions) | June 30, 2017 | December 31, 2016 |
|--|---------------|-------------------|
| Accounts payable | \$ 871 | \$ 649 |
| Employee compensation and benefits | 182 | 232 |
| Reserves for insurance losses and loss adjustment expenses | 179 | 149 |
| Fair value of derivative contracts in payable position (a) | 43 | 95 |
| Deferred revenue | 40 | 56 |
| Cash collateral received from counterparties | 6 | 10 |
| Other liabilities | 571 | 546 |
| Total accrued expenses and other liabilities | \$ 1,892 | \$ 1,737 |

(a) For additional information on derivative instruments and hedging activities, refer to Note 19.

16. Accumulated Other Comprehensive (Loss) Income

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

| (\$ in millions) | Unrealized gains on investment securities (a) | Translation adjustments and net investment hedges (b) | Cash flow hedges (b) | Defined benefit pension plans | Accumulated other comprehensive (loss) income |
|------------------------------|---|---|----------------------|-------------------------------|---|
| Balance at December 31, 2015 | \$ (159) | \$ 9 | \$ 8 | \$ (89) | \$ (231) |
| 2016 net change | 262 | 5 | — | (1) | 266 |

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| | | | | | |
|------------------------------|-----------|-------|------|----------|-----------|
| Balance at June 30, 2016 | \$ 103 | \$ 14 | \$ 8 | \$ (90) | \$ 35 |
| Balance at December 31, 2016 | \$ (273) | \$ 14 | \$ 8 | \$ (90) | \$ (341) |
| 2017 net change | 96 | — | 1 | (1) | 96 |
| Balance at June 30, 2017 | \$ (177) | \$ 14 | \$ 9 | \$ (91) | \$ (245) |

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

(b) For additional information on derivative instruments and hedging activities, refer to Note 19.

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

| Three months ended June 30, 2017 (\$ in millions) | Before tax | Tax effect | After tax |
|--|------------|-------------|-----------|
| Investment securities | | | |
| Net unrealized gains arising during the period | \$ 132 | \$(37) | \$ 95 |
| Less: Net realized gains reclassified to income from continuing operations | 23 | (a)(3)(b)20 | |
| Net change | 109 | (34) | 75 |
| Translation adjustments | | | |
| Net unrealized gains arising during the period | 4 | (1) | 3 |
| Net investment hedges (c) | | | |
| Net unrealized losses arising during the period | (4) | 1 | (3) |
| Cash flow hedges (c) | | | |
| Net unrealized gains arising during the period | 1 | — | 1 |
| Other comprehensive income | \$ 110 | \$(34) | \$ 76 |

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

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

(c) For additional information on derivative instruments and hedging activities, refer to Note 19.

| Three months ended June 30, 2016 (\$ in millions) | Before tax | Tax effect | After tax |
|---|------------|------------|-----------|
| Investment securities | | | |
| Net unrealized gains arising during the period | \$ 185 | \$(25) | \$ 160 |
| Less: Net realized gains reclassified to income from continuing operations | 39 | (a)1(b)40 | |
| Net change | 146 | (26) | 120 |
| Translation adjustments | | | |
| Net unrealized losses arising during the period | (1) | — | (1) |
| Less: Net realized losses reclassified to income from discontinued operations, net of tax | (1) | — | (1) |
| Net change | — | — | — |
| Other comprehensive income | \$ 146 | \$(26) | \$ 120 |

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

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

| Six months ended June 30, 2017 (\$ in millions) | Before tax | Tax effect | After tax |
|--|------------|-------------|-----------|
| Investment securities | | | |
| Net unrealized gains arising during the period | \$ 183 | \$(42) | \$ 141 |
| Less: Net realized gains reclassified to income from continuing operations | 50 | (a)(5)(b)45 | |
| Net change | 133 | (37) | 96 |
| Translation adjustments | | | |
| Net unrealized gains arising during the period | 6 | (2) | 4 |
| Net investment hedges (c) | | | |
| Net unrealized losses arising during the period | (6) | 2 | (4) |

| | | | |
|---|-------|--------|------|
| Cash flow hedges (c) | | | |
| Net unrealized gains arising during the period | 1 | — | 1 |
| Defined benefit pension plans | | | |
| Net unrealized losses arising during the period | (1) | — | (1) |
| Other comprehensive income | \$133 | \$(37) | \$96 |

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

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

(c) For additional information on derivative instruments and hedging activities, refer to Note 19.

