Ally Financial Inc.
Form 10-Q
May 01, 2013
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2013, or

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

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

Delaware	38-0572512
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)
(866) 710-4623
(Registrant's telephone number, including area code)

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

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

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

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

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

At April 30, 2013, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

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

Statement continues on the next page.
The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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

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

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

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

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

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

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

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

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

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

($ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2012	$19,668	$5,685	$1,255	$(7,415)	$ 87	$19,280
Net income				310		310
Preferred stock dividends — U.S. Department of Treasury				(134)		(134)
Preferred stock dividends				(67)		(67)
Other comprehensive income					187	187
Balance at March, 2012	$19,668	$5,685	$1,255	$(7,306)	$ 274	$19,576
Balance at January 1, 2013	$19,668	$5,685	$1,255	$(7,021)	$ 311	$19,898
Net income				1,093		1,093
Preferred stock dividends — U.S. Department of Treasury				(133)		(133)
Preferred stock dividends				(67)		(67)
Other comprehensive loss					(317)	(317)
Balance at March 31, 2013	$19,668	$5,685	$1,255	$(6,128)	$ (6)	$20,474

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Three months ended March 31, ($ in millions)	2013	2012
Operating activities		
Net income	$1,093	$310
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	657	568
Changes in fair value of mortgage servicing rights	90	(1)
Provision for loan losses	158	140
Gain on sale of loans, net	(38)	(131)
Net gain on investment securities	(53)	(96)
Originations and purchases of loans held-for-sale	(5,759)	(9,626)
Proceeds from sales and repayments of loans held-for-sale	7,481	11,111
Gain on sale of subsidiaries, net	(888)	—
Net change in		
Trading assets	—	(268)
Deferred income taxes	(116)	(31)
Interest payable	44	86
Other assets	1,329	755
Other liabilities	(1,259)	(865)
Other, net	(485)	190
Net cash provided by operating activities	2,254	2,142
Investing activities		
Purchases of available-for-sale securities	(4,626)	(3,172)
Proceeds from sales of available-for-sale securities	1,543	2,940
Proceeds from maturities and repayment of available-for-sale securities	1,604	1,222
Net increase in finance receivables and loans	(42)	(4,409)
Purchases of operating lease assets	(2,352)	(1,468)
Disposals of operating lease assets	641	465
Proceeds from sale of business units, net (a)	2,829	29
Net change in restricted cash	1,067	280
Other, net	41	43
Net cash provided by (used in) investing activities	705	(4,070)

Statement continues on the next page.
The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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Condensed Consolidated Statement of Cash Flows (unaudited)

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Three months ended March 31, ($ in millions)	2013	2012
Financing activities		
Net change in short-term borrowings	518	(546)
Net increase in deposits	2,360	2,089
Proceeds from issuance of long-term debt	4,253	10,749
Repayments of long-term debt	(11,445)	(10,024)
Dividends paid	(200)	(200)
Net cash (used in) provided by financing activities	(4,514)	2,068
Effect of exchange-rate changes on cash and cash equivalents	67	(141)
Net decrease in cash and cash equivalents	(1,488)	(1)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	1,412	45
Cash and cash equivalents at beginning of year	7,513	13,035
Cash and cash equivalents at March 31,	$7,437	$13,079
Supplemental disclosures		
Cash paid for		
Interest	$1,026	$1,218
Income taxes	37	178
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	10	63

(a) The amounts are net of cash and cash equivalents of $905 million at March 31, 2013 and $64 million at March 31, 2012 of business units at the time of disposition.

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

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

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

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

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

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

Residential Capital, LLC

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

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

On November 21, 2012, the Bankruptcy Court entered orders approving the sale of the Debtors' (i) mortgage servicing platform (the Platform Sale) to Ocwen Loan Servicing, LLC and Walter Investment Management Corp. and (ii) "whole-loan" portfolio (the Whole-Loan Sale) to Berkshire Hathaway Inc. under section 363 of the Bankruptcy Code, and not as part of the Plan as originally contemplated. The Whole-Loan Sale closed on February 5, 2013, and the Platform Sale closed on February 15, 2013.

As of the Petition Date, two separate groups of institutional investors in residential mortgage-backed securities (RMBS Investors) issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to settle alleged representation and warranty claims against the Debtors' estates in exchange for a total $8.7 billion allowed claim in the Debtors' bankruptcy cases, subject to the applicable securitization trustees' acceptance of the terms of the settlements (the RMBS Settlements). The RMBS Investors also signed separate plan

support agreements (PSAs) with the Debtors and AFI in support of the Plan at the time of entering into the RMBS Settlements. To date, RMBS Investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to the RMBS Settlements. These 336 securitizations have an aggregate original principal balance of approximately $189 billion (out of a total of 392 outstanding securitizations with an original principal balance of $221 billion). The RMBS Settlements are subject to Bankruptcy Court approval, and the Bankruptcy Court has scheduled a hearing to consider such approval beginning on May 28, 2013. The PSAs are not part of this scheduled Bankruptcy Court hearing. A number of creditors have raised objections to the RMBS Settlements, but the trustees representing the 336 securitization trusts and AFI have filed statements in support of the Debtors' motion to approve the RMBS Settlements. Separately, the Debtors have failed to meet several Plan milestones in their bankruptcy cases, each of which has given the RMBS Investors the right to terminate the PSAs upon three business days advance written notice to the Debtors and AFI. On April 18, 2013, one of the two groups of RMBS Investors represented by Talcott Franklin P.C. sent the Debtors and AFI a notice of termination of its PSA. The other group of RMBS Investors represented by Gibbs and Bruns LLP has not given the Debtors and AFI such a notice to date, but have the right to do so at any time. If the RMBS Settlements were not approved or the RMBS Investors were to decide not to support any proposed plan, it could adversely impact the likelihood that any plan is approved by the Bankruptcy Court. AFI continues to support the RMBS Settlements at this time.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed

former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the Examiner's investigation. The investigation includes, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors proposed to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. In the Examiner's original work plan, the Examiner estimated that his investigation and related report would be completed six months from approximately August 6, 2012. However, on February 7, 2013 the Examiner informed the Bankruptcy Court in the third supplement to the work plan that the investigation and related report will not be completed until early May 2013.

On December 26, 2012, the Bankruptcy Court, in an effort to facilitate plan negotiations, entered an order appointing bankruptcy judge James M. Peck, Esq. as mediator (the Mediator) through and until February 28, 2013, to assist the parties in resolving certain issues relating to the formulation and confirmation of the Plan. On March 5, 2013, the Bankruptcy Court entered an order extending the Mediator's term to and including May 31, 2013, unless the Mediator declares in a written order on an earlier date that the mediation is at an impasse and should be terminated. AFI, the Debtors, the official committee of unsecured creditors appointed in the Debtors' bankruptcy cases (the Creditors' Committee) and certain other creditor constituencies are engaging in ongoing mediation sessions under a Bankruptcy Court order of confidentiality. Given the inherent uncertainty of the bankruptcy process, it is reasonably possible that a settlement could be reached that results in a payment substantially higher than the current $750 million estimate, or that no settlement is reached at all. The ultimate outcome of these settlement discussions will be affected by various factors, including, among others, the highly complex nature of the bankruptcy process, competing interests of various parties, disparate creditor priorities, the uncertainty of obtaining certain non-financial terms being sought, competing jurisdictional claims, uncertain residual estate property value, and the timing and unknown conclusions of the independent examiner's investigation.

On February 26, 2013, the Debtors and the Creditors' Committee entered into an agreement, the terms of which provided that, among other things, the Creditors' Committee would support extending the Debtors' exclusive period to file a Chapter 11 plan through and until April 30, 2013, the Debtors would consent to any motion filed by the Creditors' Committee after April 30, 2013 seeking standing to bring estate causes of action against AFI and the Debtors would allow the Settlement to automatically expire on February 28, 2013.

Thereafter, on March 5, 2013, the Bankruptcy Court entered an order extending the Debtors' exclusive period to file a Chapter 11 plan through and until April 30, 2013. On April 15, 2013, the Bankruptcy court entered an order further extending the Debtors' exclusive period to file a Chapter 11 plan through and until May 7, 2013.

