

Ally Financial Inc.  
Form S-1/A  
March 03, 2014  
Table of Contents

As filed with the Securities and Exchange Commission on March 3, 2014

Registration No. 333-173198

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**AMENDMENT NO. 10**

**TO**

**FORM S-1**

**REGISTRATION STATEMENT**

**UNDER**

**THE SECURITIES ACT OF 1933**

**ALLY FINANCIAL INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

**6172**

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

Edgar Filing: Ally Financial Inc. - Form S-1/A

(State or Other Jurisdiction of  
Incorporation or Organization)

(Primary Standard Industrial  
Classification Code Number)  
**200 Renaissance Center**

**P.O. Box 200**

**Detroit, MI 48265-2000**

**(866) 710-4623**

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

**David J. DeBrunner**

**Vice President, Chief Accounting Officer, and Corporate Controller**

**Ally Financial Inc.**

**200 Renaissance Center**

**P.O. Box 200**

**Detroit, MI 48265-2000**

**(866) 710-4623**

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

*Copies to:*

**Richard J. Sandler, Esq.  
Richard A. Drucker, Esq.  
Davis Polk & Wardwell LLP  
450 Lexington Avenue  
New York, NY 10017  
(212) 450-4000**

**James J. Clark, Esq.  
  
Noah B. Newitz, Esq.  
Cahill Gordon & Reindel LLP  
80 Pine Street  
New York, NY 10005-1702  
(212) 701-3000**

**Jay Clayton, Esq.  
  
C. Andrew Gerlach, Esq.  
Sullivan & Cromwell LLP  
  
125 Broad Street  
  
New York, NY 10004  
  
(212) 558-4000**

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

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

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

## Edgar Filing: Ally Financial Inc. - Form S-1/A

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

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

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

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

### CALCULATION OF REGISTRATION FEE

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

(1) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Includes offering price of shares that the underwriters have the option to purchase pursuant to their over-allotment option.

(3) Previously paid.

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

**Table of Contents**

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

**Subject to Completion, Dated March 3, 2014**

PRELIMINARY PROSPECTUS

**Shares**

**ALLY FINANCIAL INC.**

**COMMON STOCK**

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

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

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

**Investing in our common stock involves risks. See Risk Factors beginning on page 16 of this prospectus.**

	<b>Per Share</b>	<b>Total</b>
Public offering price and proceeds to the selling stockholder	\$	\$
Underwriting discounts and commissions(1)	\$	\$

Edgar Filing: Ally Financial Inc. - Form S-1/A

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

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

The underwriters expect to deliver the shares of common stock to investors on or about \_\_\_\_\_, 2014.

**Citigroup**

**Goldman, Sachs & Co.**

**Morgan Stanley**

**Barclays**

**Deutsche Bank Securities**

**The date of this prospectus is \_\_\_\_\_, 2014**

**Table of Contents**

**Table of Contents****TABLE OF CONTENTS**

	<b>Page</b>
<u>Prospectus Summary</u>	1
<u>Risk Factors</u>	16
<u>Special Note Regarding Forward-Looking Statements</u>	34
<u>Use of Proceeds</u>	35
<u>Dividend Policy</u>	36
<u>Capitalization</u>	37
<u>Selected Consolidated Financial Data</u>	38
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
<u>Business</u>	111
<u>Management</u>	134
<u>Executive Compensation</u>	140
<u>Certain Stockholder Agreements</u>	164
<u>Certain Relationships and Related Party Transactions</u>	168
<u>Principal and Selling Stockholders</u>	171
<u>Description of Capital Stock</u>	173
<u>U.S. Federal Tax Considerations For Non-U.S. Holders</u>	185
<u>Shares Eligible for Future Sale</u>	188
<u>Underwriting</u>	190
<u>Validity of Common Stock</u>	196
<u>Experts</u>	196
<u>Where You Can Find More Information</u>	196
<u>Index to Consolidated Financial Statements</u>	F-1

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

**INDUSTRY AND MARKET DATA**

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

**Table of Contents**

**PROSPECTUS SUMMARY**

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

**Overview**

Ally is one of the largest providers of automotive financing products, including wholesale loans and retail loans and leases, a leader in direct banking, and the 19th largest bank holding company in the United States based on total assets. We have over 90 years of experience supporting automotive dealers and their retail customers with a premium service model offering a broad array of financial products and services. Our bank subsidiary, Ally Bank, is a leading competitor with a comprehensive consumer value proposition and well-regarded brand in the rapidly growing direct banking market. We had \$151.2 billion of total assets and \$52.9 billion of bank deposits at December 31, 2013.

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

Our strategy is to extend our leading position in automotive finance in the United States by continuing to provide automotive dealers and their retail customers with premium service, a comprehensive product suite, consistent funding and competitive pricing, reflecting our commitment to the automotive industry. We will also seek to broaden and deepen the Ally Bank franchise, prudently growing stable, quality deposits while extending our foundation of innovative products and outstanding customer service.

**Dealer Financial Services**

Our Dealer Financial Services business is centered around our strong and longstanding relationships with automotive dealers and supports our original equipment manufacturer ( OEM ) partners and their marketing programs. We serve the financial needs of approximately 16,000 dealers in the United States and approximately 4 million of their retail customers as of December 31, 2013. We have approximately 1,800 automotive finance and 600 insurance employees across the United States focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 2,200 employees focused on supporting our automotive servicing operations.

***Our Dealer-Centric Business Model***

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

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

Our comprehensive suite of financial products includes new vehicle retail loans and leases, used vehicle loans, floorplan loans, dealer working capital and real estate loans, vehicle service contracts, gap insurance,



## **Table of Contents**

floorplan insurance, and our SmartAuction service for remarketing vehicles. Through this suite of products, we have financing capabilities that follow vehicles from the manufacturer, to the dealer's showroom floor, to the individual retail customer.

We are fully committed to broadly serving the needs of our dealer customers. Our 2,400 dealer-facing employees provide a consistent high level of service at the dealership level. The field service team provides training to the dealer's employees related to our financing products and helps the rollout of specialized financing programs to support automobile manufacturer marketing initiatives. In addition, our continued investment in our retail loan application infrastructure has allowed us to access nearly 8 million applications in 2013 and almost 7 million applications in 2012, up from 2 million in 2009.

As part of our premium services to our dealer customers, and to strengthen our relationship with them, we offer market driven programs, such as Ally Dealer Rewards. These programs support increasing business volumes as well as the number of products used by each dealer. During 2013, 70% of our U.S. dealer customers received benefits under the Ally Dealer Rewards program, which was initiated in 2009. As of December 31, 2013, over 5,200 of our automotive dealer customers utilized four or more of our products.

Our dealer-centric business model has led to the development of products and services that profitably support our dealer customers. For example, our proprietary internet-based SmartAuction system supports the remarketing of off-lease and other used vehicles among the nearly 8,500 dealers that are on our system regardless of whether that vehicle was financed by Ally. SmartAuction enabled us to maximize proceeds on the approximately 261,000 vehicles sold through the system during 2013. In addition, our SmartAuction remarketing capabilities provide dealers with additional retail sale opportunities when existing customers decide to replace a vehicle. These retail sale opportunities include the sale of the used vehicle being replaced as well as a new vehicle being obtained, with a potential opportunity for Ally to finance each of these transactions.

### ***Automotive Finance Operations***

We have extensive experience providing and servicing automotive loan and lease products to consumers who purchase vehicles from our dealer customer network. According to Experian Automotive, we were one of the largest providers of automotive financing in the United States during 2013, funding one out of every 18 new vehicles that were financed or leased through franchised dealers in the United States. We were also the second largest provider of used vehicle financing for financed retail customers during 2013. We are focused on expanding profitable dealer relationships, prudently increasing earning assets, and delivering higher risk-adjusted returns. As a result of this strategic focus, we funded total retail loan and lease originations in the United States of \$37.3 billion during 2013. The bulk of our consumer financing is in the form of fully amortizing, intermediate term installment loans to fund the purchase of new and used vehicles.

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

**Table of Contents**

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

(\$ in billions)	Year ended December 31,				
	2013	2012	2011	2010	2009
New GM/Chrysler Standard	9.8	10.7	13.1	11.8	5.0
Other New Retail	2.2	2.2	1.7	0.7	0.2
Lease	10.6	8.4	7.3	3.9	0.3
Used	9.9	9.6	9.0	4.7	2.3
New GM/Chrysler Subvented	4.8	7.8	9.1	10.5	10.6
Total	37.3	38.7	40.2	31.6	18.4

We provide floorplan inventory lending and other commercial loans to approximately 4,500 dealers in the United States. We were one of the largest providers of automotive floorplan inventory lending in the United States during 2013. As of December 31, 2013, we had \$33.8 billion of outstanding commercial loans to our dealer customers consisting primarily of floorplan inventory loans.

Ally is also one of the largest automotive loan servicers in the United States. We provide consumer asset servicing for our \$77.7 billion portfolio of retail automotive loans and leases as of December 31, 2013. The extensive infrastructure and experience of our servicing operation are important to our ability to minimize our loan losses and enable us to deliver a favorable customer experience to both our dealers and their retail customers. Our remarketing services, including SmartAuction, efficiently support dealer-to-dealer and other vehicle sale transactions.

In addition, we believe our longstanding relationship with General Motors ( GM ), as well as relationships with other OEMs, including Chrysler Group LLC ( Chrysler ), have resulted in particularly strong relationships between us and thousands of dealers, providing us with extensive operating experience relative to other automotive finance providers. We offer primarily standard rate retail loans and leases through our dealers, and we also work with manufacturers to offer new vehicle retail loans and leases at manufacturer-subvented rates. Our strong dealer relationships have allowed us to increase our standard rate retail loan and lease origination volumes. Subvented retail loan origination volumes have decreased to 12.8% of our U.S. originations during 2013, compared to 58.0% in 2009.

**Insurance Operations**

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

Our national insurance platform provides us with a competitive advantage relative to other automotive financing providers, allowing us to design products tailored to our dealer customers, control underwriting, and retain the profits generated by this business. For the year ended December 31, 2013, we had approximately \$1.0 billion in total insurance premiums written. We sell insurance products to approximately 4,000 dealers in the United States. Moreover, our Insurance operations maintain high wholesale insurance penetration levels, with approximately 82% of U.S. dealers with Ally floorplan financing also carrying our floorplan insurance. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits.

---

**Table of Contents**

**Ally Bank**

Ally Bank has achieved sustained franchise momentum in the retail deposits business based upon a highly regarded brand, customer-centric approach, innovative products, competitive pricing, and consumer friendly fee structure. Ally Bank has become a leader in the direct banking market, with consistent and steady expansion of customer relationships. Our direct bank business model caters to the expanding population of technologically comfortable consumers who are increasingly adopting digital technologies to meet their banking preferences. We have distinguished ourselves with consumers with our philosophy of Talk Straight, Do Right, Be Obviously Better, with approximately 784,000 customers and over 1.5 million accounts at December 31, 2013. Ally Bank is consistently recognized for the customer-friendly design and execution of our products, features, delivery channels and service, and has received numerous accolades, including:

Best Online Bank, Best Checking Account and tied for Best 12-Month CD in MONEY magazine's annual Best Banks feature;

Best bank for No-Fee Accounts by Kiplinger's Personal Finance;

Ranked second by its customers and among 30 large banks in the American Banker & Reputation Institute Annual Survey;

Outside In award in customer service design for Ally Mobile Banking by Forrester;

TNS Choice Award for Direct Banking for achieving superior performance in the online banking segment;

Stevie Awards for Best Use of Technology in Customer Service, Innovation in Customer Service, and Customer Service Training Team of the Year ;

Fewest Complaints/Highest Satisfaction by Bank Innovation; and

Earned the top rating for Checks and Balances: Measuring Checking Accounts Safety and Transparency by The Pew Charitable Trust.

Our retail banking products include savings and money market accounts, certificates of deposit (CD), interest-bearing checking accounts, trust accounts and individual retirement accounts. Ally Bank's competitive direct banking features include online and mobile banking, electronic bill pay, remote deposit, electronic funds transfer nationwide, ATM fee reimbursements and no minimum balance requirements.

We believe Ally Bank is well-positioned to continue to benefit from the consumer-driven shift from branch banking to direct banking. According to a 2013 American Bankers Association survey, the percentage of customers who prefer to do their banking via direct channels (internet, mail, phone, and mobile) increased from 34% to 61% between 2007 and 2013, while those who prefer branch banking declined from 39% to 18% over the same period.

At December 31, 2013, Ally Bank had \$52.9 billion of deposits, including \$43.2 billion of retail deposits, making Ally Bank the 26th largest FDIC-insured depository institution in the United States by total bank deposits. The growth of our retail deposit base from \$7.2 billion at the end of 2008, to \$43.2 billion at December 31, 2013, as well as a reduction in the average cost of deposits, has enabled us to reduce our cost of funds. Ally Bank has steadily expanded its loyal customer base through best-in-class customer service, innovative and competitive products, and growing brand awareness. We expect to continue to lower our cost of funds and diversify our overall funding as the deposit base grows.



## **Table of Contents**

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

### **Our Strengths**

#### ***Automotive financial services category leader with full product suite.***

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

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

#### ***Market-driven and dealer-centric business model.***

Implementation of our market-driven programs, such as Ally Dealer Rewards and SmartAuction, since 2008 have enabled us to grow our Dealer Financial Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. This business model has allowed us to offer more products, expand our dealer base, and strengthen our existing network of dealer relationships. These strong relationships have allowed us to diversify our asset base and decrease our subvented retail loan origination volumes to 12.8% of our U.S. originations during 2013, compared to 58.0% in 2009. In addition, as of December 31, 2013, over 5,200 of our automotive dealer customers utilized four or more of our products and during 2013, 70% of our U.S. dealer customers received benefits under the Ally Dealer Rewards program.

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

**Table of Contents**

sales force consists of direct dealer account relationship professionals, supplemental product support coverage professionals, and primary manufacturer relationship account professionals.

***Infrastructure scale and breadth.***

We believe the scale and breadth of our platform provide us with a significant competitive advantage. We have invested significantly in our technology infrastructure and other initiatives to support our automotive platform to further enhance our dealer and retail customer relationships and increase business volumes. This focus has resulted in increased credit application flow and originations from dealers representing various manufacturers. We are able to access applications with respect to almost all brands sold by U.S. automotive dealerships. In 2013, we had access to nearly 8 million applications compared to almost 7 million applications in 2012 and 2 million applications in 2009. We believe that our scale, breadth of platform and strong market presence across all 50 states differentiate us from others in the auto finance industry. The combination of our extensive infrastructure, our relationships with finance and insurance departments of dealers, and our participation in the major credit application on-line networks, provides us with a strong platform to efficiently grow our consumer business volumes across a broad mix of automotive dealers.

***Attractive market opportunities.***

We are well-positioned to benefit from continued growth in the automotive finance market as both the U.S. economy and the U.S. Seasonally Adjusted Annualized Rate (SAAR) of vehicle sales continue to rebound from their 2008-2009 recessionary levels. While consumer and business automotive spending has recovered from recent lows, it still remains well below historical average levels. According to U.S. Department of Transportation, the average age of vehicles in the United States has continued to rise and was at an all-time high of 11.4 years in 2013. The chart below shows historical consumer, business and government spending on automobiles as a percentage of U.S. GDP.

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

**Table of Contents**

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

Source: Bureau of Economic Analysis as to 2006-2013 data and Blue Chip Economic Indicators, Vol. 39, No. 2, as to projected 2014-2015 data.