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| Six months ended June 30, 2016 (\$ in millions) | Before Tax | Tax Effect | After Tax |
|---|------------|------------|-----------|
| Investment securities | | | |
| Net unrealized gains arising during the period | \$465 | \$(129) | \$336 |
| Less: Net realized gains reclassified to income from continuing operations | 93 | (a)(19) | (b)74 |
| Net change | 372 | (110) | 262 |
| Translation adjustments | | | |
| Net unrealized gains arising during the period | 12 | (5) | 7 |
| Less: Net realized losses reclassified to income from discontinued operations, net of tax | (1) | — | (1) |
| Net change | 13 | (5) | 8 |
| Net investment hedges (c) | | | |
| Net unrealized losses arising during the period | (6) | 3 | (3) |
| Defined benefit pension plans | | | |
| Net unrealized losses arising during the period | (1) | — | (1) |
| Other comprehensive income | \$378 | \$(112) | \$266 |

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

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

(c) For additional information on derivative instruments and hedging activities, refer to Note 19.

17. Earnings per Common Share

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

| (\$ in millions, except per share data; shares in thousands) (a) | Three months ended June 30, | | Six months ended June 30, | |
|---|-----------------------------|---------|---------------------------|---------|
| | 2017 | 2016 | 2017 | 2016 |
| Net income from continuing operations | \$254 | \$357 | \$467 | \$604 |
| Preferred stock dividends | — | (15) | — | (30) |
| Net income from continuing operations attributable to common shareholders | 254 | 342 | 467 | 574 |
| (Loss) income from discontinued operations, net of tax | (2) | 3 | (1) | 6 |
| Net income attributable to common shareholders | \$252 | \$345 | \$466 | \$580 |
| Basic weighted-average common shares outstanding (b) | 457,891 | 485,370 | 461,904 | 484,802 |
| Diluted weighted-average common shares outstanding (b) | 458,819 | 486,074 | 462,802 | 485,364 |
| Basic earnings per common share | | | | |
| Net income from continuing operations | \$0.55 | \$0.70 | \$1.01 | \$1.18 |
| (Loss) income from discontinued operations, net of tax | (0.01) | 0.01 | — | 0.01 |
| Net income | \$0.55 | \$0.71 | \$1.01 | \$1.20 |
| Diluted earnings per common share | | | | |
| Net income from continuing operations | \$0.55 | \$0.70 | \$1.01 | \$1.18 |
| (Loss) income from discontinued operations, net of tax | (0.01) | 0.01 | — | 0.01 |
| Net income | \$0.55 | \$0.71 | \$1.01 | \$1.19 |

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

(b) Includes shares related to share-based compensation that vested but were not yet issued for the three months and six months ended June 30, 2017, and 2016.

18. Regulatory Capital and Other Regulatory Matters

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

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Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Condensed Consolidated Financial Statements or the results of operations and financial condition of Ally and Ally Bank. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we and Ally Bank must meet specific capital guidelines that involve quantitative measures of capital, assets and certain off-balance sheet items. These measures and related classifications, which are used in the calculation of our risk-based and leverage capital ratios and those of Ally Bank, are also subject to qualitative judgments by the regulators about the components of capital, the risk-weightings of assets and other exposures, and other factors. The FRB also uses these ratios and guidelines as part of the capital planning and stress testing processes. In addition, in order for Ally to maintain its status as a FHC, Ally and its bank subsidiary, Ally Bank, must remain “well-capitalized” and “well-managed,” as defined under applicable laws. The “well-capitalized” standard for insured depository institutions, such as Ally Bank, reflects the capital requirements under U.S. Basel III.

Under U.S. Basel III, Ally must maintain a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum Total risk-based capital ratio of 8%. In addition to these minimum requirements, Ally is also subject to a Common Equity Tier 1 capital conservation buffer of more than 2.5%, subject to a phase-in period from January 1, 2016, through December 31, 2018. Failure to maintain the full amount of the buffer will result in restrictions on Ally’s ability to make capital distributions, including dividend payment and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. In addition to these new risk-based capital standards, U.S. Basel III subjects all U.S. banking organizations, including Ally, to a minimum Tier 1 leverage ratio of 4%, the denominator of which takes into account only on-balance sheet assets. U.S. Basel III also revised the eligibility criteria for regulatory capital instruments and provides for the phase-out of instruments that had previously been recognized as capital but that do not satisfy these criteria. Subject to certain exceptions (e.g., for certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other “hybrid” securities are no longer included in a BHC's Tier 1 capital as of January 1, 2016. Also, subject to a phase-in schedule, certain items are deducted from Common Equity Tier 1 capital that had not previously been deducted from regulatory capital, and certain other deductions from regulatory capital have been modified. Among other things, U.S. Basel III requires significant investments in the common shares of unconsolidated financial institutions, mortgage servicing rights, and certain deferred tax assets that exceed specified individual and aggregate thresholds to be deducted from Common Equity Tier 1 capital. U.S. Basel III also revised the standardized approach for calculating risk-weighted assets by, among other things, modifying certain risk weights and the methods for calculating risk-weighted assets for certain types of assets and exposures.

Ally is subject to the U.S. Basel III standardized approach for credit risk. It is not subject to the U.S. Basel III advanced approaches for credit risk. Ally is currently not subject to the U.S. market risk capital rule, which applies only to banking organizations with significant trading assets and liabilities.