On April 11, 2013, the Creditors' Committee filed a motion seeking standing to assert claims against AFI on behalf of the Debtors' estates. In its motion, the Creditors' Committee alleged, among other things, that AFI stripped the Debtors of valuable assets and exercised domination, control and abuse of the Debtors. The Creditors' Committee's claims against AFI include veil-piercing, fraudulent conveyance, indemnification, preferential transfer, and equitable subordination. The Creditors' Committee asserted that AFI may be liable for billions of dollars on account of these claims. AFI believes that these claims have no merit and is fully prepared to litigate these claims to final resolution. The Bankruptcy Court has scheduled a hearing for May 7, 2013 to consider the Creditors' Committee's motion for standing.

On February 27, 2013, the Debtors filed a motion with the Bankruptcy Court seeking, for purposes of any proposed Chapter 11 plan, that GMAC Mortgage's obligation to conduct and pay for independent file review regarding certain residential foreclosure actions and foreclosure sales prosecuted by GMAC Mortgage and its subsidiaries, as required under the Consent Order, be classified as a general unsecured claim in an amount to be determined, and that the

automatic stay under the Bankruptcy Code be applied to prevent the FRB, the FDIC, and other governmental entities from taking any action to enforce the obligation against the Debtors (the Foreclosure Review Motion). The Bankruptcy Court is expected to issue a written opinion on the relief sought in the Foreclosure Review Motion in the near future. If the Bankruptcy Court approves the Foreclosure Review Motion, such governmental entities are likely to seek to enforce the obligation against AFI, and any such obligations ultimately borne by AFI could be material.

We are currently named as defendants in various lawsuits relating to ResCap mortgage-backed securities and certain other mortgage-related matters (the Mortgage Cases), which are described in more detail in Note 26. We had previously disclosed that several of the Mortgage Cases were subject to orders entered by the Bankruptcy Court staying the matters through April 30, 2013 in connection with the Debtors bankruptcy. On May 1, 2013, all stay orders applicable to the Ally non-Debtor defendants with respect to the Mortgage Cases expired. As a result, all of the Mortgage Cases are proceeding against us.

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

As a result of the bankruptcy filing, effective May 14, 2012, we deconsolidated ResCap from our financial statements. During the first quarter of 2013, we discontinued performing certain mortgage activities, which were required as part of the bankruptcy process until the sale

of certain assets occurred. As a result of us discontinuing these certain mortgage activities, the operations of ResCap were classified as discontinued.

Based on our assessment of the effect of the deconsolidation of ResCap, obligations under the Plan, and other impacts related to the Chapter 11 filing, we recorded a charge of $1.2 billion during 2012, within our (loss) income from discontinued operations, net of tax. This charge primarily consists of the impairment of Ally's $442 million equity investment in ResCap and the $750 million cash contribution to be made by us to the Debtors' estate described above. As of March 31, 2013, we have $1.1 billion of financing due from ResCap, which is classified as Finance Receivables and Loans, net on our Condensed Consolidated Balance Sheet. We maintain no allowance or impairment against these receivables because management considers them to be fully collectible. At March 31, 2013, our hedging arrangements with ResCap were fully collateralized. Because of the uncertain nature of the bankruptcy proceedings, we cannot predict the ultimate financial impact to Ally. Refer to Note 26 for additional information regarding these bankruptcy proceedings.

Significant Accounting Policies

Income Taxes

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

Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

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

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

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

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

Recently Issued Accounting Standards

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

In February 2013, the Financial Accounting Standards Board issued ASU 2013-04. This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount

the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. It further requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. ASU 2013-04 will be effective for us on January 1, 2014, with retrospective application required. The adoption of this guidance is not expected to have a material effect on our consolidated financial condition or results of operations.

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

In March 2013, the Financial Accounting Standards Board issued ASU 2013-05. This ASU requires a reporting entity that ceases to have a controlling financial interest, in a subsidiary or group of assets or a business, within a foreign entity to release any related Cumulative Translation Adjustment (CTA) into net income. The CTA should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For an equity method investment that is a foreign entity, a pro rata portion of the CTA should be released into net income upon a partial sale of such an investment. This ASU clarifies that the sale of an investment in a foreign entity includes both events that result in the loss of a controlling financial interest in a foreign entity, irrespective of any retained investment, and events that result in step acquisition under which an acquirer obtains control of an acquiree in which it held an equity interest

immediately before the acquisition date. Under these circumstances, the CTA should be released into net income upon their occurrence. ASU 2013-04 will be effective for us prospectively on January 1, 2014. Management is currently assessing the potential impact of the application of this guidance. However, since the guidance is prospective and we are in the process of exiting most of our international operations, it is not expected to have a material effect on our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

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

Select Mortgage Operations

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

Select Insurance Operations

During the fourth quarter of 2012, we committed to sell our Mexican insurance business, ABA Seguros, to the ACE Group. We expect to complete the ABA Seguros sale during the second quarter of 2013. During the first quarter of 2013, we sold our U.K.-based operations to a wholly owned subsidiary of AmTrust Financial Services, Inc.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. On April 1, 2013, we completed the sale of the majority of our operations in Europe and Latin America to GM Financial. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium and the Netherlands, and Latin American operations in Mexico, Chile and Colombia. Refer to Note 27 for further detail. We expect to complete the sale of the remaining operations during 2013 and possibly 2014.

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

Select Corporate and Other Operations

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

Select Financial Information

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

	Three months ended March 31,	
($ in millions)	2013	2012
Select Mortgage operations		
Total net revenue	$—	$403
Pretax (loss) income including direct costs to transact a sale (a)	(20)	133
Tax expense (b)	16	16
Select Insurance operations		
Total net revenue	$148	$156
Pretax income including direct costs to transact a sale	28	38
Tax expense	1	9
Select Automotive Finance operations		
Total net revenue	$286	$387
Pretax income including direct costs to transact a sale (a)	1,042 (c)	196
Tax (benefit) expense (b)	(1)	39
Select Corporate and Other operations		
Total net revenue	$—	$2
Pretax (loss) income	(1)	6
Tax expense	—	1

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.
(b) Includes certain income tax activity recognized by Corporate and Other.
(c) Includes recognized pretax gain of $888 million in connection with the sale of our Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust.

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Held-for-sale Operations

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

March 31, 2013 ($ in millions)	Select Insurance operations (a)	Select Automotive Finance operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	$4	$150	$154
Interest-bearing	66	514	580
Total cash and cash equivalents	70	664	734
Investment securities	418	3	421
Finance receivables and loans, net			
Finance receivables and loans, net	—	15,175	15,175
Allowance for loan losses	—	(177)	(177)
Total finance receivables and loans, net	—	14,998	14,998
Investment in operating leases, net	—	128	128
Premiums receivable and other insurance assets	257	—	257
Other assets	70	2,455	2,525
Total assets	$815	$18,248	$19,063
Liabilities			
Interest-bearing deposit liabilities	$—	$17	$17
Short-term borrowings	—	3,059	3,059
Long-term debt	—	8,092	8,092
Interest payable	—	155	155
Unearned insurance premiums and service revenue	417	—	417
Accrued expenses and other liabilities	221	1,272	1,493
Total liabilities	$638	$12,595	$13,233

(a) Includes ABA Seguros.
(b) Includes our international entities being sold to GM Financial.

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

(a) Includes our U.K.-based operations and ABA Seguros.
(b) Includes our Canadian operations sold to Royal Bank of Canada and international entities being sold to GM Financial.