The used vehicle financing market is significant and highly fragmented. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. According to Experian Automotive, over 11.9 million used vehicles were sold by franchised dealers in 2013. The fragmented used vehicle financing segment provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.

***Leading scalable consumer-focused direct banking franchise.***

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

***Strong and streamlined balance sheet and sophisticated risk management.***

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

## **Table of Contents**

We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During 2013 and 2012, we originated \$26.7 billion and \$30.4 billion of retail automotive loans, respectively. During 2013 and 2012, the loss rate on our U.S. consumer automotive portfolio was 0.72% and 0.53%, respectively.

We believe our many years of experience in the automotive industry, and our rigorous underwriting standards result in the high quality of the leases on our balance sheet. We manage risk using our robust combination of credit metrics, including, among others, FICO scores and proprietary vehicle residual value models. Estimating future vehicle residual values is one of the most important steps of writing a new lease. We have extensive experience in underwriting new leases. This experience and the large volume of off-lease and other used vehicles sold through the SmartAuction system help us set appropriate residual value rates at the time a lease is written. During 2013 and 2012, we originated a total of 331,300 and 273,200 U.S. automotive leases totaling approximately \$10.6 billion and \$8.4 billion, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. At December 31, 2013, we maintained a portfolio of \$33.8 billion of commercial automotive loans. During 2013 and 2012, the loss rate on our U.S. commercial automotive loan portfolio was 0.008% and 0.003%, respectively.

Our balance sheet is well capitalized. At December 31, 2013, we had a Tier 1 capital ratio of 11.8%, and a Tier 1 common ratio of 8.8%. We currently estimate based on Final Basel III rules published in July 2013, that the impact of enhanced Basel III capital requirements on our Tier 1 common capital ratio would be a decline of 20 to 40 basis points on a fully phased-in basis. We believe this capitalization compares favorably to our peers and positions us for future growth.

### ***Access to liquidity.***

We have demonstrated strong access to diversified funding and liquidity sources, which are critical to our business. As of December 31, 2013, we had \$19.2 billion of current liquidity in the form of cash, highly liquid unencumbered securities, and committed credit facilities.

Ally Bank provides us stable, low-cost deposit funding utilizing an efficient direct-to-consumer delivery model. Deposits accounted for approximately 41% of our funding at the end of 2013, compared to 14% at the end of 2008. We expect the percentage of deposit funding to continue to grow, which will further reduce our cost of funds. We have a diversified source of funding, including unsecured debt markets, unsecured retail term notes, public and private securitizations, committed and uncommitted credit facilities, FHLB advances, CDs, and retail deposits.

### ***Experienced management team.***

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



## **Table of Contents**

### **Our Business Strategy**

#### ***Improve our shareholder return profile and ROE.***

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

#### ***Expand our dealer relationships through innovative products and premium services.***

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

#### ***Continue to grow our leading direct bank franchise.***

Ally Bank's strategy is to continue to invest in the development of our well regarded brand and strong consumer value proposition in order to expand the relationship with our growing deposit base. For the year ended December 31, 2013, most of our U.S. wholesale balances and approximately two-thirds of our U.S. consumer automotive originations were funded within the bank. We plan to continue to increase the amount of assets that are funded by the bank. This growth will allow us to more efficiently utilize the bank's capital and to take advantage of the lower cost and greater stability of Ally Bank's funding sources, including deposits. We expect to continue to prudently expand the products Ally Bank offers in order to improve our customers' banking experience, broaden our dealer relationships, and expand our funding alternatives.

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

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

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

## **Table of Contents**

### **Our History and Strategic Transformation**

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

We became a bank holding company on December 24, 2008, under the Bank Holding Company Act (BHC Act) and are subject to supervision and examination by the Board of Governors of the Federal Reserve System (FRB). Additionally, our election to become a financial holding company under the BHC Act was approved by the FRB, and became effective on December 20, 2013. Our bank subsidiary, Ally Bank, is supervised by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (DFI). In conjunction with our conversion to a bank holding company, Treasury made its initial investment in Ally as part of the Troubled Asset Relief Program.

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

We have had a long and extensive historical relationship as a financing provider for GM and subsequently with Chrysler, including contractual relationships for manufacturer-subsent retail loan originations. Our over 90-year history has resulted in particularly strong relationships between us and thousands of dealers and provided us with extensive operating experience relative to other automotive finance companies. Our relationships with dealers and transformation to a market-driven business model has substantially diminished our reliance on agreements with GM and Chrysler, which have expired. We entered into a new auto financing agreement with GM that became effective on March 1, 2014 (the GM Agreement), which provides a general framework for dealer and consumer financing related to GM vehicles, as well as with respect to our ongoing participation in GM subvention programs. The GM Agreement does not provide Ally with any exclusivity or similar privileges related to the financing of GM vehicles, whether through subvention programs or otherwise. Our transformation has allowed us to successfully grow our automotive operations and supported the increase in our standard rate retail loan and lease origination volumes and decrease in subvented volumes, which comprised only 12.8% of our U.S. originations during 2013, compared to 58.0% in 2009.

### **Our Challenges**

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

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

Our agreements with GM and Chrysler that provided for certain exclusivity privileges have expired. The expiration of these agreements could have a material adverse effect on our operations;

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

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

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

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



**Table of Contents**

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

**Corporate Information**

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

**Table of Contents**

**THE OFFERING**

Common stock offered by the selling stockholder	shares.
Common stock to be outstanding after this offering	shares (assuming no exercise of the underwriters' over-allotment option).
Over-allotment option	shares from the selling stockholder to cover over-allotments.
Common stock listing	We have applied to list our common stock on the NYSE under the symbol <b>ALLY</b> .
Voting rights	One vote per share.
Use of proceeds	Ally will not receive any proceeds from sale of common stock in the offering.
Dividend policy	<p>We have no current plans to commence payment of a dividend on our common stock. Our payment of dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Our Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the "Series G preferred stock") imposes restrictions on our ability to pay dividends. In addition, so long as any share of our Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the "Series A preferred stock") remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on the Series A preferred stock.</p> <p>In addition, any plans to commence payment of dividends on our common stock in the future would be subject to the FRB's review and absence of objection.</p>
Risk factors	See "Risk Factors" beginning on page 16 of this prospectus for a discussion of risks you should carefully consider before deciding whether to invest in our common stock.
<p>Unless we specifically state otherwise, the information in this prospectus does not take into account shares issuable under our equity compensation incentive plan. All applicable share, per share and related information in this prospectus for periods on or subsequent to has been adjusted retroactively for the -for-one stock split on shares of our common stock effected on , 2014.</p>	

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA**

The following summary consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2013, 2012, and 2011 and the consolidated balance sheet data at December 31, 2013 and 2012 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2010 and 2009 and the consolidated balance sheet data at December 31, 2011, 2010, and 2009 are derived from our audited consolidated financial statements not included in this prospectus.

	2013	At and for the year ended December 31,			2009
		2012	2011	2010	
		(\$ in millions)			
<b>Financial statement data</b>					
<i>Statement of income data:</i>					
Total financing revenue and other interest income	\$ 8,093	\$ 7,342	\$ 6,671	\$ 7,156	\$ 8,069
Interest expense	3,319	4,052	4,606	4,832	4,876
Depreciation expense on operating lease assets	1,995	1,399	941	1,251	2,256
Net financing revenue	2,779	1,891	1,124	1,073	937
Total other revenue	1,484	2,574	2,288	2,672	3,226
Total net revenue	4,263	4,465	3,412	3,745	4,163
Provision for loan losses	501	329	161	361	3,584
Total noninterest expense	3,405	3,622	3,428	3,621	3,937
Income (loss) from continuing operations before income tax (benefit) expense	357	514	(177)	(237)	(3,358)
Income tax (benefit) expense from continuing operations (a)	(59)	(856)	42	97	12
Net income (loss) from continuing operations	416	1,370	(219)	(334)	(3,370)
(Loss) income from discontinued operations, net of tax	(55)	(174)	62	1,363	(6,973)
Net income (loss)	\$ 361	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)
(in millions, except per share data)					
<i>Net (loss) income attributable to common shareholders</i>					
Net income (loss) from continuing operations	\$ 416	\$ 1,370	\$ (219)	\$ (334)	\$ (3,370)
Less: Preferred stock dividends U.S. Department of Treasury	543	535	534	963	(855)
Less: Impact of repurchase of mandatorily convertible preferred stock held by U.S. Department of Treasury and elimination of share adjustment right	240				
Less: Preferred stock dividends	267	267	260	282	(370)
Less: Impact of preferred stock conversion or amendment			(32)	616	
Net (loss) income from continuing operations attributable to common shareholders (b)	(634)	568	(981)	(2,195)	(4,595)
(Loss) income from discontinued operations, net of tax	(55)	(174)	62	1,363	(6,973)
Net (loss) income attributable to common shareholders	\$ (689)	\$ 394	\$ (919)	\$ (832)	(11,568)
Basic and diluted weighted-average common shares outstanding (b)	1,355,375	1,330,970	1,330,970	800,597	529,392
(per share data in whole dollars)					
<i>Basic and diluted earnings per common share</i>					
Net (loss) income from continuing operations	\$ (468)	\$ 427	\$ (738)	\$ (2,742)	\$ (8,677)
(Loss) income from discontinued operations, net of tax	(41)	(131)	47	1,703	(13,173)

Edgar Filing: Ally Financial Inc. - Form S-1/A

Net (loss) income	\$	(509)	\$	296	\$	(691)	\$	(1,039)	\$	(21,850)
-------------------	----	-------	----	-----	----	-------	----	---------	----	----------

**Table of Contents**

	At and for the year ended December 31,				
	2013	2012	2011	2010	2009
	(\$ in millions)				
<b>Pro forma data (c)</b>					
<b>Basic and diluted earnings per common share</b>					
Net (loss) income from continuing operations					
(Loss) income from discontinued operations, net of tax					
Net income (loss)					
Basic and diluted weighted-average common shares outstanding					
<b>Non-GAAP financial measures (d):</b>					
Net income (loss)	\$ 361	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)
Add: Original issue discount amortization expense (e)	249	336	962	1,300	1,143
Add: Income tax (benefit) expense from continuing operations	(59)	(856)	42	97	12
Less: (Loss) income from discontinued operations, net of tax	(55)	(174)	62	1,363	(6,973)
Core pretax income (loss) (d)	\$ 606	\$ 850	\$ 785	\$ 1,063	\$ (2,215)
<b>Selected period-end balance sheet data:</b>					
Total assets	\$ 151,167	\$ 182,347	\$ 184,059	\$ 172,008	\$ 172,306
Long-term debt	\$ 69,465	\$ 74,561	\$ 92,885	\$ 86,703	\$ 88,066
Preferred stock	\$ 1,255	\$ 6,940	\$ 6,940	\$ 6,972	\$ 12,180
Total equity	\$ 14,208	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794
<b>Financial ratios</b>					
Return on assets (f)					
Net income (loss) from continuing operations	0.27%	0.75%	(0.12)%	(0.19)%	(1.89)%
Net income (loss)	0.23%	0.65%	(0.09)%	0.58%	(5.81)%
Core pretax income (loss)	0.39%	0.46%	0.43%	0.60%	(1.25)%
Return on equity (f)					
Net income (loss) from continuing operations	2.22%	7.24%	(1.09)%	(1.62)%	(13.90)%
Net income (loss)	1.92%	6.32%	(0.78)%	4.98%	(42.65)%
Core pretax income (loss)	3.23%	4.49%	3.91%	5.14%	(9.13)%
Equity to assets (f)	12.00%	10.30%	11.10%	11.69%	13.63%
Net interest spread (f)(g)	1.75%	1.18%	0.69%	0.81%	0.31%
Net interest spread excluding original issue discount (f)(g)	1.99%	1.49%	1.57%	2.16%	1.84%
Net yield on interest-earning assets (f)(h)	2.03%	1.40%	0.92%	1.02%	0.94%
Net yield on interest-earning assets excluding original issue discount (f)(h)	2.21%	1.66%	1.68%	2.18%	2.10%
<b>Regulatory capital ratios</b>					
Tier 1 capital (to risk-weighted assets) (i)	11.79%	13.13%	13.65%	14.93%	14.12%
Total risk-based capital (to risk-weighted assets) (j)	12.76%	14.07%	14.69%	16.30%	15.52%
Tier 1 leverage (to adjusted quarterly average assets) (k)	10.23%	11.16%	11.45%	12.99%	12.68%
Total equity	\$ 14,208	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794
Goodwill and certain other intangibles	(27)	(494)	(493)	(532)	(534)
Unrealized gains and other adjustments	(1,560)	(1,715)	(262)	(309)	(447)
Trust preferred securities	2,544	2,543	2,542	2,541	2,540
Tier 1 capital (i)	15,165	20,232	21,067	22,098	22,353
Preferred stock	(1,255)	(6,940)	(6,940)	(6,972)	(12,180)
Trust preferred securities	(2,544)	(2,543)	(2,542)	(2,541)	(2,540)
Tier 1 common capital (non-GAAP) (l)	\$ 11,366	\$ 10,749	\$ 11,585	\$ 12,585	\$ 7,633
Risk-weighted assets (m)	\$ 128,575	\$ 154,038	\$ 154,319	\$ 147,979	\$ 158,326
Tier 1 common (to risk-weighted assets) (l)	8.84%	6.98%	7.51%	8.50%	4.82%

(a) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of \$1.2



## Edgar Filing: Ally Financial Inc. - Form S-1/A

billion was established through income tax expense.

- (b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2013, and 2011, respectively, net (loss) income from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

**Table of Contents**

- (c) The pro forma financial information gives retroactive effect to the -for-one stock split on shares of our common stock effected on , 2014.
- (d) Core pretax income (loss) is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes and original issue discount amortization expense primarily associated with our 2008 bond exchange. We believe that the presentation of core pretax income (loss) is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income (loss) is an important measure that management uses to assess the performance of our operations. We believe that core pretax income (loss) is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.
- (e) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange that was reported as a loss on extinguishment of debt in Consolidated Statement of Income, respectively.
- (f) The ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies.
- (g) Net interest spread represents the difference between the rate on total interest earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
- (h) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
- (i) 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.
- (j) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
- (k) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
- (l) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
- (m) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.



---

**Table of Contents**

**RISK FACTORS**

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

**Risks Related to Regulation**

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

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

Ally is subject to ongoing supervision, examination and regulation by the FRB, and Ally Bank by the FDIC and the Utah DFI, in each case, through regular examinations and other means that allow the regulators to gauge management's ability to identify, assess, and control risk in all areas of operations in a safe-and-sound manner and to ensure compliance with laws and regulations. In the course of their supervision and examinations, our regulators may require improvements in various areas. Such areas could include, among others: board and senior management oversight, risk management, regulatory reporting, internal audit planning, capital adequacy process, stress testing, Bank Secrecy Act / anti-money laundering compliance, compliance management and training, compliance monitoring, and consumer complaint resolution. Ally is currently required by its regulators to make improvements related to its fair lending monitoring practices. Any requirement imposed is generally judicially enforceable, and if we are unable to implement and maintain any required actions in a timely and effective manner, we could become subject to formal supervisory actions that could lead to significant restrictions on our existing business or on our ability to develop any new business. Such forms of supervisory action could include, without limitation, written agreements, cease and desist orders, and consent orders and may, among other things, result in restrictions on our ability to pay dividends, requirements to increase capital, restrictions on our activities, the imposition of civil monetary penalties, and enforcement of such action through injunctions or restraining orders. We could also be required to dispose of certain assets and liabilities within a prescribed period. The terms of any such supervisory action could have a material adverse effect on our business, operating flexibility, financial condition, and results of operations.