On March 7, 2016, Ally Bank received approval from the FRB to become a state member bank. Ally Bank is now regulated by the FRB through the Federal Reserve Bank of Chicago, as well as the Utah Department of Financial Institutions (UDFI). As a requirement of FRB membership, we held \$444 million of FRB stock at June 30, 2017. In addition, in connection with the application for membership in the Federal Reserve System, Ally Bank made commitments to the FRB relating to capital, liquidity, and business plan requirements. These commitments are consistent with the prior requirements under the now-terminated Capital and Liquidity Maintenance Agreement with the Federal Deposit Insurance Corporation (FDIC), including the requirement to maintain capital at a level such that Ally Bank’s Tier 1 leverage ratio is at least 15%. For this purpose, the Tier 1 leverage ratio is determined in accordance with the FRB's regulations related to capital adequacy.

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

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The following table summarizes our capital ratios under the U.S. Basel III capital framework.

| (\$ in millions) | June 30, 2017 | | December 31, 2016 | | Required minimum | Well-capitalized minimum |
|--|---------------|---------|-------------------|---------|------------------|--------------------------|
| | Amount | Ratio | Amount | Ratio | | |
| Capital ratios | | | | | | |
| Common Equity Tier 1 (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | \$13,066 | 9.47 % | \$12,978 | 9.37 % | 4.50 % | (a) |
| Ally Bank | 18,975 | 17.89 | 17,888 | 16.70 | 4.50 | 6.50 % |
| Tier 1 (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | \$15,417 | 11.18 % | \$15,147 | 10.93 % | 6.00 % | 6.00 % |
| Ally Bank | 18,975 | 17.89 | 17,888 | 16.70 | 6.00 | 8.00 |
| Total (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | \$17,704 | 12.83 % | \$17,419 | 12.57 % | 8.00 % | 10.00 % |
| Ally Bank | 19,651 | 18.53 | 18,458 | 17.24 | 8.00 | 10.00 |
| Tier 1 leverage (to adjusted quarterly average assets) (b) | | | | | | |
| Ally Financial Inc. | \$15,417 | 9.51 % | \$15,147 | 9.54 % | 4.00 % | (a) |
| Ally Bank | 18,975 | 15.31 | 17,888 | 15.21 | 15.00 (c) | 5.00 % |

(a) Currently, there is no ratio component for determining whether a BHC is "well-capitalized."

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

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

At June 30, 2017, Ally and Ally Bank were "well-capitalized" and met all applicable capital requirements to which each was subject.

Capital Planning and Stress Tests

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

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

As part of the 2016 Comprehensive Capital Analysis and Review (CCAR) process, we received non-objection from the FRB for capital actions which included a quarterly cash dividend of \$0.08 per share of our common stock and the ability to repurchase up to \$700 million of our common stock from time to time through the second quarter of 2017. Our first common stock dividend of \$0.08 per share was paid during the third quarter of 2016 and we paid a cash dividend of \$0.08 per share on our common stock during each subsequent quarter through the second quarter of 2017. Additionally, the Ally Board of Directors authorized a common stock repurchase program of up to \$700 million beginning in the third quarter of 2016 and continuing through the second quarter of 2017. Under that program, we repurchased \$699 million, or 35,625,615 shares of common stock. At June 30, 2017, we had 452,291,918 shares of common stock outstanding, representing a decrease of 6.5% compared to 483,753,360 shares of common stock outstanding at June 30, 2016.

On April 5, 2017, we submitted our 2017 capital plan and stress test results to the FRB. On June 23, 2017, we publicly disclosed summary results of the stress test under the most severe scenario in accordance with regulatory requirements. On June 28, 2017, we received a non-objection to our capital plan from the FRB, including the proposed capital actions contained in our submission. The capital actions include a 50% increase in the quarterly cash dividend on common stock from \$0.08 per share to \$0.12 per share, and a 9% increase in our share repurchase program, which has been authorized by the Ally Board of Directors, permitting us to repurchase up to \$760 million of our common stock from time to time from the third quarter of 2017 through the second quarter of 2018. On July 18, 2017, the Ally Board of Directors declared a quarterly cash dividend payment of \$0.12 per share on all common stock. Refer to Note 26 for further information regarding this common share dividend.

Our ability to make capital distributions, including our ability to pay dividends or repurchase shares of our common stock, will continue to be subject to the FRB's review of and non-objection to the actions that we propose each year in our annual capital plan. The amount and size of any future dividends and share repurchases will depend upon our results of operations, capital levels, future opportunities, consideration and approval by the Ally Board of Directors, and other considerations.