Recurring Fair Value

The following table displays the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. Refer to Note 22 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

	Recurring fair value measurements			
($ in millions)	Level 1	Level 2	Level 3	Total
March 31, 2013				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	$328	$—	$—	$328
Corporate debt	—	93	—	93
Other assets				
Derivative assets:				
Interest rate contracts	—	—	7	7
Foreign currency contracts	—	17	—	17
Total assets	$328	$110	$7	$445
Liabilities				
Accrued expenses and other liabilities:				
Derivative liabilities				
Interest rate contracts	$—	$11	$8	$19
Total liabilities	$—	$11	$8	$19
December 31, 2012				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	$555	$42	$—	$597
Corporate debt	—	76	—	76
Other	—	327	—	327
Other assets				
Derivative assets:				
Interest rate contracts	—	22	9	31
Total assets	$555	$467	$9	$1,031
Liabilities				
Accrued expenses and other liabilities:				
Derivative liabilities				
Interest rate contracts	$—	$24	$11	$35
Foreign currency contracts	—	1	18	19
Total liabilities	$—	$25	$29	$54

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3. Other Income, Net of Losses

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

	Three months ended March 31,	
($ in millions)	2013	2012
Mortgage processing fees and other mortgage income	$79	$122
Late charges and other administrative fees	23	21
Remarketing fees	20	17
Fair value adjustment on derivatives (a)	—	12
Other, net	35	38
Total other income, net of losses	$157	$210

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

4. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended March 31,	
($ in millions)	2013	2012
Insurance commissions	$92	$99
Mortgage representation and warranty obligation, net (a)	83	—
Lease and loan administration	81	54
Technology and communications	71	89
Professional services	48	38
Advertising and marketing	35	35
Regulatory and licensing fees	33	33
Premises and equipment depreciation	20	17
Vehicle remarketing and repossession	14	16
Occupancy	11	14
State and local non-income taxes	10	9
Other	60	50
Total other operating expenses	$558	$454

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

5. Investment Securities

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

	March 31, 2013				December 31, 2012			
	Amortized	Gross unrealized		Fair	Amortized	Gross unrealized		Fair
($ in millions)	cost	gains	losses	value	cost	gains	losses	value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$2,097	$3	$(1)	$2,099	$2,212	$3	$(1)	$2,214
Foreign government	297	9	—	306	295	8	—	303
Mortgage-backed residential (a)	8,722	111	(18)	8,815	6,779	130	(3)	6,906
Asset-backed	2,191	31	(1)	2,221	2,309	32	(1)	2,340
Corporate debt	1,272	56	(2)	1,326	1,209	57	(3)	1,263
Total debt securities	14,579	210	(22)	14,767	12,804	230	(8)	13,026
Equity securities	986	48	(49)	985	1,193	32	(73)	1,152
Total available-for-sale securities (b)	$15,565	$258	$(71)	$15,752	$13,997	$262	$(81)	$14,178

(a) Residential mortgage-backed securities include agency-backed bonds totaling $6,217 million and $4,983 million at March 31, 2013, and December 31, 2012, respectively.

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

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

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
March 31, 2013										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$2,099	0.9 %	$584	0.1 %	$538	1.0 %	$977	1.4 %	$—	— %
Foreign government	306	3.2	3	4.3	139	3.0	164	3.3	—	—
Mortgage-backed residential	8,815	2.4	—	—	—	—	140	2.3	8,675	2.4
Asset-backed	2,221	2.0	7	2.0	1,595	2.0	511	1.8	108	2.6
Corporate debt	1,326	5.1	4	5.8	627	4.1	604	6.0	91	6.0
Total available-for-sale debt securities	$14,767	2.4	$598	0.1	$2,899	2.2	$2,396	2.6	$8,874	2.5
Amortized cost of available-for-sale debt securities	$14,579		$598		$2,852		$2,352		$8,777	
December 31, 2012										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$2,214	0.9 %	$422	— %	$682	0.7 %	$1,110	1.4 %	$—	— %
Foreign government	303	2.5	1	2.2	136	1.8	166	3.0	—	—
Mortgage-backed residential	6,906	2.7	—	—	—	—	35	4.3	6,871	2.7
Asset-backed	2,340	2.1	—	—	1,543	2.0	510	1.7	287	3.3
Corporate debt	1,263	5.1	9	3.2	560	4.0	596	6.0	98	5.8
Total available-for-sale debt securities	$13,026	2.4	$432	0.1	$2,921	2.0	$2,417	2.6	$7,256	2.6
Amortized cost of available-for-sale debt securities	$12,804		$431		$2,880		$2,369		$7,124	

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

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

The balances of cash equivalents were $2.7 billion and $3.4 billion at March 31, 2013, and December 31, 2012, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

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

Three months ended March 31,

($ in millions)	2013	2012
Gross realized gains	$70	$97
Gross realized losses	(11)	(8)
Other-than-temporary impairment	(8)	—
Net realized gains	$51	$89

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

	Three months ended March 31,	
($ in millions)	2013	2012
Taxable interest	$63	$69
Taxable dividends	5	5
Interest and dividends on available-for-sale securities	$68	$74

Certain available-for-sale securities were sold at a loss in 2013 as a result of market conditions within these respective periods. The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of March 31, 2013, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of March 31, 2013, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at March 31, 2013. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	March 31, 2013				December 31, 2012			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$724	$(1)	$—	$—	$244	$(1)	$—	$—
Foreign government	—	—	—	—	11	—	—	—
Mortgage-backed residential	2,360	(18)	11	—	493	(2)	23	(1)
Asset-backed	163	(1)	1	—	143	(1)	1	—
Corporate debt	110	(2)	6	—	120	(2)	15	(1)
Total temporarily impaired debt securities	3,357	(22)	18	—	1,011	(6)	39	(2)
Temporarily impaired equity securities	217	(27)	156	(22)	380	(39)	218	(34)
Total temporarily impaired available-for-sale securities	$3,574	$(49)	$174	$(22)	$1,391	$(45)	$257	$(36)

6. Loans Held-for-Sale, Net

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

($ in millions)	March 31, 2013	December 31, 2012
Consumer mortgage		
1st Mortgage	$701	$2,490

Total consumer mortgage (a)	701	2,490
Commercial and industrial		
Other	17	86
Total loans held-for-sale (b)	$718	$2,576

(a) Fair value option-elected domestic consumer mortgages were $701 million and $2.5 billion at March 31, 2013, and December 31, 2012, respectively. Refer to Note 22 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized discounts of $34 million at March 31, 2013, and net unamortized premiums of $26 million at December 31, 2012.

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

($ in millions)	March 31, 2013	December 31, 2012
High original loan-to-value (greater than 100%) mortgage loans	$74	$ 378
Interest-only mortgage loans	3	10
Total higher-risk mortgage loans held-for-sale	$77	$ 388

7. Finance Receivables and Loans, Net

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

($ in millions)	March 31, 2013	December 31, 2012
Consumer automobile	$55,014	$ 53,715
Consumer mortgage		
1st Mortgage	7,095	7,173
Home equity	2,577	2,648
Total consumer mortgage	9,672	9,821
Commercial		
Commercial and industrial		
Automobile	29,255	30,270
Mortgage	—	—
Other	2,562	2,697
Commercial real estate		
Automobile	2,620	2,552
Mortgage	—	—
Total commercial	34,437	35,519
Total finance receivables and loans (a) (b)	$99,123	$ 99,055

(a) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of $842 million and $895 million at March 31, 2013, and December 31, 2012, respectively.

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

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

Three months ended March 31, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	$575	$452	$143	$1,170
Charge-offs	(142)	(24)	(1)	(167)
Recoveries	49	3	1	53
Net charge-offs	(93)	(21)	—	(114)
Provision for loan losses	107	20	4	131
Other	10	—	—	10
Allowance at March 31, 2013	$599	$451	$147	$1,197
Allowance for loan losses				
Individually evaluated for impairment	$22	$209	$28	$259
Collectively evaluated for impairment	575	242	119	936
Loans acquired with deteriorated credit quality	2	—	—	2
Finance receivables and loans at historical cost				

Ending balance	55,014	9,672	34,437	99,123
Individually evaluated for impairment	270	933	1,397	2,600
Collectively evaluated for impairment	54,722	8,739	33,040	96,501
Loans acquired with deteriorated credit quality	22	—	—	22

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Three months ended March 31, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	$766	$516	$221	$1,503
Charge-offs (a)	(136)	(45)	(2)	(183)
Recoveries (b)	62	2	12	76
Net charge-offs	(74)	(43)	10	(107)
Provision for loan losses	83	27	(12)	98
Other (c)	57	1	(6)	52
Allowance at March 31, 2012	$832	$501	$213	$1,546
Allowance for loan losses				
Individually evaluated for impairment	$8	$168	$47	$223
Collectively evaluated for impairment	816	333	166	1,315
Loans acquired with deteriorated credit quality	8	—	—	8
Finance receivables and loans at historical cost				
Ending balance	67,214	9,958	41,814	118,986
Individually evaluated for impairment	88	619	367	1,074
Collectively evaluated for impairment	67,055	9,339	41,447	117,841
Loans acquired with deteriorated credit quality	71	—	—	71

(a) Includes foreign consumer automobile charge-offs of $36 million.
(b) Includes foreign consumer automobile and foreign commercial recoveries of $16 million and $5 million, respectively.
(c) Includes provision for loan losses relating to discontinued operations of $42 million.