As a financial holding company, we are permitted to engage in a broader range of financial and related activities than those that are permissible for bank holding companies, in particular, securities, insurance, and merchant banking activities. Ally's status as a financial holding company allows us to continue all existing insurance activities, as well as our SmartAuction vehicle remarketing services for third parties. Notwithstanding our status as a financial holding company, certain activities may require prior approval of the relevant banking supervisors. There can be no assurance that such prior approval will be obtained. To maintain its status as a financial holding company, Ally and its bank subsidiary, Ally Bank, must remain well-capitalized and well-managed, as defined under applicable law. If we fail to maintain our status as a financial holding company, our ability to engage in the broader range of activities permitted to financial holding companies may be restricted and we may be required to discontinue these activities or divest our bank subsidiary, Ally Bank.

---

**Table of Contents**

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

Our business strategy for Ally Bank, which is primarily focused on automotive lending and growth of our direct-channel deposit business, is subject to regulatory oversight from a safety and soundness perspective. If our banking supervisors raise concerns regarding any aspect of our business strategy for Ally Bank, we may be obliged to alter our strategy, which could include moving certain activities, such as certain types of lending, outside of Ally Bank to one of our nonbanking affiliates. Alternative funding sources outside of Ally Bank, such as unsecured funding in the capital markets, could be more expensive than funding through Ally Bank and could adversely affect our business prospects, results of operations, and financial condition. Further, our regulators require Ally Bank to maintain capital levels in excess of what management believes is needed, which affects Ally Bank's ability to optimally deploy capital and execute certain business initiatives, and we will need to obtain regulatory approvals in order to maintain lower capital levels.

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

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB's capital plan rule requires that Ally receive no objection from the FRB prior to making a capital distribution. The failure to receive no objection from the FRB would prohibit us from paying dividends and making other capital distributions. See Business - Certain Regulatory Matters for further details.

In addition, in February 2014, the FRB issued a final rule to implement certain of the enhanced prudential standards mandated by Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) for large bank holding companies such as Ally. The final rule will, among other things, require Ally to maintain a sufficient quantity of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures; and impose certain requirements, duties and qualifications for Ally's risk committee and chief risk officer. The final rule will have a general compliance date of January 1, 2015. The enhanced prudential standards, when effective, could adversely affect our business prospects, results of operations and financial condition. Additionally, the FRB has stated that it will issue, at a later date, final rules to implement certain other enhanced prudential standards mandated by Section 165 of the Dodd-Frank Act, including single counterparty credit limits and an early remediation framework. Once implemented and adopted, these rules could adversely affect our business prospects, results of operations and financial condition.

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

Ally Bank continues to be a key part of our funding strategy, and we have continued to place greater reliance on deposits as a source of funding through Ally Bank. Ally Bank does not have a retail branch network, and it obtains its deposits through direct banking and brokered deposits which, at December 31, 2013, included \$8.2 billion of brokered certificates of deposit that may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher interest rates. At December 31, 2013, brokered deposits represented 18% of Ally Bank total deposits. Our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions including the possible imposition of prior approval requirements, restrictions on deposit growth, or restrictions on our rates offered. In addition, perceptions of our financial strength, rates offered by third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact the size of our deposit base. In addition, our regulators may impose restrictions on our ability to fund certain types of assets at Ally Bank, potentially raising the cost of funding those

---

**Table of Contents**

activities without the use of Ally Bank deposits. Qualitative and quantitative liquidity requirements that are being proposed and finalized by the U.S. banking regulators may also impact our funding strategy.

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

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

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

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

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

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

result in Ally being subject to enhanced oversight and scrutiny as a result of being a bank holding company with \$50 billion or more in total consolidated assets (large bank holding company);

increase the levels of capital and liquidity with which Ally must operate and affect how it plans capital and liquidity levels;

subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees and any other similar assessments paid by Ally Bank to the FDIC;

potentially impact a number of Ally's business and risk management strategies;

potentially restrict the revenue that Ally generates from certain businesses;

require Ally to provide to the FRB and FDIC an annual plan for its rapid and orderly resolution in the event of material financial distress;

---

**Table of Contents**

subject Ally to regulation by the Consumer Financial Protection Bureau (CFPB), which has very broad rule-making, examination, and enforcement authorities; and

subject derivatives that Ally enters into for hedging, risk management and other purposes to a comprehensive new regulatory regime which, over time, will require central clearing and execution on designated markets or execution facilities for certain standardized derivatives and impose margin, documentation, trade reporting and other new requirements.

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

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

In December 2010, the Basel Committee on Banking Supervision (Basel Committee) reached an agreement on the Basel III capital framework, which was designed to increase the quality and quantity of regulatory capital by introducing new risk-based and leverage capital standards. The U.S. banking regulators have finalized rules implementing the Basel III capital framework and related Dodd-Frank Act provisions. The U.S. Basel III final rules represent substantial revisions to the existing regulatory capital standards for U.S. banking organizations. Ally will become subject to the U.S. Basel III final rules beginning on January 1, 2015. Certain aspects of the U.S. Basel III final rules, including the new capital buffers and regulatory capital deductions, will be phased in over several years. The U.S. Basel III final rules will subject Ally to higher minimum risk-based capital ratios and capital buffers above these minimum requirements. Failure to maintain such buffers will result in restrictions on Ally's ability to make capital distributions, including dividend payment, stock repurchases and redemptions, and pay discretionary bonuses to executive officers.

The U.S. Basel III final rules will, over time, require more stringent deductions for, among other assets, certain deferred tax assets (DTAs) from Ally's Common Equity Tier 1 capital and limit Ally's ability to meet its regulatory capital requirements through the use of trust preferred securities, or other hybrid securities (although certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act are grandfathered as Tier 1 capital).

If we or Ally Bank fail to satisfy regulatory capital requirements, we or Ally Bank may be subject to serious regulatory sanctions ranging in severity from being precluded from making acquisitions or engaging in new activities to becoming subject to informal or formal supervisory actions by the FRB and/or FDIC and, potentially, FDIC receivership of Ally Bank. If any of these were to occur, such actions could prevent us from successfully executing our business plan and have a material adverse effect on our business, results of operations, and financial position. Effective January 1, 2015, the well-capitalized standard for Ally Bank will be revised to reflect the higher capital requirements in the U.S. Basel III final rules. To maintain its status as a financial holding company, Ally and its bank subsidiary, Ally Bank, must remain well-capitalized and well-managed, as defined under applicable law.

Commencing with the current capital planning and stress testing cycle that began in October 2013, the Dodd-Frank company-run stress tests and FRB supervisory stress tests to which Ally is subject, the annual capital plan that Ally must submit and the FRB's annual post-stress capital analysis under the Comprehensive Capital Analysis and Review (CCAR) must incorporate the more stringent capital requirements in the U.S. Basel III final

---

**Table of Contents**

rules as they are phased in over the nine-quarter forward-looking planning horizon. Under the FRB's capital plan rule, an objection to a large bank holding company's capital plan would prohibit it from paying dividends or making certain other capital distributions.

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

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

***Future consumer legislation or actions could harm our competitive position.***

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

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

Ally and its subsidiaries, including Ally Bank, are or may become involved from time to time in reviews, investigations, and proceedings (both formal and informal), and information-gathering requests, by government and self-regulatory agencies, including the FRB, FDIC, Utah DFI, CFPB, Department of Justice (DOJ), Securities and Exchange Commission (SEC), and the Federal Trade Commission regarding their respective operations. Such requests include subpoenas from each of the SEC and the DOJ. The subpoenas and document requests from the SEC include information covering a wide range of mortgage-related matters, and the subpoenas received from the DOJ include a broad request for documentation and other information in connection with its investigations of potential fraud and other potential legal violations related to mortgage-backed securities, as well as the origination and/or underwriting of mortgage loans.

Further, in December 2013, Ally Financial Inc. and Ally Bank entered into Consent Orders issued by the CFPB and the DOJ pertaining to the allegation of disparate impact in the automotive finance business, which resulted in a \$98 million charge in the fourth quarter of 2013. The Consent Orders require Ally to create a compliance plan addressing, at a minimum, the communication of Ally's expectations of Equal Credit Opportunity Act compliance to dealers, maintenance of Ally's existing limits on dealer finance income for contracts acquired by Ally, and monitoring for potential discrimination both at the dealer level and across all dealers. Ally also must form a compliance committee consisting of Ally and Ally Bank directors to oversee Ally's execution of the Consent Orders' terms. Failure to achieve certain remediation targets could result in the payment of additional amounts in the future.

Investigations, proceedings or information-gathering requests that Ally is, or may become, involved in may result in material adverse consequences including without limitation, adverse judgments, settlements, fines, penalties, injunctions, or other actions.



---

## **Table of Contents**

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

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

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

The ability to grow Ally Bank's business in the future could be affected by the Affiliate Transaction Restrictions.

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

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

## **Risks Related to Our Business**

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

GM and Chrysler dealers and their retail customers compose a significant portion of our customer base, and our Dealer Financial Services operations are highly dependent on GM and Chrysler production and sales volume. In 2013, 62% of our U.S. new vehicle dealer inventory financing and 69% of our U.S. new vehicle consumer automotive financing volume were for GM franchised dealers and customers, and 27% of our U.S. new vehicle dealer inventory financing and 22% of our U.S. new vehicle consumer automotive financing volume were for Chrysler dealers and customers.

---

**Table of Contents**

On October 1, 2010, GM acquired AmeriCredit Corp. (which GM subsequently renamed General Motors Financial Company, Inc. (GMF)), an independent automotive finance company. Further, during 2013 we completed the sale of our automotive finance operations in Europe and Latin America to GMF and expect to complete the sale of our interest in the joint venture in China to GMF in the next twelve months. As GMF continues to grow and offer new products, and as GM directs additional business to GMF, it could reduce GM's reliance on our services over time, which could have a material adverse effect on our profitability and financial condition. In addition, GMF has begun to offer certain insurance products that we also offer. In addition, GM or other automotive manufacturers could utilize other existing companies to support their financing needs including offering products or terms that we would not or could not offer, which could have a material adverse impact on our business and operations. Furthermore, other automotive manufacturers could expand or establish or acquire captive finance companies to support their financing needs thus reducing their need for our services.

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

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

***Our agreements with GM and Chrysler that provided for certain exclusivity privileges have expired. The expiration of these agreements could have a material adverse effect on our business, results of operations, and financial condition.***

We were previously party to agreements with each of GM and Chrysler that provided for certain exclusivity privileges related to subvention programs that they offered. On April 25, 2012, Chrysler provided us with notification of nonrenewal for our existing agreement with them, and as a result, our agreement with Chrysler expired in April 2013. Further, in May 2013 Chrysler announced that it has entered into a ten-year agreement with Santander Consumer USA Inc. (Santander), pursuant to which Santander will provide a full range of wholesale and retail financing services to Chrysler dealers and consumers. Since this time, our originations of Chrysler subvented retail financing and subvented leases have ceased and resulted in a reduction of originations from the Chrysler channel. In addition, our agreement with GM expired effective February 28, 2014. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler for their incentive programs. While we have entered into a new agreement with GM relating to certain matters, such agreement does not provide Ally with any exclusivity or similar privileges related to the financing of GM vehicles, whether through subvention programs or otherwise. As a result, our existing agreement with GM does not provide the economic benefits or impose the obligations that were included within our prior agreement with GM. We cannot predict the ultimate impact that the expiration of prior agreements or the terms of the new GM Agreement will have on our operations. However, the expiration of these agreements and the terms of the new GM agreement are likely to continue to increase competitive pressure on Ally. Our share of financing for GM consumer sales decreased from 38% in 2011 to 29% in 2013, and our share of financing for Chrysler consumer sales decreased from 32% in 2011 to 14% in 2013.

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

Our business depends on the continuation of our relationships with our customers, particularly the automotive dealers with whom we do business. While the number of dealers that we have retail relationships with has held relatively flat during 2013, the number of dealers that we have wholesale relationships with has decreased approximately 10% as compared to December 31, 2012. Further, our share of GM commercial

---

**Table of Contents**

wholesale financing decreased from 78% in 2011 to 67% in 2013, and our share of Chrysler commercial wholesale financing decreased from 67% in 2011 to 50% in 2013. If we are not able to maintain existing relationships with key automotive dealers or if we are not able to develop new relationships for any reason, including if we are not able to provide services on a timely basis or offer products that meet the needs of the dealers, this trend related to wholesale funding may continue, and the number dealers with which we have retail funding relationships could also decline in the future. As a result, our business, results of operations, and financial condition could be adversely affected in the future.

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

Our liquidity and the long-term viability of Ally depend on many factors, including our ability to successfully raise capital and secure appropriate bank financing. We are currently required to maintain a Tier 1 leverage ratio of 15% at Ally Bank, which will require that Ally maintain substantial capital levels in Ally Bank.

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding, it continues to remain a critical component of our capital structure and financing plans. At December 31, 2013, approximately \$5.5 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2014, and approximately \$5.2 billion and \$1.9 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2015 and 2016, respectively. We also obtain short-term funding from the sale of floating rate demand notes, all of which the holders may elect to have redeemed at any time without restriction. At December 31, 2013, a total of \$3.2 billion in principal amount of Demand Notes were outstanding. We also rely substantially on secured funding. At December 31, 2013, approximately \$11.9 billion of outstanding consolidated secured debt is scheduled to mature in 2014, approximately \$13.8 billion is scheduled to mature in 2015, and approximately \$7.9 billion is scheduled to mature in 2016. Furthermore, at December 31, 2013, approximately \$15.5 billion in certificates of deposit at Ally Bank are scheduled to mature in 2014, which is not included in the 2014 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over these periods. The capital markets can be volatile, and Ally's access to the debt markets may be significantly reduced during periods of market stress.

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

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

We have a significant amount of indebtedness. At December 31, 2013, we had approximately \$79.2 billion in principal amount of indebtedness outstanding (including \$47.6 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 33% of our total financing revenue and other interest income for the year ended December 31, 2013. In addition, during the twelve months ending December 31, 2013, we declared and paid preferred stock dividends of \$810 million in the aggregate.

We have the ability to create additional unsecured indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and

---

**Table of Contents**

interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

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

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

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

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

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

---

**Table of Contents**

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

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

We are subject to credit risk resulting from defaults in payment or performance by customers for our contracts and loans, as well as contracts and loans that are securitized and in which we retain a residual interest. Furthermore, a weak economic environment and high unemployment rates could exert pressure on our consumer automotive finance customers resulting in higher delinquencies, repossessions, and losses. There can be no assurances that our monitoring of our credit risk as it affects the value of these assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss-mitigation strategies are, or will be, sufficient to prevent a further adverse effect on our profitability and financial condition. We have continued to expand our nonprime automobile financing. We define nonprime consumer automobile loans primarily as those loans with a FICO score (or an equivalent score) at origination of less than 620. In addition, we have increased our used vehicle financing. Customers that finance used vehicles tend to have lower FICO scores as compared to new vehicle customers, and defaults resulting from vehicle breakdowns are more likely to occur with used vehicles as compared to new vehicles that are financed. At December 31, 2013, the carrying value of our Automotive Finance operations nonprime consumer automobile loans before allowance for loan losses was \$6.0 billion, or approximately 10.7% of our total consumer automobile loans. Of these loans, \$91 million were considered nonperforming as they had been placed on nonaccrual status in accordance with internal loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. As we continue to grow our nonprime automobile financing loans over time, our credit risk may increase. As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

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

Lease originations are increasingly a substantial portion of our consumer financing originations. In particular, our GM lease originations grew to 23% in 2013 of our consumer financing originations from 13% in 2011. Our expectation of the residual value of a vehicle subject to an automotive lease contract is a critical element used to determine the amount of the lease payments under the contract at the time the customer enters into it. As a result, to the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and/or a loss on the lease transaction. General economic conditions, the supply of off-lease and other vehicles to be sold, new vehicle market prices, perceived vehicle quality, overall price and volatility of gasoline or diesel fuel, among other factors, heavily influence used vehicle prices and thus the actual residual value of off-lease vehicles. Consumer confidence levels and the strength of automotive manufacturers and dealers can also influence the used vehicle market. For example, during 2008, sharp declines in demand and used vehicle sale prices adversely affected our remarketing proceeds and financial results.