In January 2017, the FRB finalized a rule amending the capital planning and stress testing rules, effective for the 2017 cycle. The final rule, among other things, revised the capital plan rule to no longer subject large and noncomplex firms, including Ally, to the provisions of the rule whereby the FRB may object to a capital plan on the basis of qualitative deficiencies in the firm's capital planning process. Under the

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final rule, the qualitative assessment of Ally's capital plan is conducted outside of the CCAR process, through the supervisory review process. For the 2017 cycle, the FRB's qualitative assessment of Ally's capital plan began in the third quarter of 2017. The final rule also decreased the de minimis threshold for the amount of capital that Ally could distribute to shareholders outside of an approved capital plan without seeking prior approval of the FRB, and modified Ally's reporting requirements to reduce certain reporting burdens related to capital planning and stress testing.

19. Derivative Instruments and Hedging Activities

We enter into interest rate, foreign-currency, and equity swaps, futures, forwards, and options in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including available-for-sale securities, automotive loan assets, and debt. We use foreign exchange contracts to mitigate foreign-currency risk associated with foreign-currency-denominated debt, foreign exchange transactions, and our net investment in foreign subsidiaries. In addition, we also enter into equity option contracts to manage our exposure to the equity markets. Our primary objective for utilizing derivative financial instruments is to manage interest rate risk associated with our fixed- and variable-rate assets and liabilities, foreign exchange risks related to our foreign-currency denominated assets and liabilities, and market risks related to our investment portfolio and certain of our executive share-based compensation plans.

Interest Rate Risk

We monitor our mix of fixed- and variable-rate assets and liabilities. We may enter into interest rate swaps, forwards, futures, options, and swaptions to achieve our desired mix of fixed- and variable-rate assets and liabilities. We execute interest rate swaps, forwards, futures, and options to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable-rate and certain variable-rate instruments to a fixed-rate. We use a mix of both derivatives that qualify for hedge accounting treatment and economic hedges.

Derivatives qualifying for hedge accounting consist of receive-fixed swaps designated as fair value hedges of specific fixed-rate unsecured debt obligations, receive-fixed swaps designated as fair value hedges of specific fixed-rate FHLB advances and pay-fixed swaps designated as fair value hedges of specific portfolios of fixed-rate held-for-investment retail automotive loan assets. As of June 30, 2017, there were no open hedges related to our held-for-investment retail automotive loan assets. Periodically, we may also execute fair value hedges of U.S. Treasury positions within our available-for-sale investment portfolio. Other derivatives qualifying for hedge accounting consist of pay-fixed swaps designated as cash flow hedges of the expected future cash flows in the form of interest payments on certain variable-rate borrowings.

We also execute economic hedges, which consist of interest rate swaps and interest rate caps held to mitigate interest rate risk associated with our debt portfolio. We also use interest rate swaps to economically hedge our net fixed-versus-variable interest rate exposure. We enter into economic hedges in the form of short-dated, exchange-traded Eurodollar futures to hedge the interest rate exposure of our fixed-rate automotive loans, as well as forwards, options, and swaptions to economically hedge our net fixed-versus-variable interest rate exposure. We also enter into interest rate lock commitments and forward-sale commitments that are executed as part of our mortgage business that meet the accounting definition of a derivative.

Foreign Exchange Risk

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

We enter into foreign-currency forwards with external counterparties as net investment hedges of foreign exchange exposure on our investments in foreign subsidiaries. Our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive loss. We also periodically enter into foreign-currency forwards to economically hedge our foreign-denominated debt, our centralized lending program, and foreign-denominated third-party loans. These forward currency forwards that are used as economic hedges are recorded at fair value with changes recorded as income

offsetting the gains and losses on the associated foreign-currency transactions.

Market Risk

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

Counterparty Credit Risk

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

To mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements generally require both parties to post collateral in the event the fair values of the derivative financial instruments meet posting thresholds established under the agreements. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our

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collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. These payments are characterized as collateral for over-the-counter (OTC) derivatives. For exchange-traded derivatives, these payments are recognized as settlements rather than collateral.

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. No such specified credit risk related events occurred during the second quarter of 2017 or 2016.

We placed cash collateral totaling \$92 million and securities collateral totaling \$56 million at June 30, 2017, and \$122 million and \$72 million at December 31, 2016, respectively, in accounts maintained by counterparties. This amount primarily relates to collateral posted to support our derivative positions. This amount also excludes cash and securities pledged as collateral under repurchase agreements. At June 30, 2017, and December 31, 2016, we placed cash collateral totaling \$11 million and \$45 million, respectively, with counterparties under collateral arrangements associated with repurchase agreements. Refer to Note 14 for details on the repurchase agreements. The receivables for cash collateral placed are included in our Condensed Consolidated Balance Sheet in other assets.

We received cash collateral from counterparties totaling \$6 million and \$10 million at June 30, 2017, and December 31, 2016, respectively, primarily to support these derivative positions. This amount also excludes cash and securities pledged as collateral under repurchase agreements. Refer to Note 14 for details on the repurchase agreements. The payables for cash collateral received are included on our Condensed Consolidated Balance Sheet in accrued expenses and other liabilities. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At June 30, 2017, and December 31, 2016, we received noncash collateral of \$3 million and \$6 million, respectively. Included in these amounts is noncash collateral where we have been granted the right to sell or pledge the underlying assets. We have not sold or pledged any of the noncash collateral received under these agreements.