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

($ in millions)	Three months ended March 31, 2013	2012
Consumer mortgage	$—	$40
Commercial	18	—
Total sales and transfers	$18	$40

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

($ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
March 31, 2013						
Consumer automobile	$743	$152	$133	$1,028	$53,986	$ 55,014
Consumer mortgage						
1st Mortgage	76	32	147	255	6,840	7,095
Home equity	16	6	15	37	2,540	2,577
Total consumer mortgage	92	38	162	292	9,380	9,672
Commercial						
Commercial and industrial						
Automobile	26	—	24	50	29,205	29,255
Mortgage	—	—	—	—	—	—
Other	—	—	—	—	2,562	2,562
Commercial real estate						
Automobile	1	—	15	16	2,604	2,620
Mortgage	—	—	—	—	—	—
Total commercial	27	—	39	66	34,371	34,437
Total consumer and commercial	$862	$190	$334	$1,386	$97,737	$ 99,123
December 31, 2012						
Consumer automobile	$920	$213	$138	$1,271	$52,444	$ 53,715
Consumer mortgage						
1st Mortgage	66	37	156	259	6,914	7,173
Home equity	15	6	18	39	2,609	2,648
Total consumer mortgage	81	43	174	298	9,523	9,821
Commercial						
Commercial and industrial						
Automobile	—	—	16	16	30,254	30,270
Mortgage	—	—	—	—	—	—
Other	—	—	1	1	2,696	2,697
Commercial real estate						
Automobile	—	—	8	8	2,544	2,552
Mortgage	—	—	—	—	—	—
Total commercial	—	—	25	25	35,494	35,519
Total consumer and commercial	$1,001	$256	$337	$1,594	$97,461	$ 99,055

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

($ in millions)	March 31, 2013	December 31, 2012
Consumer automobile	$266	$260
Consumer mortgage		
1st Mortgage	372	342
Home equity	30	40
Total consumer mortgage	402	382
Commercial		
Commercial and industrial		
Automobile	168	146
Mortgage	—	—
Other	63	33
Commercial real estate		
Automobile	39	37
Mortgage	—	—
Total commercial	270	216
Total consumer and commercial finance receivables and loans	$938	$858

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

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information.

	March 31, 2013			December 31, 2012		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	$54,748	$266	$55,014	$53,455	$260	$53,715
Consumer mortgage						
1st Mortgage	6,723	372	7,095	6,831	342	7,173
Home equity	2,547	30	2,577	2,608	40	2,648
Total consumer mortgage	$9,270	$402	$9,672	$9,439	$382	$9,821

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

	March 31, 2013			December 31, 2012		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	$27,905	$1,350	$29,255	$28,978	$1,292	$30,270
Mortgage	—	—	—	—	—	—
Other	2,296	266	2,562	2,417	280	2,697
Commercial real estate						
Automobile	2,502	118	2,620	2,440	112	2,552
Mortgage	—	—	—	—	—	—
Total commercial	$32,703	$1,734	$34,437	$33,835	$1,684	$35,519

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

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information.

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

($ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
March 31, 2013					
Consumer automobile	$270	$270	$—	$270	$22
Consumer mortgage					
1st Mortgage	790	784	125	659	149
Home equity	148	149	2	147	60
Total consumer mortgage	938	933	127	806	209
Commercial					
Commercial and industrial					
Automobile	168	168	54	114	10
Mortgage	—	—	—	—	—
Other	63	63	10	53	7
Commercial real estate					
Automobile	39	39	12	27	11
Mortgage	—	—	—	—	—
Total commercial	270	270	76	194	28
Total consumer and commercial finance receivables and loans	$1,478	$1,473	$203	$1,270	$259
December 31, 2012					
Consumer automobile	$260	$260	$90	$170	$16
Consumer mortgage					
1st Mortgage	811	725	123	602	137
Home equity	147	148	1	147	49
Total consumer mortgage	958	873	124	749	186
Commercial					
Commercial and industrial					
Automobile	146	146	54	92	7
Mortgage	—	—	—	—	—
Other	33	33	9	24	7
Commercial real estate					
Automobile	37	37	9	28	12
Mortgage	—	—	—	—	—
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	$1,434	$1,349	$286	$1,063	$228

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

Three months ended March 31, ($ in millions)	2013 Average balance	2013 Interest income	2012 Average balance	2012 Interest income
Consumer automobile	$272	$4	$83	$2
Consumer mortgage				
1st Mortgage	744	7	512	4
Home equity	135	1	100	1
Total consumer mortgage	879	8	612	5
Commercial				
Commercial and industrial				
Automobile	157	2	196	2
Mortgage	—	—	7	—
Other	57	—	34	—
Commercial real estate				
Automobile	38	—	63	—
Mortgage	—	—	15	—
Total commercial	252	2	315	2
Total consumer and commercial finance receivables and loans	$1,403	$14	$1,010	$9

Troubled Debt Restructurings (TDRs)

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we offer several types of assistance to aid our customers including extension of the maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were $1.3 billion and $1.2 billion at March 31, 2013, and December 31, 2012, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information.

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

Three months ended March 31, ($ in millions)	2013 (a) Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	2012 Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	5,285	$ 79	$ 68	2,792	$ 33	$ 33
Consumer mortgage						
1st Mortgage	474	165	130	77	28	27
Home equity	71	4	4	173	10	9
Total consumer mortgage	545	169	134	250	38	36
Commercial						
Commercial and industrial						
Automobile	4	25	25	3	3	3
Mortgage	—	—	—	—	—	—
Other	1	33	31	—	—	—
Commercial real estate						
Automobile	3	11	11	1	2	2
Mortgage	—	—	—	—	—	—
Total commercial	8	69	67	4	5	5
Total consumer and commercial finance receivables and loans	5,838	$ 317	$ 269	3,046	$ 76	$ 74

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

The following table presents information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a troubled debt restructuring. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans where redefault is defined as 90 days past due.

Three months ended March 31, ($ in millions)	2013 (a) Number of loans	Carrying value before allowance	Charge-off amount	2012 Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	1,333	$ 16	$ 8	208	$ 2	$ 1
Consumer mortgage						
1st Mortgage	8	2	—	5	1	—
Home equity	2	—	—	4	1	1
Total consumer mortgage	10	2	—	9	2	1
Commercial						
Commercial and industrial						
Automobile	—	—	—	2	2	—
Commercial real estate						
Automobile	—	—	—	—	—	—
Total commercial	—	—	—	2	2	—

Total consumer and commercial finance receivables and loans	1,343	$ 18	$ 8	219	$ 6	$ 2

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

At March 31, 2013, and December 31, 2012, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were $13 million and $25 million, respectively.

Higher-Risk Mortgage Concentration Risk

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

($ in millions)	March 31, 2013	December 31, 2012
Interest-only mortgage loans (a)	$1,853	$2,063
Below-market rate (teaser) mortgages	185	192
Total higher-risk mortgage finance receivables and loans	$2,038	$2,255

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

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	March 31, 2013	December 31, 2012
Vehicles and other equipment	$17,524	$16,009
Accumulated depreciation	(2,696)	(2,459)
Investment in operating leases, net	$14,828	$13,550

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

	Three months ended March 31,	
($ in millions)	2013	2012
Depreciation expense on operating lease assets (excluding remarketing gains)	$499	$328
Remarketing gains	(64)	(23)
Depreciation expense on operating lease assets	$435	$305

9. Securitizations and Variable Interest Entities

Overview

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

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

Securitizations

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

Association (Ginnie Mae). We refer to Fannie Mae, Freddie Mac, and Ginnie Mae collectively as the Government-Sponsored Enterprises or GSEs. During the three months ended March 31, 2013 and 2012, our consumer mortgage loans were primarily securitized through the GSEs.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The

beneficial interests take the form of either notes or trust certificates, which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred loans and entitle the investors to specified cash flows generated from the securitized loans. In addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

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

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

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

We generally hold certain conditional repurchase options specific to private label securitizations that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred

financial asset if certain events outside our control occur. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have complete discretion regarding when or if we will exercise these options, but we would do so only when it is in our best interest.

Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 26 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the three months ended March 31, 2013 or 2012.

Other Variable Interest Entities

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

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

Involvement with Variable Interest Entities

The determination of whether financial assets transferred by us to these VIEs (and related liabilities) are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the VIE. We are deemed the primary beneficiary and therefore consolidate VIEs for which we have both (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

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

($ in millions)	Consolidated involvement with VIEs (a)		Assets of nonconsolidated VIEs (a)		Maximum exposure to loss in nonconsolidated VIEs	
March 31, 2013						
On-balance sheet variable interest entities						
Consumer automobile	$25,048					
Commercial automobile	19,576					
Commercial other	727					
Off-balance sheet variable interest entities						
Consumer automobile	—		$1,336		$1,336	(b)
Consumer mortgage — other	—		—	(c)	10	(d)
Commercial other	(27	) (e)	—	(c)	73	
Total	$45,324		$1,336		$1,419	
December 31, 2012						
On-balance sheet variable interest entities						
Consumer automobile	$28,566					
Commercial automobile	23,139					
Commercial other	728					
Off-balance sheet variable interest entities						
Consumer automobile	—		$1,495		$1,495	(b)
Consumer mortgage — other	—		—	(c)	12	(d)
Commercial other	(28	) (e)	—	(c)	85	
Total	$52,405		$1,495		$1,592	

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

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

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

(d) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust

for the contractually established period. This required disclosure is not an indication of our expected loss.

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

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

We consolidated certain of these entities because we had a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant variable interest in the VIE. We are generally the primary beneficiary of automobile securitization

entities for which we perform servicing activities and have retained a significant variable interest in the form of a beneficial interest. We were previously the primary beneficiary of certain mortgage private-label securitization entities.
The consolidated VIEs included in the Condensed Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 22 for discussion of the assets and liabilities for which the fair value option has been elected.
Off-balance Sheet Variable Interest Entities
The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. The cash flows from the assets of nonconsolidated securitization entities generally are the sole source of payment on the securitization entities' liabilities. The creditors of these securitization entities have no recourse to us with the exception of market customary representation and warranty provisions as described in Note 26.
Nonconsolidated VIEs include entities for which we either do not hold potentially significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet the sale accounting conditions in ASC 860, Transfers and Servicing. Previously, our residential mortgage loan securitizations consisted of Ginnie Mae and private-label securitizations. We are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Previously, we did not consolidate certain private-label mortgage securitizations because we did not have a variable interest that could potentially have been significant or we did not have power to direct the activities that most significantly impacted the performance of the VIE.
For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. As an accounting policy election, we elected fair value treatment for our mortgage servicing rights (MSRs) portfolio. Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.
The pretax gains recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities for consumer mortgage — GSEs were $93 million and $28 million at March 31, 2013 and March 31, 2012, respectively.
The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the three months ended March 31, 2013 and 2012. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Three months ended March 31, ($ in millions)	Consumer

	Consumer automobile	mortgage GSEs	Consumer mortgage private-label
2013			
Cash proceeds from transfers completed during the period	$—	$7,580	$—
Servicing fees	4	119	—
Representations and warranties obligations	—	(23)	—
Other cash flows	—	3	—
2012			
Cash proceeds from transfers completed during the period	$—	$10,645	$—
Cash flows received on retained interests in securitization entities	—	—	14
Servicing fees	—	249	48
Purchases of previously transferred financial assets	—	(580)	(8)
Representations and warranties obligations	—	(19)	(4)
Other cash flows	—	10	23

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

($ in millions)	Total Amount		Amount 60 days or more past due	
	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
On-balance sheet loans				
Consumer automobile	$55,014	$ 53,715	$285	$ 351
Consumer mortgage	10,373	12,311	226	241
Commercial automobile	31,875	32,822	39	24
Commercial mortgage	—	—	—	—
Commercial other	2,579	2,783	—	1
Total on-balance sheet loans	99,841	101,631	550	617
Off-balance sheet securitization entities				
Consumer automobile	1,336	1,495	3	4
Consumer mortgage - GSEs	117,342	119,384	1,835	1,892
Total off-balance sheet securitization entities	118,678	120,879	1,838	1,896
Whole-loan transactions (a)	5,558	6,756	103	129
Total	$224,077	$ 229,266	$2,491	$ 2,642

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

($ in millions)	Net credit losses Three months ended March 31,	
	2013	2012
On-balance sheet loans		
Consumer automobile	$93	$74
Consumer mortgage	21	18
Commercial automobile	1	—
Commercial mortgage	n/m	(1)
Commercial other	(1)	(8)
Total on-balance sheet loans	114	83
Off-balance sheet securitization entities		
Consumer automobile	1	n/m
Consumer mortgage - GSEs (a)	n/m	n/m
Total off-balance sheet securitization entities	1	—
Whole-loan transactions	n/m	8
Total	$115	$91

n/m = not meaningful
(a) Anticipated credit losses are not meaningful due to the GSE guarantees.

10. Servicing Activities

Mortgage Servicing Rights

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

Three months ended March 31, ($ in millions)	2013 (a)(b)	2012 (c)
Estimated fair value at January 1,	$952	$2,519
Additions recognized on sale of mortgage loans	54	75
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(28)	163
Other changes in fair value	(61)	(162)
Estimated fair value at March 31,	$917	$2,595

(a) The remaining balance is at Ally Bank, due to the deconsolidation of ResCap.
(b) In April 2013, we sold our agency MSRs portfolio. Refer to Note 27 for further details.
(c) Includes activities of our discontinued operations.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report on Form 10-K for additional information regarding our significant assumptions and valuation techniques used in the valuation of mortgage servicing rights.

The key economic assumptions and sensitivity of the fair value of MSRs to immediate 10% and 20% adverse changes in those assumptions were as follows.

($ in millions)	March 31, 2013	December 31, 2012
Weighted average life (in years)	5.4	4.6
Weighted average prepayment speed	10.3 %	13.5 %
Impact on fair value of 10% adverse change	$(64)	$(77)
Impact on fair value of 20% adverse change	(122)	(144)
Weighted average discount rate	9.3 %	7.7 %
Impact on fair value of 10% adverse change	$(42)	$(10)
Impact on fair value of 20% adverse change	(80)	(19)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rates and prepayment risks associated with these assets.

Risk Mitigation Activities

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

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

($ in millions)	Three months ended March 31, 2013	2012
Change in estimated fair value of mortgage servicing rights	$(89)	$(10)
Change in fair value of derivative financial instruments	(112)	(96)
Servicing asset valuation and hedge activities, net	$(201)	$(106)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

($ in millions)	Three months ended March 31, 2013	2012
Contractual servicing fees, net of guarantee fees and including subservicing	$58	$86
Late fees	1	2
Ancillary fees	4	4
Total mortgage servicing fees	$63	$92

Mortgage Servicing Advances

In connection with our primary mortgage servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances, including contractual interest, are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled $78 million and $82 million at March 31, 2013 and December 31, 2012, respectively. We maintained an allowance for uncollected primary servicing advances of $1 million and $1 million at March 31, 2013 and December 31, 2012, respectively. Our potential obligation is influenced by the loan's performance and credit quality.

Mortgage Serviced Assets

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

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

($ in millions)	March 31, 2013	December 31, 2012
On-balance sheet mortgage loans		
Held-for-sale and investment	$9,208	$ 10,938
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
GSEs	117,675	119,384
Whole-loan	2	2
Total primary serviced mortgage loans (a)	$126,885	$ 130,324

(a) In April 2013, we sold our agency MSRs portfolio, refer to Note 27 for further details.

Ally Bank is subject to certain net worth requirements associated with its servicing agreements with Fannie Mae and Freddie Mac. The majority of Ally Bank's serviced mortgage assets are subserviced by GMAC Mortgage, LLC, a subsidiary of ResCap, pursuant to a servicing agreement. At March 31, 2013, Ally Bank was in compliance with the

requirements of the servicing agreements.
Automobile Finance Servicing Activities
We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of $19 million and $30 million, during the three months ended March 31, 2013 and 2012, respectively.

Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

($ in millions)	March 31, 2013	December 31, 2012
On-balance sheet automobile finance loans and leases		
Consumer automobile	$55,014	$53,715
Commercial automobile	31,875	32,822
Operating leases	14,828	13,550
Operations held-for-sale	15,304	25,979
Other	45	41
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	1,317	1,474
Whole-loan	5,374	6,541
Other (a)	9,060	—
Total serviced automobile finance loans and leases	$132,817	$134,122

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

11. Other Assets

The components of other assets were as follows.

($ in millions)	March 31, 2013	December 31, 2012
Property and equipment at cost	$696	$693
Accumulated depreciation	(428)	(411)
Net property and equipment	268	282
Restricted cash collections for securitization trusts (a)	2,159	2,983
Deferred tax asset	1,309	1,190
Fair value of derivative contracts in receivable position	668	2,298
Restricted cash and cash equivalents	531	889
Collateral placed with counterparties	447	1,290
Other accounts receivable	445	525
Cash reserve deposits held-for-securitization trusts (b)	429	442
Unamortized debt issuance costs	418	425
Nonmarketable equity securities	283	303
Other assets	993	1,281
Total other assets	$7,950	$11,908

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

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

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12. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	March 31, 2013	December 31, 2012
Deposits		
Noninterest-bearing deposits	$844	$1,977
Interest-bearing deposits		
Savings and money market checking accounts	17,512	13,871
Certificates of deposit	31,135	31,084
Dealer deposits	835	983
Total deposit liabilities	$50,326	$47,915

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At March 31, 2013, and December 31, 2012, certificates of deposit included $12.3 billion and $12.0 billion, respectively, of certificates of deposit in denominations of $100 thousand or more.

13. Short-term Borrowings

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

	March 31, 2013			December 31, 2012		
($ in millions)	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$3,229	$—	$3,229	$3,094	$—	$3,094
Bank loans and overdrafts	7	—	7	167	—	167
Federal Home Loan Bank	—	3,500	3,500	—	3,800	3,800
Securities sold under agreements to repurchase	—	482	482	—	—	—
Other (b)	—	400	400	—	400	400
Total short-term borrowings	$3,236	$4,382	$7,618	$3,261	$4,200	$7,461

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

(b) Other relates to secured borrowings at our Commercial Finance Group at March 31, 2013 and December 31, 2012.

14. Long-term Debt

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

	March 31, 2013			December 31, 2012		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	$3,809	$10,964	$14,773	$1,070	$11,503	$12,573
Due after one year (a)	28,448	23,444	51,892	31,486	29,408	60,894
Fair value adjustment	956	—	956	1,094	—	1,094
Total long-term debt	$33,213	$34,408	$67,621	$33,650	$40,911	$74,561

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

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

Year ended December 31, ($ in millions)	2013	2014	2015	2016	2017	2018 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$1,008	$5,588	$5,092	$1,970	$3,681	$16,698	$956	$34,993
Original issue discount	(201)	(188)	(56)	(63)	(75)	(1,197)	—	(1,780)
Total unsecured	807	5,400	5,036	1,907	3,606	15,501	956	33,213
Secured								
Long-term debt	7,109	12,005	8,137	3,574	2,722	861	—	34,408
Total long-term debt	$7,916	$17,405	$13,173	$5,481	$6,328	$16,362	$956	$67,621

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

	March 31, 2013		December 31, 2012	
($ in millions)	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities	$500	$500	$1,911	$1,911
Mortgage assets held-for-investment and lending receivables	9,715	9,715	9,866	9,866
Consumer automobile finance receivables	23,953	12,673	29,557	14,833
Commercial automobile finance receivables	18,574	18,574	19,606	19,606
Investment in operating leases, net	6,872	2,966	6,058	1,691
Other assets	973	252	999	272
Total assets restricted as collateral (b)	$60,587	$44,680	$67,997	$48,179
Secured debt (c)	$38,790	$25,864	$45,111	$29,162

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

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling $12.5 billion and $12.6 billion at March 31, 2013, and December 31, 2012, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling $3.1 billion and $1.9 billion at March 31, 2013, and December 31, 2012, respectively. These assets were composed of consumer mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes $4.4 billion and $4.2 billion of short-term borrowings at March 31, 2013, and December 31, 2012, respectively.

Trust Preferred Securities

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

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

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

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

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

Covenants and Other Requirements

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, commercial payment rates. During 2012, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

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

Funding Facilities

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

As of March 31, 2013, Ally Bank had exclusive access to $3.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a $4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At March 31, 2013, $26.1 billion of our $33.4 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2013, we had $16.9 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

	Outstanding		Unused Capacity (a)		Total Capacity	
($ in billions)	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Bank funding						
Secured	$1.7	$ 3.8	$1.8	$ 4.7	$3.5	$ 8.5
Nonbank funding						
Unsecured (b)	0.1	0.1	—	—	0.1	0.1
Secured (c) (d) (e)	13.9	22.5	11.8	7.8	25.7	30.3
Total nonbank funding	14.0	22.6	11.8	7.8	25.8	30.4
Shared capacity (f) (g)	1.1	1.1	3.0	3.0	4.1	4.1
Total committed facilities	$16.8	$ 27.5	$16.6	$ 15.5	$33.4	$ 43.0

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

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

(c) Total secured nonbank funding capacity includes committed funding for our discontinued international automobile financing business of $6.9 billion and $12.0 billion as of March 31, 2013 and December 31, 2012, respectively,

with outstanding debt of $5.1 billion and $9.6 billion, respectively.

(d) Total unused capacity includes $2.1 billion and $2.2 billion as of March 31, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

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

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

(g) Total shared bank facilities includes committed funding for our discontinued international automobile financing business of $0.1 billion and $0.1 billion as of March 31, 2013 and December 31, 2012, respectively with outstanding debt of $0.1 billion and $0.1 billion, respectively.

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Uncommitted Funding Facilities

	Outstanding		Unused Capacity (a)		Total Capacity	
($ in billions)	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
Bank funding						
Secured						
Federal Reserve funding programs	$—	$—	$1.8	$1.8	$1.8	$1.8
FHLB advances	4.5	4.8	0.8	0.4	5.3	5.2
Repurchase agreements	0.5	—	—	—	0.5	—
Total bank funding	5.0	4.8	2.6	2.2	7.6	7.0
Nonbank funding						
Unsecured	2.2	2.1	0.4	0.4	2.6	2.5
Secured	—	0.1	0.1	0.1	0.1	0.2
Total nonbank funding (a)	2.2	2.2	0.5	0.5	2.7	2.7
Total uncommitted facilities	$7.2	$7.0	$3.1	$2.7	$10.3	$9.7

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

15. Accrued Expenses and Other Liabilities

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

($ in millions)	March 31, 2013	December 31, 2012
Accrual related to ResCap Bankruptcy (a)	$750	$750
Collateral received from counterparties	565	941
Accounts payable	475	565
Fair value of derivative contracts in payable position	406	2,468
Employee compensation and benefits	364	494
Reserves for insurance losses and loss adjustment expenses	342	341
Reserve for mortgage representation and warranty obligation	170	105
Deferred revenue	102	97
Other liabilities	495	824
Total accrued expenses and other liabilities	$3,669	$6,585

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

16. Equity

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

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

(a) Mandatorily convertible to common equity on December 30, 2016.
(b) Convertible prior to mandatory conversion date either with consent of Treasury or in the event the Federal Reserve compels a conversion.
(c) Nonredeemable prior to May 15, 2016.
(d) Pursuant to a registration rights agreement, we are required to maintain an effective shelf registration statement. In the event we fail to meet this obligation, we may be required to pay additional interest to the holders of the Series G Preferred Stock.
(e) Redeemable beginning at December 31, 2011.