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

---

**Table of Contents**

Differences between the actual residual values realized on leased vehicles and our expectations of such values at contract inception could have a material negative impact on our profitability and financial condition.

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

Our business and earnings are sensitive to general business and economic conditions in the United States. A downturn in economic conditions resulting in increased short- and long-term interest rates, inflation, fluctuations in the debt capital markets, unemployment rates, housing prices, consumer and commercial bankruptcy filings, or a decline in the strength of national and local economies and other factors that negatively affect household incomes could decrease demand for our financing products and increase financing delinquency and losses on our customer and dealer financing operations. Further, a significant and sustained increase in fuel prices could lead to diminished new and used vehicle purchases and negatively affect our automotive finance business. Finally, concerns about the pace of economic growth in the U.S. and elsewhere and uncertainty regarding U.S. fiscal and monetary policies and the federal deficit, have resulted in significant volatility in the financial markets, and could impact our ability to obtain, and the pricing with respect to, funding that is collateralized by affected instruments and obtained through the secured and unsecured markets. As these conditions persist, our business, results of operation, and financial position could be materially adversely affected.

If the rate of inflation were to increase, or if the debt capital markets or the economy of the United States were to weaken, or if home prices or new and used vehicle purchases experience declines, we could be significantly and adversely affected, and it could become more expensive for us to conduct our business. For example, business and economic conditions that negatively affect household incomes, housing prices, and consumer behavior related to our businesses could decrease (1) the demand for our new and used vehicle financing and (2) the value of the collateral underlying our portfolio of held-for-investment assets and new and used vehicle loans and interests that continue to be held by us, thus further increasing the number of consumers who become delinquent or default on their loans. In addition, the rate of delinquencies, foreclosures, and losses on our loans could be higher during more severe economic slowdowns.

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

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

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

***Treasury will continue to own an interest in us following this offering, and its interests may differ from those of our other stockholders.***

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

Pursuant to the Stockholders Agreement dated August 19, 2013, as of the date hereof, Treasury had appointed four of the eleven members to our board of directors. As a result of this stock ownership interest and Treasury's right to appoint four directors to our board of directors, Treasury has the ability to exert control,

---

**Table of Contents**

through its power to vote for the election of our directors, over various matters. To the extent Treasury elects to exert such control over us, its interests (as a government entity) may differ from those of our other stockholders and it may influence, through its ability to vote for the election of our directors, matters including:

the selection, tenure and compensation of our management;

our business strategy and product offerings;

our relationship with our employees and other constituencies; and

our financing activities, including the issuance of debt and equity securities.

In the future we may also become subject to new and additional laws and government regulations regarding various aspects of our business as a result of participation in the TARP program and the U.S. government's ownership in our business. These regulations could make it more difficult for us to compete with other companies that are not subject to similar regulations.

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

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

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

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

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

## **Table of Contents**

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

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

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

We are subject to risks from decreasing interest rates. A low interest rate environment or a flat or inverted yield curve may adversely affect certain of our businesses by compressing net interest margins or reducing the amounts we earn on our investment securities portfolio, thereby reducing our net interest income and other revenues.

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

will increase our cost of funds;

may reduce our consumer automotive financing volume by influencing customers to pay cash for, as opposed to financing, vehicle purchases or not to buy new vehicles;

may negatively impact our ability to remarket off-lease vehicles; and

will generally reduce the value of automotive financing loans and contracts and retained interests and fixed income securities held in our investment portfolio.

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

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

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

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

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption of our information systems or the third-party information systems on which we rely as a result of inadequate or failed processes or systems, human errors, employee misconduct, catastrophic events, external or



---

**Table of Contents**

internal security breaches, acts of vandalism, computer viruses, malware, misplaced or lost data, or other external events could cause underwriting or other delays and could result in fewer applications being received, slower processing of applications, and reduced efficiency in servicing.

In addition, our communication and information systems may present security risks, and could be susceptible to hacking or identity theft. The access by unauthorized persons to personal, confidential or proprietary information in our possession or our proprietary information, software, methodologies and business secrets could result in a significant legal and financial exposure, supervisory liability, damage to our reputation or a loss of confidence in the security of our systems, products, and services. For example, similar to other large financial institutions, in the past we have been subject to cyber attacks that briefly resulted in slow performance and unavailability of our website for some customers. Information security risks for large financial institutions like us have increased recently in part because of new technologies, the use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists, and others. We may not be able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. The occurrence of any of these events could have a material adverse effect on our business.

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

We use estimates and various assumptions in determining the fair value of many of our assets, including certain held-for-sale loans for which we elected fair value accounting, retained interests from securitizations of loans and contracts, and other investments, which do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of leased vehicles. In addition, we use estimates and assumptions in determining our reserves for legal matters, insurance losses and loss adjustment expenses which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. For further discussion related to estimates and assumptions, see

Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates. Our assumptions and estimates may be inaccurate for many reasons, including that they often involve matters that are inherently difficult to predict and that are beyond our control (for example, macro-economic conditions and their impact on our dealers), and that they often involve complex interactions between a number of dependent and independent variables, factors, and other assumptions. As a result, our actual experience may differ materially from these estimates and assumptions. A material difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects.

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

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

---

**Table of Contents**

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

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

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

***The soundness of other financial institutions could adversely affect us.***

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

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

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

**Risks Related to this Offering and Ownership of Our Common Stock**

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

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

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

---

**Table of Contents**

these holders' ability to sell their stock. As restrictions on resale end or if these stockholders exercise their registration rights or otherwise sell their shares, the market price of our common stock could decline.

In particular, following this offering, Treasury might sell a large number of the shares of our common stock that they continue to hold. Such sales of a substantial number of shares of our common stock could adversely affect the market price of our common stock.

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

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

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

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

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

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

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

Limiting the liability of our directors, and providing indemnification to our directors and officers; and

Limiting the ability of our stockholders to call and bring business before special meetings.

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

---

**Table of Contents**

In addition, after the completion of this offering, we will be subject to Section 203 of the General Corporation Law of the State of Delaware (the DGCL), which generally prohibits a corporation from engaging in various business combination transactions with any interested stockholder (generally defined as a stockholder who owns 15% or more of a corporation's voting stock) for a period of three years following the time that such stockholder became an interested stockholder, except under certain circumstances including receipt of prior board approval.

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

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

***An ownership change could limit our ability to utilize tax losses and credits carryforwards to offset future taxable income.***

As of December 31, 2013, we had a U.S. federal net operating loss carryforward of approximately \$1.2 billion, \$483 million in capital loss carryforwards and \$1.8 billion in foreign tax credits (tax assets). Our ability to use such tax assets to offset future taxable income and reduce future tax liabilities may be significantly limited if we experience an ownership change as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the Code). In general, an ownership change will occur when the percentage of Ally's ownership (by value) of one or more 5-percent shareholders (as defined in the Code) has increased by more than 50 percent over the lowest percentage owned by such shareholders at any time during the prior three years (calculated on a rolling basis). A corporation that experiences an ownership change generally will be subject to an annual limitation on the utilization of its pre-ownership change tax assets equal to the equity value of the corporation immediately before the ownership change, multiplied by the long-term, tax-exempt rate posted monthly by the IRS (subject to certain adjustments). The annual limitation would be increased each year to the extent that there is an unused limitation in a prior year. The limitation on our ability to utilize tax assets arising from an ownership change under Section 382 would depend on the value of our equity at the time of any ownership change.

If we were to experience an ownership change, it is possible that our ability to fully utilize our tax assets may be delayed or deferred, and that a significant portion of our tax assets could expire before we would be able to use them to offset future taxable income or reduce future tax liabilities.

On January 9, 2014, our Board adopted our Tax Asset Protection Plan (the Plan) to help protect these tax assets. The Plan is designed to reduce the likelihood of an ownership change by (i) discouraging any person or group from becoming a 4.99 percent shareholder and (ii) discouraging any existing 4.99 percent shareholder from acquiring additional shares of Ally common stock, subject to certain exceptions. Unless extended, the Plan expires on January 9, 2017.

In addition, on January 9, 2014, our Board approved a protective amendment to our Amended and Restated Certificate of Incorporation (the Protective Amendment), which is designed to prevent certain transfers of Ally common stock that could result in an ownership change. The Protective Amendment generally restricts any transfer of Ally common stock that would (i) increase the ownership by any person to 4.99 percent or more of Ally stock then outstanding or (ii) increase the percentage of Ally stock owned by a Five Percent Stockholder (as defined in the Plan). Unless extended, the Protective Amendment expires on January 9, 2017.

Despite the intentions of the Plan and the Protective Amendment to deter and prevent an ownership change, such an event may still occur. In addition, the Plan and the Protective Amendment may make it more difficult and more expensive to acquire us, and may discourage open market purchases of Ally common stock or a non-negotiated tender or exchange offer for Ally common stock. Accordingly, the Plan and the Protective Amendment may limit a shareholder's ability to realize a premium over the market price of Ally common stock in connection with any stock transaction.

**Table of Contents**

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

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

the perceived prospects for the auto finance and mortgage industries in general or for our company;

differences between our actual financial and operating results and those expected by investors;

changes in the share price of public companies with which we compete;

news about our new products or services, enhancements, significant contracts, acquisitions or strategic investments;

changes in our capital structure, such as future issuances of securities, repurchases of our common stock or our incurrence of debt;

changes in general economic or market conditions;

broad market fluctuations;

regulatory actions or changes in applicable laws, rules or regulations;

unfavorable or lack of published research by securities or industry analysts; and

departure of key personnel.

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

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

The doctrine of sovereign immunity, as limited by the Federal Tort Claims Act (the "FTCA"), provides that claims may not be brought against the United States of America or any agency or instrumentality thereof unless specifically permitted by act of Congress. The FTCA bars claims for fraud or misrepresentation. At least one federal court, in a case involving a federal agency, has held that the United States may assert its sovereign immunity to claims brought under the federal securities laws. In addition, Treasury and its officers, agents, and employees are exempt from liability for any violation or alleged violation of the anti-fraud provisions of Section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") by virtue of Section 3(c) thereof. The underwriters are not claiming to be agents of Treasury in this offering. Accordingly, any attempt to assert such a claim against the officers, agents or employees of Treasury for a violation of the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act resulting from an alleged material misstatement in or material omission from this prospectus or the registration statement of which this prospectus is a part or resulting from any other act or omission in connection with the offering of the

common stock by Treasury would likely be barred.

**Table of Contents**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

We have made statements under the captions Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and in other sections of this prospectus that may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words expect, anticipate, estimate, forecast, initiative, objective, plan, project, outlook, priorities, target, intend, evaluate, pursue, seek, may, would, could, should, believe, potential, of these words or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties. You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this prospectus, including those under the caption Risk Factors. Forward-looking statements apply only as of the date they are made, and Ally undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward looking statement is made. Factors that could cause our actual results to be materially different from our expectations include, among others, the risk factors set forth herein under the caption Risk Factors, and the following:

Maintaining the mutually beneficial relationship between the company and GM, and the company and Chrysler;

Our ability to realize the anticipated benefits associated with being a financial holding company, and the increased regulation and restrictions that we are now subject to;

The potential for deterioration in the residual value of off-lease vehicles;

Disruptions in the market in which we fund our operations, with resulting negative impact on our liquidity;

Changes in our accounting assumptions that may require or that result from changes in the accounting rules or their application, which could result in an impact on earnings;

Changes in the credit ratings of Ally, Chrysler, or GM;

Changes in economic conditions, currency exchange rates or political stability in the markets in which we operate; and

Changes in the existing or the adoption of new laws, regulations, policies or other activities of governments, agencies and similar organizations (including as a result of the Dodd-Frank Act and Basel III).

**Table of Contents**

**USE OF PROCEEDS**

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



**Table of Contents**

**DIVIDEND POLICY**

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

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2013, (i) actual and (ii) pro forma to reflect the -for-one stock split on shares of our common stock effected on , 2014.

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

	As of December 31, 2013	
	Actual	Pro forma
	(\$ in millions)	
Cash and cash equivalents	\$ 1,315	\$
Short-term borrowings	8,545	
Long-term debt	69,465	
Series A preferred stock, 1,021,764 shares issued and outstanding, actual, pro forma and pro forma as adjusted	1,021	
Series G preferred stock, 2,576,601 shares issued and outstanding, actual and pro forma	234	
Common stock, \$0.01 par value per share, 1,547,637 shares issued and outstanding, actual, shares issued and outstanding pro forma and additional paid-in capital	20,939	
Accumulated deficit	(7,710)	
Accumulated other comprehensive (loss) income	(276)	
<b>Total equity</b>	<b>14,208</b>	
Total capitalization	\$ 93,533	\$

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected consolidated financial data of Ally should be read in conjunction with, and are qualified by reference to, Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included elsewhere in this prospectus. The consolidated statement of income data for the years ended December 31, 2013, 2012, and 2011 and the consolidated balance sheet data at December 31, 2013 and 2012 are derived from, and qualified by reference to, our audited consolidated financial statements included elsewhere in this prospectus and should be read in conjunction with those consolidated financial statements and notes thereto. The consolidated statement of income data for the years ended December 31, 2010 and 2009 and the consolidated balance sheet data at December 31, 2011, 2010, and 2009 are derived from our audited consolidated financial statements not included in this prospectus.