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Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. Notional amounts are reference amounts from which contractual obligations are derived and are not recorded on the balance sheet. In our view, derivative notional is not an accurate measure of our derivative exposure when viewed in isolation from other factors, such as market rate fluctuations and counterparty credit risk.

| (\$ in millions) | June 30, 2017 | | | December 31, 2016 | | |
|---|---|--|-----------------|---|--|-----------------|
| | Derivative contracts in a receivable position (a) | Derivative contracts in a payable position (b) | Notional amount | Derivative contracts in a receivable position (a) | Derivative contracts in a payable position (b) | Notional amount |
| Derivatives designated as accounting hedges | | | | | | |
| Interest rate contracts | | | | | | |
| Swaps (c) (d) (e) (f) (g) | \$ — | \$ — | \$ 4,225 | \$ 19 | \$ 21 | \$ 4,731 |
| Foreign exchange contracts | | | | | | |
| Forwards | — | 3 | 154 | 1 | — | 171 |
| Total derivatives designated as accounting hedges | — | 3 | 4,379 | 20 | 21 | 4,902 |
| Derivatives not designated as accounting hedges | | | | | | |
| Interest rate contracts | | | | | | |
| Swaps | — | — | 15 | — | — | 137 |
| Futures and forwards | — | — | 103 | — | — | — |
| Written options | 1 | 39 | 12,449 | — | 73 | 14,518 |
| Purchased options | 39 | — | 12,346 | 73 | — | 14,517 |
| Total interest rate risk | 40 | 39 | 24,913 | 73 | 73 | 29,172 |
| Foreign exchange contracts | | | | | | |
| Futures and forwards | 1 | 1 | 142 | 1 | — | 92 |
| Total foreign exchange risk | 1 | 1 | 142 | 1 | — | 92 |
| Equity contracts | | | | | | |
| Written options | — | — | — | — | 1 | — |
| Purchased options | — | — | — | 1 | — | — |
| Total equity risk | — | — | — | 1 | 1 | — |
| Total derivatives not designated as accounting hedges | 41 | 40 | 25,055 | 75 | 74 | 29,264 |
| Total derivatives | \$ 41 | \$ 43 | \$ 29,434 | \$ 95 | \$ 95 | \$ 34,166 |

Derivative contracts in a receivable position are classified as other assets on the Condensed Consolidated Balance Sheet, and include accrued interest of \$0 million and \$7 million at June 30, 2017, and December 31, 2016, respectively.

Derivative contracts in a liability position are classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet, and include accrued interest of \$0 million and \$1 million at June 30, 2017, and December 31, 2016, respectively.

Includes fair value hedges consisting of receive-fixed swaps on fixed-rate unsecured debt obligations with \$0 million and \$8 million in a receivable position, \$0 million and \$14 million in a payable position, and a \$3.3 billion and \$1.7 billion notional amount at June 30, 2017, and December 31, 2016, respectively. The hedge notional amount of \$3.3 billion at June 30, 2017, is associated with debt maturing in approximately five or more years.

Includes fair value hedges consisting of receive-fixed swaps on fixed-rate secured debt obligations (FHLB (d) advances) with \$0 million and \$0 million in a receivable position, \$0 million and \$7 million in a payable position, and a \$240 million notional amount at both June 30, 2017, and December 31, 2016.

Other fair value hedges include pay-fixed swaps on portfolios of held-for-investment automotive loan assets with (e) \$0 million and \$10 million in a receivable position, \$0 million and \$1 million in a payable position, and a \$0.0 billion and \$2.8 billion notional amount at June 30, 2017, and December 31, 2016, respectively.

(f) Includes cash flow hedge of pay-fixed swap on variable-rate borrowings of a secured credit facility with \$0 million in a receivable and payable position, and \$650 million of notional amount at June 30, 2017.

Derivative contracts in a receivable and payable position exclude open trade equity on derivatives cleared through certain clearing counterparties. Any associated collateral exchanged with our central clearing counterparties are (g) treated as settlements of the derivative exposure, rather than collateral. Such payments are recognized as settlements of the derivatives contracts in a receivable and payable position in our Condensed Consolidated Balance Sheet.