17. Accumulated Other Comprehensive Income (Loss)

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

($ in millions)	Unrealized gains on	Translation adjustments	Cash flow hedges	Defined benefit	Accumulated other

	investment securities	and net investment hedges		pension plans	comprehensive income (loss)
Balance at December 31, 2012	$76	$368	$2	$(135)	$ 311
2013 net change	12	(350)	4	17	(317)
Balance at March 31, 2013	$88	$18	$6	$(118)	$ (6)

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

March 31, ($ in millions)	Before Tax		Tax Effect		After Tax
2013					
Unrealized gains on investment securities					
Net unrealized gains arising during the period	$69		$(1)		$68
Less: Net realized gains reclassified to net income	51	(a)	(2)	(b)	49
Less: Net realized gains reclassified to income from discontinued operations, net of tax	8		(1)		7
Net change	10		2		12
Translation adjustments					
Net unrealized losses arising during the period	(49)		2		(47)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	432		3		435
Net change	(481)		(1)		(482)
Net investment hedges					
Net unrealized gains arising during the period	20		(8)		12
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(149)		29		(120)
Net change	169		(37)		132
Cash flow hedges					
Less: Net realized losses reclassified to net income	(7)	(c)	3	(b)	(4)
Defined benefit pension plans					
Less: Net losses, prior service costs, and transition obligations reclassified to net income	(2)	(d)	—	(b)	(2)
Less: Net losses, prior service costs, and transition obligations reclassified to income from discontinued operations, net of tax	(17)		2		(15)
Net change	19		(2)		17
Other comprehensive income	$(276)		$(41)		$(317)

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

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

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

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

18. Earnings per Common Share

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

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

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

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three months ended March 31, 2013 and 2012, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the three months ended March 31, 2013 and 2012, respectively.

19. Regulatory Capital and Other Regulatory Matters

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

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited

amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

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

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

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

The banking regulators have also developed a measure of capital called "Tier 1 common" defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally's capital with the capital of other financial services companies. Also, bank holding companies with assets of $50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

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

The following table summarizes our capital ratios.

($ in millions)	March 31, 2013 Amount	March 31, 2013 Ratio	December 31, 2012 Amount	December 31, 2012 Ratio	Required minimum	Well-capitalized minimum
Risk-based capital						
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	$20,663	14.59 %	$20,232	13.13 %	4.00 %	6.00%
Ally Bank	14,380	16.68	14,136	16.26	4.00	6.00
Total (to risk-weighted assets)						
Ally Financial Inc.	$22,084	15.59 %	$21,669	14.07 %	8.00 %	10.00%
Ally Bank	15,073	17.48	14,827	17.06	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (a)						
Ally Financial Inc.	$20,663	12.01 %	$20,232	11.16 %	3.00–4.00%	(b)
Ally Bank	14,380	15.59	14,136	15.30	15.00 (c)	5.00%
Tier 1 common (to risk-weighted assets)						
Ally Financial Inc.	$11,180	7.89 %	$10,749	6.98 %	n/a	n/a
Ally Bank	n/a	n/a	n/a	n/a	n/a	n/a

n/a = not applicable

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

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

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

At March 31, 2013, Ally and Ally Bank were "well-capitalized" and met all capital requirements to which each was subject.

20. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

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

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

- MSRs — Our MSRs are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivative instruments that increase in value when interest

rates decline. The primary objective is to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes.

A multitude of derivative instruments have been used to manage the interest rate risk related to MSRs. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of mortgage-backed securities (MBS), futures, interest rate swaps, interest rate floors, and interest rate caps.

- Mortgage loan commitments and mortgage loans held-for-sale — We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish the risk management objective for mortgage loans and IRLCs is forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale.

- Debt — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowings associated with Ally Bank's secured credit facilities, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.
- Other — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Exchange Risk

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

We also enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments in foreign subsidiaries. Our foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss). The hedges are recorded at fair value with the changes recorded to accumulated other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in accumulated other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

We also have a centralized-lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

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

Counterparty Credit Risk

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

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

collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.
Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. If a credit risk-related event had been triggered the amount of additional collateral required to be posted by us would have been insignificant.
We placed cash and securities collateral totaling $447 million and $1.3 billion at March 31, 2013 and December 31, 2012, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling $565 million and $941 million at March 31, 2013 and December 31, 2012, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At March 31, 2013 and December 31, 2012, we received noncash collateral of $1 million and $0.3 million, respectively.
Balance Sheet Presentation
The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At March 31, 2013 and December 31, 2012, $668 million and $2.3 billion, respectively, of the derivative contracts in a receivable position were classified as other assets on the Condensed Consolidated Balance Sheet. At March 31, 2013 and December 31, 2012, $406 million and $2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

	March 31, 2013			December 31, 2012		
	Derivative contracts in a			Derivative contracts in a		
($ in millions)	receivable position (a)	payable position (b)	Notional amount	receivable position (a)	payable position (b)	Notional amount
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges	$279	$—	$6,910	$411	$—	$7,248
Cash flow accounting hedges	—	1	1,874	—	10	2,580
Total interest rate risk	279	1	8,784	411	10	9,828
Foreign exchange risk						
Net investment accounting hedges	21	21	9,737	35	53	8,693
Total derivatives qualifying for hedge accounting	300	22	18,521	446	63	18,521
Economic hedges and trading derivatives						
Interest rate risk						
MSRs	158	329	7,401	1,616	2,299	146,405
Mortgage loan commitments and mortgage loans held-for-sale	10	5	2,238	49	23	9,617
Debt	28	20	12,150	28	29	17,716
Other (c)	141	28	54,896	154	27	41,514
Total interest rate risk	337	382	76,685	1,847	2,378	215,252

Foreign exchange risk	31	2	2,629	5	27	2,464
Total economic hedges and trading derivatives	368	384	79,314	1,852	2,405	217,716
Total derivatives	$668	$406	$97,835	$2,298	$2,468	$236,237

(a) Includes accrued interest of $127 million and $175 million at March 31, 2013 and December 31, 2012, respectively.
(b) Includes accrued interest of $16 million and $144 million at March 31, 2013 and December 31, 2012, respectively.
(c) Primarily consists of exchange-traded Eurodollar futures.

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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 March 31,	
($ in millions)	2013	2012
Derivatives qualifying for hedge accounting		
Loss recognized in earnings on derivatives (a)		
Interest rate contracts		
Interest on long-term debt	$(98)	$(69)
Gain recognized in earnings on hedged items (b)		
Interest rate contracts		
Interest on long-term debt	101	51
Total derivatives qualifying for hedge accounting	3	(18)
Economic and trading derivatives		
(Loss) gain recognized in earnings on derivatives		
Interest rate contracts		
Servicing asset valuation and hedge activities, net	(112)	(96)
(Loss) gain on mortgage and automotive loans, net	(32)	83
Other income, net of losses	(1)	18
Total interest rate contracts	(145)	5
Foreign exchange contracts (c)		
Interest on long-term debt	39	(9)
Other income, net of losses	28	(25)
Total foreign exchange contracts	67	(34)
Loss recognized in earnings on derivatives	$(75)	$(47)

(a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $33 million and $26 million for the three months ended March 31, 2013 and 2012, respectively.

(b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were $38 million and $60 million for the three months ended March 31, 2013 and 2012, respectively.

(c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Losses of $65 million and gains of $31 million were recognized for the three months ended March 31, 2013 and 2012, respectively.

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

($ in millions)	Three months ended March 31, 2013	2012
Cash flow hedges		
Interest rate contracts		
Loss reclassified from accumulated other comprehensive income to interest on long-term debt (a)	$(7)	$—
Loss recorded directly to interest on long-term debt	—	(5)
Total interest on long-term debt	$(7)	$(5)
Gain (loss) recognized in other comprehensive income	$7	$(3)
Net investment hedges		
Foreign exchange contracts		
Loss reclassified from accumulated other comprehensive income (loss) to discontinued operations, net	$(149)	$—
Total other income, net of losses	$(149)	$—
Gain (loss) recognized in other comprehensive income (b)	$169	$(203)

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

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were losses of $519 million and gains of $300 million for the three months ended March 31, 2013 and 2012, respectively.

21. Income Taxes

We recognized an income tax benefit from continuing operations of $123 million during the three months ended March 31, 2013, compared to income tax expense of $1 million for the same period in 2012. The income tax benefit resulted primarily from the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

As of each reporting date, we consider both positive and negative evidence that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for certain state net operating loss, capital loss, and foreign tax credit carryforwards will not be realized. In recognition of this risk, we continue to provide a partial valuation allowance on the deferred tax assets relating to these carryforwards. The completed sale of our Canadian operations during the quarter generated capital gain income that reduced our $2.2 billion capital loss carryforward that existed as of December 31, 2012. The tax impact of this utilization also resulted in an offsetting tax benefit associated with the reversal of valuation allowance of approximately $230 million. Furthermore, successful completion during 2013 of additional sales of entities currently held-for-sale may result in additional capital gains that would allow us to realize additional capital loss carryforwards. Any related reversal of valuation allowance on these deferred tax assets would also be recognized as an income tax benefit in discontinued operations upon such utilization.