	2013	At and for the year ended December 31,			2009
		2012	2011	2010	
		(\$ in millions)			
<b>Financial statement data</b>					
<i>Statement of income data:</i>					
Total financing revenue and other interest income	\$ 8,093	\$ 7,342	\$ 6,671	\$ 7,156	\$ 8,069
Interest expense	3,319	4,052	4,606	4,832	4,876
Depreciation expense on operating lease assets	1,995	1,399	941	1,251	2,256
Net financing revenue	2,779	1,891	1,124	1,073	937
Total other revenue	1,484	2,574	2,288	2,672	3,226
Total net revenue	4,263	4,465	3,412	3,745	4,163
Provision for loan losses	501	329	161	361	3,584
Total noninterest expense	3,405	3,622	3,428	3,621	3,937
Income (loss) from continuing operations before income tax (benefit) expense	357	514	(177)	(237)	(3,358)
Income tax (benefit) expense from continuing operations (a)	(59)	(856)	42	97	12
Net income (loss) from continuing operations	416	1,370	(219)	(334)	(3,370)
(Loss) income from discontinued operations, net of tax	(55)	(174)	62	1,363	(6,973)
Net income (loss)	\$ 361	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)
(in millions, except per share data)					
<i>Net (loss) income attributable to common shareholders</i>					
Net income (loss) from continuing operations	\$ 416	\$ 1,370	\$ (219)	\$ (334)	\$ (3,370)
Less: Preferred stock dividends U.S. Department of Treasury	543	535	534	963	(855)
Less: Impact of repurchase of mandatorily convertible preferred stock held by U.S. Department of Treasury and elimination of share adjustment right	240				
Less: Preferred stock dividends	267	267	260	282	(370)
Less: Impact of preferred stock conversion or amendment			(32)	616	
Net (loss) income from continuing operations attributable to common shareholders (b)	(634)	568	(981)	(2,195)	(4,595)
(Loss) income from discontinued operations, net of tax	(55)	(174)	62	1,363	(6,973)
Net (loss) income attributable to common shareholders	\$ (689)	\$ 394	\$ (919)	\$ (832)	(11,568)
Basic and diluted weighted-average common shares outstanding (b)	1,355,375	1,330,970	1,330,970	800,597	529,392
(per share data in whole dollars)					
<i>Basic and diluted earnings per common share</i>					
Net (loss) income from continuing operations	\$ (468)	\$ 427	\$ (738)	\$ (2,742)	\$ (8,677)
(Loss) income from discontinued operations, net of tax	(41)	(131)	47	1,703	(13,173)

Edgar Filing: Ally Financial Inc. - Form S-1/A

Net (loss) income	\$	(509)	\$	296	\$	(691)	\$	(1,039)	\$	(21,850)
-------------------	----	-------	----	-----	----	-------	----	---------	----	----------

**Table of Contents**

	At and for the year ended December 31,				
	2013	2012	2011	2010	2009
	(\$ in millions)				
<b>Pro forma data (c)</b>					
<b>Basic and diluted earnings per common share</b>					
Net (loss) income from continuing operations					
(Loss) income from discontinued operations, net of tax					
Net income (loss)					
Basic and diluted weighted-average common shares outstanding					
<b>Non-GAAP financial measures (d):</b>					
Net income (loss)	\$ 361	\$ 1,196	\$ (157)	\$ 1,029	\$ (10,343)
Add: Original issue discount amortization expense (e)	249	336	962	1,300	1,143
Add: Income tax (benefit) expense from continuing operations	(59)	(856)	42	97	12
Less: (Loss) income from discontinued operations, net of tax	(55)	(174)	62	1,363	(6,973)
Core pretax income (loss) (d)	\$ 606	\$ 850	\$ 785	\$ 1,063	\$ (2,215)
<b>Selected period-end balance sheet data:</b>					
Total assets	\$ 151,167	\$ 182,347	\$ 184,059	\$ 172,008	\$ 172,306
Long-term debt	\$ 69,465	\$ 74,561	\$ 92,885	\$ 86,703	\$ 88,066
Preferred stock	\$ 1,255	\$ 6,940	\$ 6,940	\$ 6,972	\$ 12,180
Total equity	\$ 14,208	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794
<b>Financial ratios</b>					
Return on assets (f)					
Net income (loss) from continuing operations	0.27%	0.75%	(0.12)%	(0.19)%	(1.89)%
Net income (loss)	0.23%	0.65%	(0.09)%	0.58%	(5.81)%
Core pretax income (loss)	0.39%	0.46%	0.43%	0.60%	(1.25)%
Return on equity (f)					
Net income (loss) from continuing operations	2.22%	7.24%	(1.09)%	(1.62)%	(13.90)%
Net income (loss)	1.92%	6.32%	(0.78)%	4.98%	(42.65)%
Core pretax income (loss)	3.23%	4.49%	3.91%	5.14%	(9.13)%
Equity to assets (f)	12.00%	10.30%	11.10%	11.69%	13.63%
Net interest spread (f)(g)	1.75%	1.18%	0.69%	0.81%	0.31%
Net interest spread excluding original issue discount (f)(g)	1.99%	1.49%	1.57%	2.16%	1.84%
Net yield on interest-earning assets (f)(h)	2.03%	1.40%	0.92%	1.02%	0.94%
Net yield on interest-earning assets excluding original issue discount (f)(h)	2.21%	1.66%	1.68%	2.18%	2.10%
<b>Regulatory capital ratios</b>					
Tier 1 capital (to risk-weighted assets) (i)	11.79%	13.13%	13.65%	14.93%	14.12%
Total risk-based capital (to risk-weighted assets) (j)	12.76%	14.07%	14.69%	16.30%	15.52%
Tier 1 leverage (to adjusted quarterly average assets) (k)	10.23%	11.16%	11.45%	12.99%	12.68%
Total equity	\$ 14,208	\$ 19,898	\$ 19,280	\$ 20,398	\$ 20,794
Goodwill and certain other intangibles	(27)	(494)	(493)	(532)	(534)
Unrealized gains and other adjustments	(1,560)	(1,715)	(262)	(309)	(447)
Trust preferred securities	2,544	2,543	2,542	2,541	2,540
Tier 1 capital (i)	15,165	20,232	21,067	22,098	22,353
Preferred stock	(1,255)	(6,940)	(6,940)	(6,972)	(12,180)
Trust preferred securities	(2,544)	(2,543)	(2,542)	(2,541)	(2,540)
Tier 1 common capital (non-GAAP) (l)	\$ 11,366	\$ 10,749	\$ 11,585	\$ 12,585	\$ 7,633
Risk-weighted assets (m)	\$ 128,575	\$ 154,038	\$ 154,319	\$ 147,979	\$ 158,326
Tier 1 common (to risk-weighted assets) (l)	8.84%	6.98%	7.51%	8.50%	4.82%

(a) Effective June 30, 2009, we converted from a limited liability company into a corporation and, as a result, became subject to corporate U.S. federal, state, and local taxes. Our conversion to a corporation resulted in a change in tax status and a net deferred tax liability of \$1.2

## Edgar Filing: Ally Financial Inc. - Form S-1/A

billion was established through income tax expense.

- (b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2013, and 2011, respectively, net (loss) income from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

**Table of Contents**

- (c) The pro forma financial information gives retroactive effect to the -for-one stock split on shares of our common stock effected on , 2014.
- (d) Core pretax income (loss) is not a financial measure defined by accounting principles generally accepted in the United States of America (GAAP). We define core pretax income as earnings from continuing operations before income taxes and original issue discount amortization expense primarily associated with our 2008 bond exchange. We believe that the presentation of core pretax income (loss) is useful information for the users of our financial statements in understanding the earnings from our core businesses. In addition, core pretax income (loss) is an important measure that management uses to assess the performance of our operations. We believe that core pretax income (loss) is a useful alternative measure of our ongoing profitability and performance, when viewed in conjunction with GAAP measures. The presentation of this additional information is not a substitute for net income (loss) determined in accordance with GAAP.
- (e) Primarily represents original issue discount amortization expense associated with the 2008 bond exchange that was reported as a loss on extinguishment of debt in Consolidated Statement of Income, respectively.
- (f) The ratios were computed based on average assets and average equity using a combination of monthly and daily average methodologies.
- (g) Net interest spread represents the difference between the rate on total interest earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.
- (h) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.
- (i) Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under TARP, less goodwill and other adjustments.
- (j) Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Tier 2 capital generally consists of preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.
- (k) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.
- (l) We define Tier 1 common as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatorily convertible preferred securities. Ally considers various measures when evaluating capital utilization and adequacy, including the Tier 1 common equity ratio, in addition to capital ratios defined by banking regulators. This calculation is intended to complement the capital ratios defined by banking regulators for both absolute and comparative purposes. Because GAAP does not include capital ratio measures, Ally believes there are no comparable GAAP financial measures to these ratios. Tier 1 common equity is not formally defined by GAAP or codified in the federal banking regulations and, therefore, is considered to be a non-GAAP financial measure. Ally believes the Tier 1 common equity ratio is important because we believe analysts and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.
- (m) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories.





---

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Overview**

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended (the BHC Act). Additionally, our election to become a financial holding company (FHC) under the BHC Act was approved by the Board of Governors of the Federal Reserve System (FRB), and became effective on December 20, 2013. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

**Our Business**

***Dealer Financial Services***

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to approximately 16,000 automotive dealerships and approximately 4 million of their retail customers. We have deep dealer relationships that have been built over our greater-than 90-year history and our dealer-focused business model makes us a preferred automotive finance company for many automotive dealers. Our broad set of product offerings and customer-focused marketing programs differentiate Ally in the marketplace and help drive higher product penetration in our dealer relationships. Our ability to generate attractive automotive assets is driven by our platform and scale, strong relationships with automotive dealers, a full suite of dealer financial products, automotive loan-servicing capabilities, dealer-based incentive programs, and superior customer service.

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

We have a longstanding relationship with General Motors Company (GM), as well as past relationships with other manufacturers, including Chrysler Group LLC (Chrysler), and have developed strong relationships directly with GM- and Chrysler-franchised dealers resulting from preferred financing provider arrangements to GM and Chrysler for incentivized retail loans. Our agreement with Chrysler expired on April 30, 2013. In addition, our agreement with GM expired effective February 28, 2014. While we have entered into a new agreement with GM relating to certain matters, such agreement does not provide Ally with any exclusivity or similar privileges related to the financing of GM vehicles, whether through subvention programs or otherwise. As a result, our existing agreement with GM does not provide the economic benefits or impose the obligations that were included within our prior agreement with GM. Ally currently competes in the marketplace for all of the business with GM and Chrysler dealers including wholesale financing, consumer retail financing, and leasing, except we do not compete on subvented consumer financing for Chrysler dealers. Ally expects to continue to play a significant role with GM and Chrysler dealers in the future as the dealer is Ally's direct customer for substantially all business that is conducted.

We have diversified our business mix by expanding our product offering for GM and Chrysler dealers as well as establishing new relationships with non-GM and non-Chrysler dealers. During 2010 our primary emphasis was on originating loans of higher credit tier borrowers. For this reason, our current operating results continue to reflect higher credit quality, lower yielding loans with lower credit loss experience. Ally however seeks to be a meaningful lender to a wide spectrum of borrowers. In 2010 we enhanced our risk management practices and efforts on risk-based pricing. We have been gradually increasing volumes in lower credit tiers. We

## **Table of Contents**

plan to continue to increase the proportion of our non-GM and non-Chrysler business, as we focus on the used vehicle market, as well as maintaining and growing our dealer-customer base through our full suite of products, our dealer relationships, the scale of our platform, and our dealer-based incentive programs.

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

### ***Mortgage***

Our Mortgage operations were historically a significant portion of our operations and were conducted primarily through the Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly-owned direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). The Bankruptcy Court entered an order confirming a bankruptcy plan on December 11, 2013, which became effective on December 17, 2013. For further details with respect to this matter, refer to Note 1 to the Consolidated Financial Statements.

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

### ***Corporate and Other***

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

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

### ***Ally Bank***

Ally Bank, our direct banking platform, provides us with a stable and diversified low-cost funding source. Our focus is on building a stable deposit base driven by our compelling brand and strong value proposition. Ally

## **Table of Contents**

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

Ally Bank offers a full spectrum of deposit product offerings, such as checking, savings, and certificates of deposit (CDs), as well as 48-month raise your rate CDs, IRA deposit products, Popmoney person-to-person transfer service, eCheck remote deposit capture, Ally Perks debit rewards program, and Mobile Banking. In addition, brokered deposits are obtained through third-party intermediaries. At December 31, 2013, Ally Bank had \$52.9 billion of deposits, including \$43.2 billion of retail deposits. The growth of our retail base from \$7.2 billion at the end of 2008 to \$43.2 billion at December 31, 2013, has enabled us to reduce our cost of funds during that period. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

### ***Funding and Liquidity***

Our funding strategy largely focuses on the diversification of funding programs that include a mix of retail and brokered deposits, public and private asset-backed securitizations, committed credit facilities, and public unsecured debt. These funding programs are managed across products, markets, and investors. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source and results in a more cost-effective funding strategy over the long term.

As part of our overall transformation from an independent financial services company to a bank holding company in 2008, we took actions to further diversify and develop more stable funding sources and, in particular, embarked upon initiatives to grow our consumer deposit-taking capabilities within Ally Bank. In addition, we began distinguishing our liquidity management strategies between bank funding and nonbank funding.

Maximizing bank funding continues to be the cornerstone of our long-term liquidity strategy. We have made significant progress in migrating asset originations to Ally Bank and growing our retail deposit base since becoming a bank holding company. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility or changes in our credit ratings than other funding sources. At December 31, 2013, deposit liabilities totaled \$53.4 billion, which constituted 41% of our total funding. This compares to just 23% at December 31, 2009.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance Ally Bank's automotive loan portfolios. During 2013, we issued \$4.5 billion in secured funding backed by retail automotive loans and leases as well as dealer floorplan automotive loans of Ally Bank. Continued structural efficiencies in securitizations combined with favorable capital market conditions have resulted in a reduction in the cost of funds achieved through secured funding transactions, making them a very attractive source of funding. Additionally, for retail loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset. Once a pool of retail automobile loans are selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed and matched funding for the life of the asset. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As we have shifted our focus to migrating assets to Ally Bank and growing our bank funding capabilities, our reliance on parent company liquidity has consequently been reduced. Funding sources at the parent company generally consist of longer-term unsecured debt, asset-backed securitizations, and private committed credit facilities. In 2013, we issued over \$3.1 billion of unsecured debt through several issuances and raised \$4.1 billion

## **Table of Contents**

through four public securitization transactions comprised of non-prime retail automotive loan collateral. At December 31, 2013, we had \$5.5 billion and \$5.2 billion of outstanding unsecured long-term debt with maturities in 2014 and 2015, respectively. To fund these maturities, we expect to use a combination of existing liquidity and opportunistic new issuances.

The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at the parent company was \$13.3 billion and Ally Bank had \$5.9 billion of available liquidity at December 31, 2013. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. Absolute levels of liquidity decreased as a result of liability and equity management transactions. At the same time, these strategies have also resulted in a cost of funds improvement of approximately 94 basis points since the first quarter of 2012. Looking forward, given our liquidity and capital position and generally improved credit ratings, we expect that our cost of funds will continue to improve over time.

### ***Credit Strategy***

Within our Automotive Finance operations, we are a full spectrum automotive finance lender with most of our loan originations underwritten within the prime-lending markets. During 2013, we continued the execution of our underwriting strategy to prudently expand our originations across a broader credit spectrum to include used, nonprime, extended term, non-GM, non-Chrysler, and non-subvented. Within our Mortgage operations, we sold our business lending operations to Walter Investment Management Corp., completed the sales of agency MSR to Ocwen and Quicken, and exited the correspondent and direct lending channels. Our ongoing Mortgage operations are limited to the management of our held-for-investment mortgage portfolio. In the future, we may purchase mortgage loans as part of our held-for-investment mortgage portfolio.

During the year ended December 31, 2013, the credit performance of our portfolios remained strong overall as our asset quality trends within our automotive and mortgage portfolios were stable. Nonperforming loans continued to decline, benefiting from the exit of our nonstrategic operations in 2012 and 2013. Charge-offs remained stable primarily due to runoff of our mortgage assets and improvement in home prices slightly offset by the reduction of recoveries in the commercial portfolio. Our provision for loan losses increased to \$501 million in 2013 from \$329 million in 2012 due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth of our U.S. consumer automotive portfolio.

We continue to see signs of economic stabilization as the labor market recovered further during the year, with nonfarm payrolls increasing and the annual unemployment rate falling. Our credit portfolio will continue to be impacted by the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers.