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Statement of Comprehensive Income Presentation

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

| | Three months ended June 30, | | Six months ended June 30, | |
|--|-----------------------------|--------|---------------------------|---------|
| (\$ in millions) | 2017 | 2016 | 2017 | 2016 |
| Derivatives qualifying for hedge accounting | | | | |
| (Loss) gain recognized in earnings on derivatives | | | | |
| Interest rate contracts | | | | |
| Interest and fees on finance receivables and loans (a) | \$ (1) | \$ (6) | \$ 1 | \$ (34) |
| Interest on long-term debt (b) | 20 | 51 | 24 | 242 |
| Gain (loss) recognized in earnings on hedged items | | | | |
| Interest rate contracts | | | | |
| Interest and fees on finance receivables and loans (c) | 1 | 5 | (3) | 33 |
| Interest on long-term debt (d) | (20) | (50) | (23) | (246) |
| Total derivatives qualifying for hedge accounting | — | — | (1) | (5) |
| Derivatives not designated as accounting hedges | | | | |
| (Loss) gain recognized in earnings on derivatives | | | | |
| Interest rate contracts | | | | |
| Gain on mortgage and automotive loans, net | 1 | — | 1 | — |
| Other income, net of losses | (1) | 1 | (3) | 3 |
| Total interest rate contracts | — | 1 | (2) | 3 |
| Foreign exchange contracts (e) | | | | |
| Interest on long-term debt | — | (1) | — | (2) |
| Other income, net of losses | (3) | 1 | (4) | (3) |
| Total foreign exchange contracts | (3) | — | (4) | (5) |
| Equity contracts | | | | |
| Compensation and benefits expense | — | (1) | — | (2) |
| Total equity contracts | — | (1) | — | (2) |
| Loss recognized in earnings on derivatives | \$ (3) | \$ — | \$ (7) | \$ (9) |

Amounts exclude losses related to interest for qualifying accounting hedges of retail automotive loans held-for-investment, which are primarily offset by the fixed coupon payments of the loans. The losses were \$0 million and \$5 million for the three months ended June 30, 2017, and 2016, respectively, and \$1 million and \$12 million for the six months ended June 30, 2017, and 2016, respectively.

Amounts exclude gains related to interest for qualifying accounting hedges of unsecured debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$7 million and \$11 million for the three months ended June 30, 2017, and 2016, respectively, and \$12 million and \$27 million for the six months ended (b) June 30, 2017, and 2016, respectively. Amounts also exclude gains related to interest for qualifying accounting hedges of secured debt (FHLB advances), which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$0 million and \$2 million for the three months ended June 30, 2017, and 2016, respectively, and \$0 million and \$3 million for the six months ended June 30, 2017, and 2016, respectively.

(c) Amounts exclude losses related to amortization of deferred loan basis adjustments on the de-designated hedged item of \$6 million and \$4 million for the three months ended June 30, 2017, and 2016, respectively, and \$11

million and \$9 million for the six months ended June 30, 2017, and 2016, respectively.

Amounts exclude gains related to amortization of deferred debt basis adjustments on the de-designated hedged item of \$20 million and \$21 million for the three months ended June 30, 2017, and 2016, respectively, and \$40 million and \$39 million for the six months ended June 30, 2017, and 2016, respectively. Amounts also exclude (d) losses related to amortization of deferred debt basis adjustments (FHLB advances) on the de-designated hedge item of \$1 million and \$0 million for the three months ended June 30, 2017, and 2016, respectively, and \$1 million and \$0 million for the six months ended June 30, 2017, and 2016, respectively.

Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Losses of \$4 million and \$1 million were recognized for the three months ended June 30, 2017, and 2016, (e) respectively, and gains of \$5 million and \$3 million were recognized for the six months ended June 30, 2017, and 2016, respectively.

In connection with derivative instruments used in cash flow and net investment hedge accounting relationships, losses of \$4 million and \$0 million were recognized in other comprehensive income for the three months ended June 30, 2017, and 2016, respectively, and losses of \$6 million were recognized in other comprehensive income for both the six months ended June 30, 2017, and 2016. These amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive loss related to the revaluation of the related net investment in foreign operations, including the tax impacts of the hedge and related net investment, as disclosed

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separately in Note 16. There were gains of \$4 million and \$0 million for the three months ended June 30, 2017, and 2016, respectively, and \$7 million and \$11 million for the six months ended June 30, 2017, and 2016.

20. Income Taxes

We recognized total income tax expense from continuing operations of \$122 million and \$235 million for the three months and six months ended June 30, 2017, respectively, compared to \$56 million and \$206 million for the same periods in 2016. The increases in income tax expense for the three months and six months ended June 30, 2017, compared to the same periods in 2016, were primarily driven by a non-recurring tax benefit in the second quarter of 2016 due to a U.S. tax reserve release related to a prior-year federal return that reduced our liability for unrecognized tax benefits by \$175 million. This benefit was partially offset by the establishment of a valuation allowance on capital loss carryforwards for the three months ended June 30, 2016, and a decrease in pretax earnings.

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for capital loss carryforwards, certain foreign tax credits, and state net operating loss carryforwards will not be realized. In recognition of this risk, we continue to provide a full valuation allowance on capital loss carryforwards and a partial valuation allowance on the deferred tax assets relating to foreign tax credits and state net operating loss carryforwards.

21. Fair Value

Fair Value Measurements

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

GAAP specifies a three-level hierarchy that is used when measuring and disclosing fair value. The fair value hierarchy gives the highest priority to quoted prices available in active markets (i.e., observable inputs) and the lowest priority to data lacking transparency (i.e., unobservable inputs). An instrument's categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 1 Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.

Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities;

Level 2 quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.

Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally,

Level 3 Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

Transfers Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred.

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

•

Available-for-sale securities — All classes of available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).

Interests retained in financial asset sales — Includes certain noncertificated interests retained from the sale of automotive finance receivables. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).

Derivative instruments — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, options of Eurodollar futures, and equity options. To

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determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

We also execute OTC and centrally-cleared derivative contracts, such as interest rate swaps, a cross-currency swap, swaptions, foreign-currency denominated forward contracts, prepaid equity forward contracts, caps, floors, and agency to-be-announced securities. For OTC contracts, we utilize third-party-developed valuation models that are widely accepted in the market to value these OTC derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves, interpolated volatility assumptions, or equity pricing) are used in the model. We classified these OTC derivative contracts as Level 2 because all significant inputs into these models were market observable. For centrally-cleared contracts, we utilize unadjusted prices obtained from the clearing house as the basis for valuation, and they are also classified as Level 2.

We also enter into interest rate lock commitments and forward-sale commitments that are executed as part of our mortgage business. These meet the accounting definition of a derivative and therefore are recorded as derivatives on our Condensed Consolidated Balance Sheet. Because these derivatives are valued using internal pricing models, they are classified as Level 3.

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

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Recurring Fair Value

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

| June 30, 2017 (\$ in millions) | Recurring fair value measurements | | | |
|---|-----------------------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| U.S. Treasury | \$1,852 | \$— | \$ — | \$1,852 |
| U.S. States and political subdivisions | — | 782 | — | 782 |
| Foreign government | 7 | 143 | — | 150 |
| Agency mortgage-backed residential | — | 13,676 | — | 13,676 |
| Mortgage-backed residential | — | 2,038 | — | 2,038 |
| Mortgage-backed commercial | — | 475 | — | 475 |
| Asset-backed | — | 1,014 | — | 1,014 |
| Corporate debt | — | 1,272 | — | 1,272 |
| Total debt securities | 1,859 | 19,400 | — | 21,259 |
| Equity securities (a) | 505 | — | — | 505 |
| Total available-for-sale securities | 2,364 | 19,400 | — | 21,764 |
| Mortgage loans held-for-sale | — | — | 3 | 3 |
| Interests retained in financial asset sales | — | — | 5 | 5 |
| Derivative contracts in a receivable position (b) | | | | |
| Interest rate | — | 39 | 1 | 40 |
| Foreign currency | — | 1 | — | 1 |
| Total derivative contracts in a receivable position | — | 40 | 1 | 41 |
| Total assets | \$2,364 | \$19,440 | \$ 9 | \$21,813 |
| Liabilities | | | | |
| Accrued expenses and other liabilities | | | | |
| Derivative contracts in a payable position (b) | | | | |
| Interest rate | \$— | \$(39) | \$ — | \$(39) |
| Foreign currency | — | (4) | — | (4) |
| Total derivative contracts in a payable position | — | (43) | — | (43) |
| Total liabilities | \$— | \$(43) | \$ — | \$(43) |

(a) Our investment in any one industry did not exceed 18%.

(b) For additional information on derivative instruments and hedging activities, refer to Note 19.

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| December 31, 2016 (\$ in millions) | Recurring fair value measurements | | | |
|---|-----------------------------------|----------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investment securities | | | | |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| U.S. Treasury | \$1,620 | \$— | \$ — | \$1,620 |
| U.S. States and political subdivisions | — | 782 | — | 782 |
| Foreign government | 11 | 151 | — | 162 |
| Agency mortgage-backed residential | — | 10,290 | — | 10,290 |
| Mortgage-backed residential | — | 2,097 | — | 2,097 |
| Mortgage-backed commercial | — | 537 | — | 537 |
| Asset-backed | — | 1,400 | — | 1,400 |
| Corporate debt | — | 1,443 | — | 1,443 |
| Total debt securities | 1,631 | 16,700 | — | 18,331 |
| Equity securities (a) | 595 | — | — | 595 |
| Total available-for-sale securities | 2,226 | 16,700 | — | 18,926 |
| Other assets | | | | |
| Interests retained in financial asset sales | — | — | 29 | 29 |
| Derivative contracts in a receivable position (b) | | | | |
| Interest rate | — | 92 | — | 92 |
| Foreign currency | — | 2 | — | 2 |
| Other | 1 | — | — | 1 |
| Total derivative contracts in a receivable position | 1 | 94 | — | 95 |
| Total assets | \$2,227 | \$16,794 | \$ 29 | \$19,050 |
| Liabilities | | | | |
| Accrued expenses and other liabilities | | | | |
| Derivative contracts in a payable position (b) | | | | |
| Interest rate | \$— | \$(94) | \$ — | \$(94) |
| Other | (1) | — | — | (1) |
| Total derivative contracts in a payable position | (1) | \$(94) | — | \$(95) |
| Total liabilities | \$(1) | \$(94) | \$ — | \$(95) |

(a) Our investment in any one industry did not exceed 14%.