On May 14, 2012, we deconsolidated ResCap for financial reporting purposes. During the first quarter of 2013, the operations of ResCap were classified as discontinued. However, for U.S. federal tax purposes ResCap will continue to be included in our consolidated return filing until ultimate disposition of our ownership in ResCap.

22. Fair Value

Fair Value Measurements

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

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

Level 1	Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.

Level 2	Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.
Transfers	Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the three months ended March 31, 2013.

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

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

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

- MSRs — MSRs are classified as Level 3, management estimates fair value using our transaction data and other market data or, in periods when there are limited MSRs market transactions that are directly observable, internally developed discounted cash flow models (an income approach) are used to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.
- Interests retained in financial asset sales — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
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Derivative instruments — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

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

We have interest rate lock commitments accounted for as derivative instruments at Ally Bank that are classified as Level 3. We have also historically held certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often were utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount was often indexed to the hedged item. As a result, we typically were required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3.

However, as of the quarter ended March 31, 2013, we no longer hold such positions within continuing operations due to the sales of our international automotive finance operations.

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

Recurring Fair Value

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

	Recurring fair value measurements			
March 31, 2013 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$809	$1,290	$—	$2,099
Foreign government	3	303	—	306
Mortgage-backed residential	—	8,815	—	8,815
Asset-backed	—	2,221	—	2,221
Corporate debt securities	—	1,326	—	1,326
Total debt securities	812	13,955	—	14,767
Equity securities (a)	985	—	—	985
Total available-for-sale securities	1,797	13,955	—	15,752
Mortgage loans held-for-sale, net (b)	—	701	—	701
Mortgage servicing rights	—	—	917	917
Other assets				
Interests retained in financial asset sales	—	—	139	139
Derivative contracts in a receivable position				
Interest rate	31	580	5	616
Foreign currency	—	52	—	52
Total derivative contracts in a receivable position	31	632	5	668
Collateral placed with counterparties (c)	—	308	—	308
Total assets	$1,828	$15,596	$1,061	$18,485
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$(14)	$(369)	$—	$(383)
Foreign currency	—	(23)	—	(23)
Total derivative contracts in a payable position	(14)	(392)	—	(406)
Total liabilities	$(14)	$(392)	$—	$(406)

(a) Our investment in any one industry did not exceed 20%.

(b) Carried at fair value due to fair value option elections.
(c) Represents collateral in the form of investment securities. Cash collateral was excluded.

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

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

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

March 31, 2013 ($ in millions)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Mortgage servicing rights	$917	(a)	(a)	(a)
Other assets				
Interests retained in financial asset sales	139	Discounted cash flow	Discount rate	5.4-6.1%
			Commercial paper rate	0-0.2%

(a) Refer to Note 10 for information related to MSRs valuation assumptions and sensitivities.

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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.

	Level 3 recurring fair value measurements								
		Net realized/unrealized gains (losses)							
($ in millions)	Fair value at Jan. 1, 2013	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at Mar. 31, 2013	Net unrealized gains (losses) included in earnings still held at Mar. 31, 2013
Assets									
Mortgage servicing rights	$952	$(89) (a)	$—	$—	$—	$54	$—	$917	$(89) (a)
Other assets									
Interests retained in financial asset sales	154	2 (b)	—	—	—	—	(17)	139	—
Derivative contracts, net (c)									
Interest rate	47	(46) (d)	—	—	—	—	4	5	(9) (d)
Foreign currency	(2)	2 (d)	—	—	—	—	—	—	(1) (d)
Total derivative contracts in a receivable position, net	45	(44)	—	—	—	—	4	5	(10)
Total assets	$1,151	$(131)	$—	$—	$—	$54	$(13)	$1,061	$(99)

(a) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.
(b) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.
(c) Includes derivatives classified as trading.
(d) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

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($ in millions)	Level 3 recurring fair value measurements										
		Net realized/unrealized gains (losses)								Net unrealized gains (losses) included in earnings still held at Mar. 31, 2012	
	Fair value at Jan. 1, 2012	included in earnings		included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at Mar. 31, 2012		
Assets											
Trading assets (excluding derivatives)											
Mortgage-backed residential securities	$33	$2	(a)	$—	$—	$—	$—	$ (3)	$32	$4	(a)
Investment securities											
Available-for-sale debt securities											
Asset-backed	62	—		1	—	—	—	—	63	—	
Mortgage loans held-for-sale, net (b)	30	—		—	9	—	—	(9)	30	—	
Consumer mortgage finance receivables and loans, net (b)	835	87	(b)	—	—	—	—	(90)	832	35	(b)
Mortgage servicing rights	2,519	1	(c)	—	—	—	11	64	2,595	1	(c)
Other assets											
Interests retained in financial asset sales	231	5	(d)	—	—	—	—	(42)	194	—	
Derivative contracts, net (e)											
Interest rate	71	(24)	(f)	—	—	—	—	(3)	44	(28)	(f)
Foreign currency	16	(11)	(f)	—	—	—	—	—	5	(11)	(f)
Total derivative contracts in a receivable position, net	87	(35)		—	—	—	—	(3)	49	(39)	
Total assets	$3,797	$60		$1	$9	$—	$ 11	$ (83)	$3,795	$1	
Liabilities											
Long-term debt											
On-balance sheet securitization debt (b)	$(830)	$(83)	(b)	$—	$—	$—	$—	$ 85	$(828)	$(39)	(b)
Accrued expenses and other liabilities											
Loan repurchase liabilities (b)	(29)	—		—	(9)	—	—	8	(30)	—	
Total liabilities	$(859)	$(83)		$—	$(9)	$—	$—	$ 93	$(858)	$(39)	

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

(b)

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

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

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

(e) Includes derivatives classified as trading.

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

Nonrecurring Fair Value

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

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

March 31, 2013 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	
Assets							
Loans held-for-sale	$—	$—	$18	$18	$ —	n/m	(a)
Commercial finance receivables and loans, net (b)							
Automotive	—	—	121	121	(21)	n/m	(a)
Other	—	—	46	46	(7)	n/m	(a)
Total commercial finance receivables and loans, net	—	—	167	167	(28)	n/m	(a)
Other assets							
Repossessed and foreclosed assets (c)	—	—	6	6	(4)	n/m	(a)
Total assets	$—	$—	$191	$191	$ (32)	n/m	

n/m = not meaningful

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

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

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

March 31, 2012 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	
Assets							
Mortgage loans held-for-sale (a)	$—	$—	$580	$580	$ (57)	n/m	(b)
Commercial finance receivables and loans, net (c)							
Automotive	—	—	122	122	(25)	n/m	(b)
Mortgage	—	1	15	16	(11)	n/m	(b)
Other	—	—	20	20	(10)	n/m	(b)
Total commercial finance receivables and loans, net	—	1	157	158	(46)	n/m	(b)
Other assets							
Repossessed and foreclosed assets (d)	—	62	21	83	(13)	n/m	(b)
Total assets	$—	$63	$758	$821	$ (116)	n/m	

n/m = not meaningful

(a) Represents loans held-for-sale that are required to be measured at the lower-of-cost or fair value. The table above includes only loans with fair values below cost during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific assets.

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

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

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

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

March 31, 2013 ($ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	$121	Fair value of collateral	Adjusted appraisal value	65.0-95.0%

Fair Value Option for Financial Assets

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

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

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

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

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

Three months ended March 31, ($ in millions)	Changes included in the Condensed Consolidated Statement of Comprehensive Income			
	Interest on loans held-for-sale (a)	Gain on mortgage loans, net	Total included in earnings	
2013				
Assets				
Mortgage loans held-for-sale, net	$ 16	$ (41)	$ (25)	(b)
2012				
Assets				
Mortgage loans held-for-sale, net	$ 26	$ (59)	$ (33)	(b)

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

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

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

	March 31, 2013		December 31, 2012	
($ in millions)	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	$731	$701	$2,416	$2,490
Nonaccrual loans				