### **U.S. Department of Treasury Investments**

During 2008, and continuing into 2009, the credit, capital, and mortgage markets became increasingly disrupted. This disruption led to severe reductions in liquidity and adversely affected our capital position. As a result, Ally sought approval to become a bank holding company to obtain access to capital at a lower cost to remain competitive in our markets. The U.S. Department of Treasury (Treasury) made an initial preferred stock investment in Ally on December 29, 2008, pursuant to the Troubled Asset Relief Program (TARP), and made additional investments pursuant to TARP thereafter, including investments in additional preferred stock, common stock, and trust preferred securities. On November 20, 2013 Ally completed the repurchase of all remaining outstanding shares of its Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, which was all of the remaining preferred stock held by Treasury, and elimination of the share adjustment right. As of February 28, 2014, Treasury holds approximately 37.0% of Ally common stock, which is its sole remaining investment in Ally.

**Table of Contents****Discontinued Operations**

During 2013 and 2012, certain disposal groups met the criteria to be presented as discontinued operations. For all periods presented, the operating results for these operations have been removed from continuing operations. Refer to Note 2 to the Consolidated Financial Statements for more details. MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

**Primary Lines of Business**

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

Year ended December 31, (\$ in millions)	2013	2012	2011	Favorable/ (unfavorable) 2013-2012 % change	Favorable/ (unfavorable) 2012-2011 % change
Total net revenue (loss)					
Dealer Financial Services					
Automotive Finance operations	\$ 3,427	\$ 3,149	\$ 2,952	9	7
Insurance operations	1,253	1,214	1,398	3	(13)
Mortgage operations	76	1,308	559	(94)	134
Corporate and Other	(493)	(1,206)	(1,497)	59	19
<b>Total</b>	<b>\$ 4,263</b>	<b>\$ 4,465</b>	<b>\$ 3,412</b>	<b>(5)</b>	<b>31</b>
Income (loss) from continuing operations before income tax (benefit) expense					
Dealer Financial Services					
Automotive Finance operations	\$ 1,271	\$ 1,389	\$ 1,333	(8)	4
Insurance operations	254	160	316	59	(49)
Mortgage operations	(258)	595	92	(143)	n/m
Corporate and Other	(910)	(1,630)	(1,918)	44	15
<b>Total</b>	<b>\$ 357</b>	<b>\$ 514</b>	<b>\$ (177)</b>	<b>(31)</b>	<b>n/m</b>

n/m = not meaningful

**Table of Contents****Consolidated Results of Operations**

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

Year ended December 31, (\$ in millions)	2013	2012	2011	Favorable/ (unfavorable) 2013-2012 % change	Favorable/ (unfavorable) 2012-2011 % change
<b>Net financing revenue</b>					
Total financing revenue and other interest income	\$ 8,093	\$ 7,342	\$ 6,671	10	10
Interest expense	3,319	4,052	4,606	18	12
Depreciation expense on operating lease assets	1,995	1,399	941	(43)	(49)
<b>Net financing revenue</b>	<b>2,779</b>	<b>1,891</b>	<b>1,124</b>	<b>47</b>	<b>68</b>
<b>Other revenue</b>					
Net servicing (loss) income	(87)	405	91	(121)	n/m
Insurance premiums and service revenue earned	1,012	1,055	1,153	(4)	(8)
Gain on mortgage and automotive loans, net	55	379	229	(85)	66
Loss on extinguishment of debt	(59)	(148)	(64)	60	(131)
Other gain on investments, net	180	146	258	23	(43)
Other income, net of losses	383	737	621	(48)	19
<b>Total other revenue</b>	<b>1,484</b>	<b>2,574</b>	<b>2,288</b>	<b>(42)</b>	<b>13</b>
<b>Total net revenue</b>	<b>4,263</b>	<b>4,465</b>	<b>3,412</b>	<b>(5)</b>	<b>31</b>
<b>Provision for loan losses</b>	<b>501</b>	<b>329</b>	<b>161</b>	<b>(52)</b>	<b>(104)</b>
<b>Noninterest expense</b>					
Compensation and benefits expense	1,019	1,106	993	8	(11)
Insurance losses and loss adjustment expenses	405	454	452	11	
Other operating expenses	1,981	2,062	1,983	4	(4)
<b>Total noninterest expense</b>	<b>3,405</b>	<b>3,622</b>	<b>3,428</b>	<b>6</b>	<b>(6)</b>
<b>Income (loss) from continuing operations before income tax (benefit) expense</b>	<b>357</b>	<b>514</b>	<b>(177)</b>	<b>(31)</b>	<b>n/m</b>
Income tax (benefit) expense from continuing operations	(59)	(856)	42	(93)	n/m
<b>Net income (loss) from continuing operations</b>	<b>\$ 416</b>	<b>\$ 1,370</b>	<b>\$ (219)</b>	<b>(70)</b>	<b>n/m</b>

n/m = not meaningful

**2013 Compared to 2012**

We earned net income from continuing operations of \$416 million for the year ended December 31, 2013, compared to \$1.4 billion for the year ended December 31, 2012. Net income from continuing operations for the year ended December 31, 2013, declined \$853 million in our Mortgage operations, primarily due to the exit of all non-strategic mortgage-related activities, including consumer mortgage-lending production associated with government-sponsored refinancing programs, our warehouse lending operations, and our agency MSR portfolio. Results for the year ended December 31, 2013 were also impacted unfavorably by a decrease in income tax benefit. The decreases were partially offset by lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization, and lower funding costs.

Total financing revenue and other interest income increased \$751 million for the year ended December 31, 2013, compared to 2012. The increase resulted primarily from an increase in operating lease revenue and consumer financing revenue for our Automotive Finance operations

driven primarily by an increase in consumer

---

**Table of Contents**

asset levels as a result of strong lease originations. Additionally, we continued to prudently expand our nonprime origination volume across a broader credit spectrum, effecting margin expansion. This increase was partially offset by lower mortgage loan production as a result of the wind-down of our consumer held-for-sale portfolio, run-off of our held-for-investment portfolio, and the shutdown of our warehouse lending operations.

Interest expense decreased 18% for the year ended December 31, 2013, compared to 2012, primarily due to lower funding costs as a result of continued deposit growth and the refinancing of higher-cost legacy debt, and a decrease in OID amortization expense. Including a decrease in OID amortization expense of \$87 million, total interest expense on long-term debt decreased \$734 million for the year ended December 31, 2013, compared to 2012.

Depreciation expense on operating lease assets increased 43% for the year ended December 31, 2013, compared to 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

We incurred a net servicing loss of \$87 million for the year ended December 31, 2013, compared to net servicing income of \$405 million in 2012. The decrease was primarily due to the completed sales of our agency MSR portfolio to Ocwen and Quicken in the second quarter of 2013, including the valuation of the portfolio in conjunction with the sale and the unwinding of all related derivative activity.

Gain on mortgage and automotive loans decreased 85% for the year ended December 31, 2013, compared to 2012. The decrease was primarily related to lower consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs as a result of our decision to substantially exit mortgage-related activities. Furthermore, while we continue to evaluate opportunistic use of whole-loan sales as a source of funding in our Automotive Finance operations, we did not execute any whole-loan sales during 2013 and have primarily focused on securitization and deposit-based funding sources.

Loss on extinguishment of debt decreased \$89 million for the year ended December 31, 2013, compared to 2012, primarily due to the nonrecurrence of fees related to the early termination of FHLB debt as a result of replacing our higher-cost long-term debt structure in favor of a lower-cost short-term FHLB debt structure in 2012. The decrease was partially offset by the accelerated recognition of issuance expenses related to calls of redeemable debt in 2013.

Other gain on investments, net, was \$180 million for the year ended December 31, 2013, compared to \$146 million in 2012. The increase was primarily due to favorable market conditions, resulting in lower recognition of other-than-temporary impairment, and increased gain on sales of investments.

Other income, net of losses, decreased 48% for the year ended December 31, 2013, compared to 2012. The decrease was primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs.

The provision for loan losses was \$501 million for the year ended December 31, 2013, compared to \$329 million in 2012. The increase was primarily due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. consumer automotive portfolio.

Total noninterest expense decreased 6% for the year ended December 31, 2013, compared to 2012, primarily due to lower consumer mortgage-lending production through our direct lending channel and the broker fee associated with those government-sponsored refinancing programs, and lower representation and warranty expense. Lower representation and warranty expense was primarily due to the establishment of our representation



---

**Table of Contents**

and warranty liability during the second quarter of 2012 resulting from the deconsolidation of ResCap. The decrease was partially offset by the recognition of a \$98 million charge in the fourth quarter of 2013 relating to the execution of Consent Orders issued by the Consumer Financial Protection Bureau (CFPB) and the U.S. Department of Justice (DOJ) pertaining to the allegation of disparate impact in the automotive finance business. Refer to Note 29 to the Consolidated Financial Statements for additional details.

We recognized consolidated income tax benefit from continuing operations of \$59 million for the year ended December 31, 2013, compared to \$856 million in 2012. For the year ended December 31, 2012, our results from operations benefited from the release of U.S. federal and state valuation allowances and related effects on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized. A commensurate benefit was not recognized for the year ended December 31, 2013.

***2012 Compared to 2011***

We earned net income from continuing operations of \$1.4 billion for the year ended December 31, 2012, compared to a net loss from continuing operations of \$219 million for the year ended December 31, 2011. Net income from continuing operations for the year ended December 31, 2012, was favorably impacted by our Automotive Finance operations, primarily due to an increase in consumer automotive financing revenue related to growth in the retail loan and operating lease portfolios. Additional favorability for the year ended December 31, 2012 was primarily the result of a more favorable servicing asset valuation, net of hedge, compared to the same period in 2011, higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, higher net gains on the sale of mortgage loans, and lower original issue discount (OID) amortization expense related to bond maturities and normal monthly amortization. The increase was partially offset by higher provision for loan losses and lower investment income due to impairment related to certain investment securities that we do not plan on holding to recovery.

Total financing revenue and other interest income increased \$671 million for the year ended December 31, 2012, compared to 2011. The increase resulted primarily from an increase in operating lease revenue and consumer financing revenue at our Automotive Finance operations driven primarily by an increase in consumer asset levels as a result of increased used vehicle automotive financing and higher automotive industry sales, as well as limited use of whole-loan sales as a funding source in recent periods. Additionally, we continue to prudently expand our nonprime origination volume. The increase was partially offset by a lower average yield mix as higher-rate Ally Bank mortgage loans run off.

Interest expense decreased 12% for the year ended December 31, 2012, compared to 2011. OID amortization expense decreased \$576 million for the year ended December 31, 2012, compared to 2011, due to bond maturities and normal monthly amortization, as well as lower funding costs at our Mortgage operations.

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

Net servicing income was \$405 million for the year ended December 31, 2012, compared to \$91 million in 2011. The increase was primarily due to the performance of the derivative servicing hedge as compared to a less favorable hedge performance in 2011, partially offset by lower servicing fees resulting from a lower unpaid principal balance of our MSR portfolio.

Insurance premiums and service revenue earned decreased 8% for the year ended December 31, 2012, compared to 2011, primarily due to declining U.S. vehicle service contracts written between 2007 and 2009 as a result of lower domestic vehicle sales volume.

**Table of Contents**

Gain on mortgage and automotive loans increased 66% for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved market gains on specified pooled loans.

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

Other gain on investments, net, was \$146 million for the year ended December 31, 2012, compared to \$258 million in 2011. The decrease was primarily due to the recognition of \$61 million other-than-temporary impairment on certain equity securities in 2012 and lower realized investment gains.

Other income, net of losses, increased 19% for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, partially offset by lower remarketing fee income from our Automotive Finance operations driven by lower remarketing volumes through our proprietary SmartAuction platform.

The provision for loan losses was \$329 million for the year ended December 31, 2012, compared to \$161 million in 2011. The increase was driven primarily by higher asset levels in the consumer automotive portfolio and our prudent expansion of underwriting strategy to originate volumes across a broader credit spectrum, which was significantly narrowed during the recession.

Total noninterest expense increased 6% for the year ended December 31, 2012, compared to 2011. The increase was primarily driven by higher representation and warranty expense resulting from the transfer of liability relating to Ally Bank's sold and serviced loans that had previously been recorded at ResCap, and higher compensation and benefits expense due to an increase in functional services provided by ResCap through the shared services agreement.

We recognized consolidated income tax benefit from continuing operations of \$856 million for the year ended December 31, 2012, compared to income tax expense of \$42 million in 2011. In 2011, we had a full valuation allowance against our domestic net deferred tax assets and certain international net deferred tax assets. For the year ended December 31, 2012, our results from operations benefited from the release of U.S. federal and state valuation allowances and related effects on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

**Dealer Financial Services**

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

**Table of Contents****Automotive Finance Operations****Results of Operations**

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

Year ended December 31, (\$ in millions)	2013	2012	2011	Favorable/ (unfavorable) 2013-2012 % change	Favorable/ (unfavorable) 2012-2011 % change
<b>Net financing revenue</b>					
Consumer	\$ 3,004	\$ 2,827	\$ 2,411	6	17
Commercial	1,061	1,152	1,134	(8)	2
Loans held-for-sale		15	5	(100)	n/m
Operating leases	3,209	2,379	1,929	35	23
Other interest income	22	52	92	(58)	(43)
Total financing revenue and other interest income	7,296	6,425	5,571	14	15
Interest expense	2,142	2,199	2,100	3	(5)
Depreciation expense on operating lease assets	1,995	1,399	941	(43)	(49)
Net financing revenue	3,159	2,827	2,530	12	12
<b>Other revenue</b>					
Servicing fees	58	109	161	(47)	(32)
Gain on automotive loans, net		41	48	(100)	(15)
Other income	210	172	213	22	(19)
Total other revenue	268	322	422	(17)	(24)
<b>Total net revenue</b>	<b>3,427</b>	<b>3,149</b>	<b>2,952</b>	<b>9</b>	<b>7</b>
<b>Provision for loan losses</b>	<b>494</b>	<b>253</b>	<b>89</b>	<b>(95)</b>	<b>(184)</b>
<b>Noninterest expense</b>					
Compensation and benefits expense	450	416	395	(8)	(5)
Other operating expenses	1,212	1,091	1,135	(11)	4
Total noninterest expense	1,662	1,507	1,530	(10)	2
<b>Income from continuing operations before income tax (benefit) expense</b>	<b>\$ 1,271</b>	<b>\$ 1,389</b>	<b>\$ 1,333</b>	<b>(8)</b>	<b>4</b>
<b>Total assets (a)</b>	<b>\$ 109,312</b>	<b>\$ 128,411</b>	<b>\$ 112,591</b>	<b>(15)</b>	<b>14</b>

n/m = not meaningful

(a) The decline in total assets from 2012 to 2013 was primarily due to the sale of substantially all of our international finance businesses. Refer to Note 2 to the Consolidated Financial Statements for further details.

**2013 compared to 2012**

## Edgar Filing: Ally Financial Inc. - Form S-1/A

Our Automotive Finance operations earned income from continuing operations before income tax expense of \$1.3 billion for the year ended December 31, 2013, compared to \$1.4 billion for the year ended December 31, 2012. Results for the year ended December 31, 2013 were unfavorably impacted by lower commercial and other revenue, higher depreciation expense on operating lease assets related to growth in the lease portfolio,

**Table of Contents**

recognition of a charge related to a settlement with the CFPB and DOJ, and higher provision for loan losses primarily driven by the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, offset mostly by higher consumer and operating lease revenues driven by growth in the consumer loan and operating lease portfolios.

Consumer financing revenue increased 6% for the year ended December 31, 2013, compared to 2012, due to an increase in consumer asset levels primarily related to continued strong loan origination volumes relative to the pay-down of the existing portfolio despite lower penetration levels for new GM and Chrysler retail automotive loans. Additionally, our originations of Chrysler subvented retail financing and leases have ceased, but we continue to participate in standard rate consumer loan and lease products in the Chrysler channel. The increase in consumer revenue from higher consumer asset levels was partially offset by slightly lower margins as a result of the competitive market environment for automotive financing.