(b) For additional information on derivative instruments and hedging activities, refer to Note 19.

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

| (\$ in millions) | Level 3 recurring fair value measurements | | | | | | | Fair value included at June 30, 2017 | Net unrealized gains included in earnings still held at June 30, 2017 |
|---|---|--|-----------------|-----------|--------|-----------|-------------|--------------------------------------|---|
| | Fair value at April 1, 2017 | Net realized/unrealized gains included in earnings | included in OCI | Purchases | Sales | Issuances | Settlements | | |
| Assets | | | | | | | | | |
| Mortgage loans held-for-sale | \$1 | \$ — | \$ — | -\$ 20 | \$(18) | \$ — | \$ — | \$ 3 | \$ — |
| Other assets | | | | | | | | | |
| Interests retained in financial asset sales | 31 | 1 | — | — | 4 | — | (31) | 5 | — |
| Derivative assets | — | 1 | — | — | — | — | — | 1 | 1 |
| Total assets | \$32 | \$ 2 | \$ — | -\$ 20 | \$(14) | \$ — | -\$ (31) | \$ 9 | \$ 1 |

| (\$ in millions) | Level 3 recurring fair value measurements | | | | | | | Fair value included at June 30, 2016 | Net unrealized gains included in earnings still held at June 30, 2016 |
|---|---|--|-----------------|-----------|-------|-----------|-------------|--------------------------------------|---|
| | Fair value at April 1, 2016 | Net realized/unrealized gains included in earnings | included in OCI | Purchases | Sales | Issuances | Settlements | | |
| Assets | | | | | | | | | |
| Other assets | | | | | | | | | |
| Interests retained in financial asset sales | \$31 | \$ 1 (a) | \$ — | -\$ — | -\$ 2 | \$ — | -\$ (3) | \$ 31 | \$ — |
| Total assets | \$31 | \$ 1 | \$ — | -\$ — | -\$ 2 | \$ — | -\$ (3) | \$ 31 | \$ — |

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

| (\$ in millions) | Level 3 recurring fair value measurements | | | | | | | Fair value included at June 30, 2017 | Net unrealized gains included in |
|------------------|---|---|-----------------|-----------|-------|-----------|-------------|--------------------------------------|----------------------------------|
| | Fair value at in | Net realized/unrealized gains included in | included in OCI | Purchases | Sales | Issuances | Settlements | | |
| | | | | | | | | | |

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| | Jan. earnings 1, 2017 | | | | | | | | earnings still held at June 30, 2017 |
|---|---|----------|------|-----------------|-----------|-------|-----------|-------------|---|
| Assets | | | | | | | | | |
| Mortgage loans held-for-sale | \$— | \$ — | \$ — | \$ —23 | \$(20) | \$ — | \$ — | \$ 3 | \$ — |
| Other assets | | | | | | | | | |
| Interests retained in financial asset sales | 29 | 1 | — | — | 8 | — | (33) |) 5 | — |
| Derivative assets | — | 1 | — | — | — | — | — | 1 | 1 |
| Total assets | \$29 | \$ 2 | \$ — | \$ —23 | \$(12) | \$ — | —\$ (33) |) \$ 9 | \$ 1 |
| | Level 3 recurring fair value measurements | | | | | | | | |
| | Net realized/unrealized | | | | | | | | Net unrealized |
| | Fair gains value at Jan. included 1, in 2017 earnings | | | | Purchases | Sales | Issuances | Settlements | Fair gains value included at June 30, 2016 |
| (\$ in millions) | | | | included in OCI | | | | | earnings still held at June 30, 2016 |
| Assets | | | | | | | | | |
| Other assets | | | | | | | | | |
| Interests retained in financial asset sales | \$40 | \$ 3 (a) | \$ — | \$ — | —\$ 6 | \$ — | —\$ (18) |) \$ 31 | \$ — |
| Total assets | \$40 | \$ 3 | \$ — | \$ — | —\$ 6 | \$ — | —\$ (18) |) \$ 31 | \$ — |

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

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Nonrecurring Fair Value

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

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

| June 30, 2017 (\$ in millions) | Nonrecurring fair value measurements | | | Lower-of-cost or fair value or valuation reserve allowance | Total gain (loss) included in earnings for the three months ended | Total gain (loss) included in earnings for the six months ended |
|---|--------------------------------------|---------|---------|--|---|---|
| | Level 1 | Level 2 | Level 3 | | | |
| Assets | | | | | | |
| Loans held-for-sale, net | \$— | — | \$ 13 | \$ — | n/m | (a)n/m |
| Commercial finance receivables and loans, net (b) | | | | | | |
| Commercial and industrial Automotive | — | 45 | 45 | \$ (6) | n/m | (a)n/m |