Commercial financing revenue decreased \$91 million for the year ended December 31, 2013, compared to 2012. The decrease was primarily due to lower yields as a result of competitive markets for automotive commercial financing.

Operating lease revenue increased 35% for the year ended December 31, 2013, compared to 2012, primarily due to higher lease asset balances as a result of strong origination volume primarily driven by an increase in GM marketing incentives.

Depreciation expense on operating lease assets increased 43% for the year ended December 31, 2013, compared to 2012, primarily due to higher lease asset balances as a result of strong lease origination volume, partially offset by higher lease remarketing gains.

Servicing fee income decreased 47% for the year ended December 31, 2013, compared to 2012, due to lower levels of off-balance sheet retail serviced assets.

We experienced no gains on the sale of automotive loans for the year ended December 31, 2013, compared to \$41 million for 2012. While we continue to evaluate opportunistic use of whole-loan sales as a source of funding, we have primarily focused on securitization and deposit-based funding sources in 2013.

Other income increased 22% for the year ended December 31, 2013, compared to 2012. The increase for the year ended December 31, 2013, was primarily due to higher remarketing fee income coupled with a one-time fee earned from a vendor that did not occur during 2012.

The provision for loan losses was \$494 million for the year ended December 31, 2013, compared to \$253 million in 2012. The increase was primarily due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. consumer automotive portfolio.

Total noninterest expense increased 10% for the year ended December 31, 2013, compared to 2012. The increase was primarily due to an increase in other operating expenses resulting from the recognition of a \$98 million charge in the fourth quarter of 2013 relating to the execution of Consent Orders issued by the CFPB and the DOJ pertaining to the allegation of disparate impact in the automotive finance business. Refer to Note 29 to the Consolidated Financial Statements for additional details.

***2012 Compared to 2011***

Our Automotive Finance operations earned income from continuing operations before income tax expense of \$1.4 billion for the year ended December 31, 2012, compared to \$1.3 billion for the year ended December 31, 2011. Results for the year ended December 31, 2012 were favorably impacted by higher consumer and operating

## **Table of Contents**

lease revenues driven by growth in the retail loan and operating lease portfolios. These items were partially offset by higher provision for loan losses, lower operating lease remarketing gains due primarily to lower remarketing volume, lower servicing fees, and lower income generated from lease remarketing.

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

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

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

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

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

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

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

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

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

## **Automotive Finance Operations**

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

## **Table of Contents**

### ***Consumer Automotive Financing***

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

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

With respect to consumer leasing, we purchase leases (and the associated vehicles) from dealerships. The purchase price of consumer leases is based on the negotiated price for the vehicle less any vehicle trade-in and any down payment from the consumer. Under the lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value or down payment) exceeds the contract residual value (including residual support) of the vehicle at lease termination, plus lease charges. The consumer is also generally responsible for charges related to past due payments, excess mileage, excessive wear and tear, and certain disposal fees where applicable. At contract inception, we determine the projected residual value based on an internal evaluation of the expected future value. This evaluation is based on a proprietary model, which includes variables such as age, mileage, seasonality, segment factors, vehicle type, economic indicators and production cycle. This internally generated data is compared against third party, independent data for reasonableness.

Periodically, we revise the projected value of the lease vehicle at termination based on current market conditions and adjust depreciation expense appropriately over the remaining life of the contract. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense.

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

Consumer leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease credit losses are primarily limited to payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. U.S. operating lease accounts past due over 30 days represented 0.74% and 0.73% of the total portfolio at December 31, 2013 and 2012, respectively.

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

Total consumer financing revenue of our Automotive Finance operations was \$3.0 billion, \$2.8 billion, and \$2.4 billion during the years ended December 31, 2013, 2012, and 2011, respectively.

**Table of Contents*****Consumer Automotive Financing Volume***

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

Year ended December 31, (units in thousands)	Consumer automotive financing volume			% Share of manufacturer consumer sales		
	2013	2012	2011	2013	2012	2011
GM new vehicles	611	579	707	29	30	38
Chrysler new vehicles	199	315	304	14	26	32
Other non-GM and non-Chrysler new vehicles	79	81	68			
Used vehicles	498	485	466			
<b>Total consumer automotive financing volume</b>	<b>1,387</b>	<b>1,460</b>	<b>1,545</b>			

The decline in consumer automotive financing volume in 2013, compared to 2012, was primarily driven by a decrease in Chrysler new subvented vehicle originations as a result of the expiration of our operating agreement on April 30, 2013, and lower penetration. The decrease was partially offset by an increase in used volume and GM new vehicle originations resulting from stronger lease volume.

***Manufacturer Marketing Incentives***

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

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

We were previously party to agreements with each of GM and Chrysler that provided for certain exclusivity privileges related to subvention programs that they offered. Our agreement with Chrysler expired in April 2013. In addition, our agreement with GM expired effective February 28, 2014. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler for their incentive programs. We entered into a new auto financing agreement with GM that became effective on March 1, 2014 (the GM Agreement), which provides a general framework for dealer and consumer financing related to GM vehicles, as well as with respect to our ongoing participation in GM subvention programs. The GM Agreement does not provide Ally with any exclusivity or similar privileges related to the financing of GM vehicles, whether through subvention programs or otherwise. As a result, the GM Agreement does not provide the economic benefits or impose the obligations that were included within our prior agreement with GM. The GM Agreement is cancellable upon notice by either party after one year.



**Table of Contents**

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

Year ended December 31, (\$ in millions)	Consumer automotive financing originations			% Share of Ally originations		
	2013	2012	2011	2013	2012	2011
<b>GM new vehicles</b>						
New retail standard	\$ 6,322	\$ 6,230	\$ 9,009	17	16	23
New retail subvented	4,416	5,960	6,734	12	15	17
Lease	8,484	5,919	5,075	23	15	13
<b>Total GM new vehicle originations</b>	<b>19,222</b>	<b>18,109</b>	<b>20,818</b>			
<b>Chrysler new vehicles</b>						
New retail standard	3,468	4,431	4,062	9	12	10
New retail subvented	390	1,971	2,454	1	5	6
Lease	1,936	2,380	2,165	5	6	5
<b>Total Chrysler new vehicle originations</b>	<b>5,794</b>	<b>8,782</b>	<b>8,681</b>			
<b>Other new retail vehicles</b>						
Other lease	171	93	76	1	6	4
Used vehicles	9,874	9,581	8,990	26	25	22
<b>Total consumer automotive financing originations</b>	<b>\$ 37,330</b>	<b>\$ 38,743</b>	<b>\$ 40,249</b>			

During the year ended December 31, 2013, total GM new vehicle originations increased compared to 2012, primarily due to stronger lease volume. This increase was partially offset by lower new retail subvented volume. Chrysler new retail contracts decreased primarily as a result of lower retail penetration at Chrysler as a result of the expiration of our operating agreement on April 30, 2013. Other used and lease originations were higher due to our continued strategic focus within the non-GM and non-Chrysler market.

*Servicing*

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

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

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

Servicing activities also include initiating contact with customers who fail to comply with the terms of the retail contract or lease, reminder notices are sent, and telephone contact is typically initiated when an account becomes 3 to 15 days past due. The type of collection treatment and level of intensity increases as the account becomes more delinquent. The nature and timing of these activities depend on the repayment risk of the account.

---

## Table of Contents

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the maturity date of the contract by the period of delay. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. During the deferral period, we continue to accrue and collect finance charges on the contract as part of the deferral agreement. If the customer's financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. Extension and rewrite collection techniques help mitigate financial loss in those cases where management believes the customer will recover from financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Generally, we do not consider extensions that fall within our policy guidelines to represent more than an insignificant delay in payment and, therefore, they are not considered Troubled Debt Restructurings (TDRs). Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby mitigating the loss. Of the total amount outstanding in the U.S. traditional retail portfolio at December 31, 2009, only 8.7% of the extended or rewritten balances were subsequently charged off through December 31, 2013. A four-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. At December 31, 2013, 7.8% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

Subject to legal considerations, in the United States we normally begin repossession activity once an account becomes greater than 70-days past due. Repossession may occur earlier if management determines the customer is unwilling to pay, the vehicle is in danger of being damaged or hidden, or the customer voluntarily surrenders the vehicle. Approved third-party repossession firms handle repossessions. Normally the customer is given a period of time to redeem or reinstate the vehicle by paying off the account or bringing the account current. If the vehicle is not redeemed or reinstated, it is sold at auction. If the proceeds do not cover the unpaid balance, including unpaid earned finance charges and allowable expenses, the resulting deficiency is charged off. Asset recovery centers pursue collections on accounts that have been charged off, including those accounts where the vehicle was repossessed, and skip accounts where the vehicle cannot be located.

At December 31, 2013 and 2012, our total consumer automotive serviced portfolio was \$77.7 billion and \$75.3 billion, respectively, compared to our consumer automotive on-balance sheet portfolio of \$74.1 billion and \$67.3 billion at December 31, 2013 and 2012, respectively. Refer to Note 10 to the Consolidated Financial Statements for further information regarding servicing activities.

### *Remarketing and Sales of Leased Vehicles*

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

***Sale to dealer*** After the lessee declines an option to purchase the off-lease vehicle, the dealer who accepts the returned off-lease vehicle has the opportunity to purchase the vehicle directly from us at a price we define.

## **Table of Contents**

**Internet auctions** Once the lessee and dealer decline their options to purchase, we offer off-lease vehicles to dealers and certain other third parties in the United States through our proprietary internet site (SmartAuction). This internet sales program maximizes the net sales proceeds from off-lease vehicles by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We maintain the internet auction site, set the pricing floors on vehicles, and administer the auction process. We earn a service fee for every vehicle sold through SmartAuction, which, in 2013, was approximately 261,000 vehicles.

**Physical auctions** We dispose of our off-lease vehicles not purchased at termination by the lease consumer or dealer or sold on an internet auction through traditional official manufacturer-sponsored auctions. We are responsible for handling decisions at the auction including arranging for inspections, authorizing repairs and reconditioning, and determining whether bids received at auction should be accepted.

### ***Commercial Automotive Financing***

#### *Automotive Wholesale Dealer Financing*

One of the most important aspects of our dealer relationships is supporting the sale of vehicles through wholesale or floorplan financing. We primarily support automotive finance purchases by dealers of new and used vehicles manufactured or distributed before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for dealers' purchases of new and used vehicles. During 2013, we financed an average commercial wholesale floorplan receivables balance of \$15.7 billion of new GM vehicles, representing a 67% share of GM's U.S. dealer inventory. We also financed an average of \$6.9 billion of new Chrysler vehicles representing a 50% share of Chrysler's U.S. dealer inventory. In addition, we financed an average of \$2.6 billion of combined new non-GM and non-Chrysler vehicles and \$3.0 billion of used vehicles.

Wholesale credit is arranged through lines of credit extended to individual dealers. Wholesale floorplan loans are secured by the vehicles financed (and all other vehicle inventory), which provide strong collateral protection in the event of dealership default. Additional collateral (e.g., blanket lien over all dealership assets) and/or other credit enhancements (e.g., personal guarantees from dealership owners) are oftentimes obtained to further manage credit risk. Furthermore, Ally benefits from automotive manufacturer repurchase arrangements, which serve as an additional layer of protection in the event of repossession of dealership inventory and/or dealership franchise termination. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles, which includes destination and other miscellaneous charges, and a price rebate, known as a holdback, from the manufacturer to the dealer in varying amounts stated as a percentage of the invoice price. Interest on wholesale automotive financing is generally payable monthly. Most wholesale automotive financing is structured to yield interest at a floating rate indexed to the Prime Rate. The rate for a particular dealer is based on, among other things, competitive factors, the size of the account, and the dealer's creditworthiness.

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

Total commercial wholesale revenue of our Automotive Finance operations was \$908 million, \$999 million, and \$976 million during the years ended December 31, 2013, 2012, and 2011, respectively.

**Table of Contents****Commercial Wholesale Financing Volume**

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

Year ended December 31, (\$ in millions)	Average balance			% Share of manufacturer franchise dealer inventory		
	2013	2012	2011	2013	2012	2011
GM new vehicles (a)	\$ 15,650	\$ 15,331	\$ 13,407	67	71	78
Chrysler new vehicles (a)	6,885	6,693	6,228	50	58	67
Other non-GM and Chrysler new vehicles	2,637	2,230	1,844			
Used vehicles	3,044	2,985	2,920			
<b>Total commercial wholesale finance receivables</b>	<b>\$ 28,216</b>	<b>\$ 27,239</b>	<b>\$ 24,399</b>			

(a) Share of manufacturer franchise dealer inventory based on a 13 month average of dealer inventory (excludes in-transit units). Commercial wholesale financing average volume increased during 2013, compared to 2012. Wholesale penetration with GM and Chrysler decreased during 2013 compared to 2012, as a result of increased competition in the wholesale marketplace. The decrease in wholesale penetration during 2013 was more than offset by an increase in commercial wholesale financing average volume, primarily due to growing dealer inventories required to support increasing automotive industry sales.

**Other Commercial Automotive Financing**

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

**Servicing and Monitoring**

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

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

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

**Table of Contents****Insurance Operations****Results of Operations**

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

Year ended December 31, (\$ in millions)	2013	2012	2011	Favorable/ (unfavorable) 2013-2012 % change	Favorable/ (unfavorable) 2012-2011 % change
<b>Insurance premiums and other income</b>					
Insurance premiums and service revenue earned	\$ 1,012	\$ 1,055	\$ 1,153	(4)	(8)
Investment income	227	124	220	83	(44)
Other income	14	35	25	(60)	40
<b>Total insurance premiums and other income</b>	<b>1,253</b>	<b>1,214</b>	<b>1,398</b>	<b>3</b>	<b>(13)</b>
<b>Expense</b>					
Insurance losses and loss adjustment expenses	405	454	452	11	
Acquisition and underwriting expense					
Compensation and benefits expense	62	61	61	(2)	
Insurance commissions expense	370	382	431	3	11
Other expenses	162	157	138	(3)	(14)
<b>Total acquisition and underwriting expense</b>	<b>594</b>	<b>600</b>	<b>630</b>	<b>1</b>	<b>5</b>
<b>Total expense</b>	<b>999</b>	<b>1,054</b>	<b>1,082</b>	<b>5</b>	<b>3</b>
<b>Income from continuing operations before income tax (benefit) expense</b>	<b>\$ 254</b>	<b>\$ 160</b>	<b>\$ 316</b>	<b>59</b>	<b>(49)</b>
<b>Total assets</b>	<b>\$ 7,124</b>	<b>\$ 8,439</b>	<b>\$ 8,036</b>	<b>(16)</b>	<b>5</b>
<b>Insurance premiums and service revenue written</b>	<b>\$ 997</b>	<b>\$ 1,061</b>	<b>\$ 1,039</b>	<b>(6)</b>	<b>2</b>
<b>Combined ratio (a)</b>	<b>98.0%</b>	<b>98.3%</b>	<b>93.1%</b>		

(a) Management uses a combined ratio as a primary measure of underwriting profitability. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other fee income.

**2013 Compared to 2012**

Our Insurance operations earned income from continuing operations before income tax expense of \$254 million for the year ended December 31, 2013, compared to \$160 million for the year ended December 31, 2012. The increase was primarily attributable to higher realized investment gains partially offset by a reduction in insurance premiums and service revenue earned.

Insurance premiums and service revenue earned was \$1.0 billion for the year ended December 31, 2013, compared to \$1.1 billion in 2012. The decrease was primarily due to declining U.S. vehicle service contracts written in prior years when the automotive market was depressed.

Investment income totaled \$227 million for the year ended December 31, 2013, compared to \$124 million in 2012. The increase was primarily due to higher realized investment gains and lower recognition of other-than-temporary impairment on certain equity securities of \$20 million in 2013 as compared to \$61 million in 2012.

## Edgar Filing: Ally Financial Inc. - Form S-1/A

Other income totaled \$14 million for the year ended December 31, 2013, compared to \$35 million in 2012. The decrease was primarily due to a 2012 gain of \$8 million on the sale of our Canadian personal lines business.

**Table of Contents**

Insurance losses and loss adjustment expenses totaled \$405 million for the year ended December 31, 2013, compared to \$454 million for the year ended December 31, 2012. The decrease was due to the wind-down of the Canadian personal lines portfolio and lower losses in line with earned premium.

**2012 Compared to 2011**

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

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

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

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

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

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

**Premium and Service Revenue Written**

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

Year ended December 31, (\$ in millions)	2013	2012	2011
Vehicle service contracts			
New retail	\$ 421	\$ 406	\$ 376
Used retail	509	509	514
Reinsurance	(143)	(119)	(103)
Total vehicle service contracts	787	796	787
Wholesale	157	132	115
Other finance and insurance (a)	53	133	137
Total	\$ 997	\$ 1,061	\$ 1,039

- (a) Other finance and insurance includes GAP coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products. The wind-down of Canadian personal lines was zero for the year ended December 31, 2013 and \$58 million and \$64 million for the years ended December 31, 2012 and 2011, respectively.





**Table of Contents**

Insurance premiums and service revenue written was \$1.0 billion for the year ended December 31, 2013, compared to \$1.1 billion in 2012. Insurance premiums and service revenue written decreased due to the wind-down of the Canadian personal lines business. Excluding Canadian Personal Lines, written premium for the year ended December 31, 2013 decreased by \$6 million as compared to 2012 due to a decrease in vehicle service contracts as a result of increased reinsurance participation, which is in line with market trends, partially offset by an increase in wholesale due to higher dealer inventory levels. Vehicle service contract revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern. Accordingly, the majority of earnings from vehicle service contracts written during 2013 will be recognized as income in future periods.

Insurance premiums and service revenue written was \$1.1 billion for the year ended December 31, 2012, compared to \$1.0 billion in 2011. Insurance premiums and service revenue written increased slightly due to higher written premiums in our new retail vehicle service contract and dealer inventory insurance products.

**Cash and Investments**

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

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

<b>December 31, (\$ in millions)</b>	<b>2013</b>	<b>2012</b>
Cash		
Noninterest-bearing cash	\$ 166	\$ 129
Interest-bearing cash	810	488
Total cash	976	617
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	568	1,090
U.S. States and political subdivisions	315	
Foreign government	288	303
Mortgage-backed	1,102	714
Asset-backed	37	8
Corporate debt	1,069	1,264
Total debt securities	3,379	3,379
Equity securities	940	1,148
Total available-for-sale securities	4,319	4,527
Total cash and securities	\$ 5,295	\$ 5,144

**Table of Contents****Mortgage Operations****Results of Operations**

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

Year ended December 31, (\$ in millions)	2013	2012	2011	Favorable/ (unfavorable) 2013-2012 % change	Favorable/ (unfavorable) 2012-2011 % change
<b>Net financing revenue</b>					
Total financing revenue and other interest income	\$ 378	\$ 617	\$ 758	(39)	(19)
Interest expense	302	468	553	35	15
Net financing revenue	76	149	205	(49)	(27)
Servicing fees	68	300	365	(77)	(18)
Servicing asset valuation and hedge activities, net	(213)	(4)	(434)	n/m	99
Total servicing (loss) income, net	(145)	296	(69)	(149)	n/m
Gain on mortgage loans, net	55	375	172	(85)	118
Other income, net of losses	90	488	251	(82)	94
Total other revenue		1,159	354	(100)	n/m
<b>Total net revenue</b>	<b>76</b>	<b>1,308</b>	<b>559</b>	<b>(94)</b>	<b>134</b>
<b>Provision for loan losses</b>	<b>13</b>	<b>86</b>	<b>123</b>	<b>85</b>	<b>30</b>
<b>Noninterest expense</b>					
Compensation and benefits expense	39	96	74	59	(30)
Representation and warranty expense	104	171		39	n/m
Other operating expenses	178	360	270	51	(33)
Total noninterest expense	321	627	344	49	(82)
<b>(Loss) income from continuing operations before income tax (benefit) expense</b>	<b>\$ (258)</b>	<b>\$ 595</b>	<b>\$ 92</b>	<b>(143)</b>	<b>n/m</b>
<b>Total assets</b>	<b>\$ 8,168</b>	<b>\$ 14,744</b>	<b>\$ 33,906</b>	<b>(45)</b>	<b>(57)</b>

n/m = not meaningful

**2013 Compared to 2012**

Our Mortgage operations incurred a loss from continuing operations before income tax expense of \$258 million for the year ended December 31, 2013, compared to income from continuing operations before income tax expense of \$595 million for the year ended December 31, 2012. The decrease was primarily related to our exit of all non-strategic mortgage-related activities, including consumer mortgage-lending production associated with government-sponsored refinancing programs, our warehouse lending operations, and our agency MSR portfolio.

Net financing revenue was \$76 million for the year ended December 31, 2013, compared to \$149 million in 2012. The decrease in net financing revenue was primarily due to lower production as a result of the wind-down of our consumer held-for-sale portfolio, run-off of our held-for-investment portfolio, and the shutdown of our warehouse lending operations. The decrease was partially offset by lower interest expense as a result of lower funding costs.



**Table of Contents**

We incurred a net servicing loss of \$145 million for the year ended December 31, 2013, compared to net servicing income of \$296 million in 2012. The decrease was primarily due to the completed sales of our agency MSR portfolio to Ocwen and Quicken in the second quarter of 2013, including the valuation of the portfolio in conjunction with the sale and the unwinding of all related derivative activity.

The net gain on mortgage loans decreased \$320 million for the year ended December 31, 2013, compared to 2012. The decrease was primarily due to our decision to cease mortgage-lending production through our direct lending channel and lower margins associated with government-sponsored refinancing programs.

Other income, net of losses, was \$90 million for the year ended December 31, 2013, compared to \$488 million in 2012. The decrease was primarily due to lower fee income and net origination revenue related to decreased consumer mortgage-lending production associated with government-sponsored refinancing programs.

The provision for loan losses was \$13 million for the year ended December 31, 2013, compared to \$86 million in 2012. The decrease for the year ended December 31, 2013, was primarily due to lower net charge-offs in 2013 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense decreased 49% for the year ended December 31, 2013, compared to 2012. The decrease was primarily due to our decision to cease consumer mortgage-lending production through our direct lending channel and the broker fee associated with those government-sponsored refinancing programs, and lower representation and warranty expense. Lower representation and warranty expense was primarily due to the establishment of our representation and warranty liability during the second quarter of 2012 resulting from the deconsolidation of ResCap and the subsequent sale of the MSR portfolio in 2013.

***2012 Compared to 2011***

Our Mortgage operations earned income from continuing operations before income tax expense of \$595 million for the year ended December 31, 2012, compared to \$92 million for the year ended December 31, 2011. During 2011, we experienced an unfavorable servicing asset valuation, net of hedge, that did not recur in 2012. Additionally, during 2012, we earned higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs, and higher net gains on the sale of mortgage loans. The increase was partially offset by higher representation and warranty expense due to the transfer of liability relating to Ally Bank's sold and serviced loans that had previously been recorded at ResCap, and higher other operating expenses required to establish separate Mortgage processes as a result of the ResCap separation.

Net financing revenue was \$149 million for the year ended December 31, 2012, compared to \$205 million in 2011. The decrease in net financing revenue was primarily due to lower average yield mix as higher-rate Ally Bank mortgage loans continued to run off. Partially offsetting the decrease was lower interest expense related to lower funding costs.

We earned net servicing income of \$296 million for the year ended December 31, 2012, compared to a net servicing loss of \$69 million in 2011. The increase was primarily due to the performance of the derivative servicing hedge as compared to a less favorable hedge performance in 2011. The increase was partially offset by lower servicing fees resulting from a lower unpaid principal balance of our MSR portfolio.

The net gain on mortgage loans increased \$203 million for the year ended December 31, 2012, compared to 2011. The increase was primarily due to higher consumer mortgage-lending production through our direct lending channel and margins associated with government-sponsored refinancing programs, higher margins on warehouse and correspondent lending due to decreased competition and more selective originations from these channels, and improved market gains on specified pooled loans.

**Table of Contents**

Other income, net of losses, was \$488 million for the year ended December 31, 2012, compared to \$251 million in 2011. The increase was primarily due to higher fee income and net origination revenue related to increased consumer mortgage-lending production associated with government-sponsored refinancing programs.

The provision for loan losses was \$86 million for the year ended December 31, 2012, compared to \$123 million in 2011. The decrease for the year ended December 31, 2012, was primarily due to lower net charge-offs in 2012 due to the continued runoff of legacy mortgage assets and improvements in home prices.

Total noninterest expense increased 82% for the year ended December 31, 2012, compared to 2011. The increase was primarily driven by higher representation and warranty expense resulting from the transfer of liability relating to Ally Bank's sold and serviced loans that had previously been recorded at ResCap, and higher compensation and benefits expense due to an increase in functional services provided by ResCap through the shared services agreement.

**Mortgage Loan Production and Servicing**

Mortgage loan production was \$6.8 billion, \$32.4 billion, and \$56.2 billion for the years ended December 31, 2013, 2012, and 2011, respectively. Loan production decreased \$25.6 billion, or 79%, compared to 2012. During 2013, we sold our business lending operations to Walter Investment Management Corp., completed the sales of agency MSR to Ocwen and Quicken, and exited the correspondent and direct lending channels. Our ongoing Mortgage operations are limited to the management of our held-for-investment mortgage portfolio. In the future, we may purchase mortgage loans as part of our held-for-investment mortgage portfolio.

**Table of Contents****Corporate and Other**

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

Year ended December 31, (\$ in millions)	2013	2012	2011	Favorable/ (unfavorable) 2013-2012 % change	Favorable/ (unfavorable) 2012-2011 % change
<b>Net financing loss</b>					
Total financing revenue and other interest income	\$ 298	\$ 157	\$ 195	90	(19)
Interest expense					
Original issue discount amortization	262	349	925	25	62
Other interest expense	549	957	943	43	(1)
Total interest expense	811	1,306	1,868	38	30
Net financing loss (a)	(513)	(1,149)	(1,673)	55	31
<b>Other revenue (expense)</b>					
Loss on extinguishment of debt	(59)	(148)	(64)	60	(131)
Other gain on investments, net	3	69	84	(96)	(18)
Other income, net of losses	76	22	156	n/m	(86)
Total other revenue (expense)	20	(57)	176	135	(132)
<b>Total net loss</b>	(493)	(1,206)	(1,497)	59	19
<b>Provision for loan losses</b>	(6)	(10)	(51)	(40)	(80)
<b>Noninterest expense</b>					
Compensation and benefits expense	468	533	463	12	(15)
Other operating expense (b)	(45)	(99)	9	(55)	n/m
Total noninterest expense	423	434	472	3	8
<b>Loss from continuing operations before income tax (benefit) expense</b>	\$ (910)	\$ (1,630)	\$ (1,918)	44	15
<b>Total assets</b>	\$ 26,563	\$ 30,753	\$ 29,526	(14)	4

n/m = not meaningful

(a) Refer to the table that follows for further details on the components of net financing loss.

(b) Includes a reduction of \$739 million, \$814 million, and \$757 million for the years ended December 31, 2013, 2012, and 2011, respectively, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.



**Table of Contents**

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

At and for the year ended December 31, (\$ in millions)	2013	2012	2011
Original issue discount amortization			
2008 bond exchange amortization	\$ (241)	\$ (320)	\$ (886)
Other debt issuance discount amortization	(21)	(29)	(39)
Total original issue discount amortization (a)	(262)	(349)	(925)
Net impact of the funds transfer pricing methodology			
Unallocated liquidity costs (b)	(318)	(586)	(564)
Funds-transfer pricing / cost of funds mismatch (c)	235	170	42
Unassigned equity costs (d)	(225)	(443)	(315)
Total net impact of the funds transfer pricing methodology	(308)	(859)	(837)
Other (including Commercial Finance Group net financing revenue)	57	59	89
Total net financing losses for Corporate and Other	\$ (513)	\$ (1,149)	\$ (1,673)
Outstanding original issue discount balance	\$ 1,589	\$ 1,840	\$ 2,194

(a) Amortization is included as interest on long-term debt in the Consolidated Statement of Income.

(b) Represents the unallocated cost of funding our cash and investment portfolio.

(c) Represents our methodology to assign funding costs to classes of assets and liabilities based on expected duration and the London interbank offer rate (LIBOR) swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to the reportable segments so the respective reportable segments results are insulated from interest rate risk. The balance above is the resulting benefit (loss) due to holding interest rate risk at Corporate and Other.

(d) Primarily represents the unassigned cost of maintaining required capital positions for certain of our regulated entities, primarily Ally Bank and Ally Insurance.

The following table presents the scheduled remaining amortization of the original issue discount at December 31, 2013.

Year ended December 31, (\$ in millions)	2014	2015	2016	2017	2018	2019 and thereafter (a)	Total
Original issue discount							
Outstanding balance	\$ 1,399	\$ 1,340	\$ 1,274	\$ 1,198	\$ 1,107	\$	
Total amortization (b)	190	59	65	77	90	1,108	\$ 1,589
2008 bond exchange amortization (c)	166	43	53	66	82	977	1,387

(a) The maximum annual scheduled amortization for any individual year is \$158 million in 2030 of which \$152 million is related to 2008 bond exchange amortization.



## Edgar Filing: Ally Financial Inc. - Form S-1/A

(b) The amortization is included as interest on long-term debt on the Consolidated Statement of Income.

(c) 2008 bond exchange amortization is included in total amortization.

### **2013 Compared to 2012**

Loss from continuing operations before income tax expense for Corporate and Other was \$910 million for the year ended December 31, 2013, compared to \$1.6 billion for the year ended December 31, 2012. Corporate and Other's loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios.

## **Table of Contents**

The improvement in the loss from continuing operations before income tax expense for the year ended December 31, 2013 was primarily due to a decrease in interest expense of \$495 million, which was primarily driven by OID amortization expense related to bond maturities and normal monthly amortization; lower funding costs as a result of early repayments of debt, including certain Federal Home Loan Bank debt during the fourth quarter of 2012; and increases in derivative gains. The improvement was partially offset by a decrease in other gain on investments as a result of fewer sales of investments during the year ended December 31, 2013.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$50 million for the year ended December 31, 2013, compared to \$48 million for the year ended December 31, 2012.

### ***2012 Compared to 2011***

Loss from continuing operations before income tax expense for Corporate and Other was \$1.6 billion for the year ended December 31, 2012, compared to \$1.9 billion for the year ended December 31, 2011. Corporate and Other's loss from continuing operations before income tax expense was driven by net financing losses, which primarily represents original issue discount amortization expense and the net impact of our FTP methodology, which includes the unallocated cost of maintaining our liquidity and investment portfolios.

The improvement in the loss from continuing operations before income tax expense for the year ended December 31, 2012 was primarily due to a decrease in OID amortization expense related to bond maturities and normal monthly amortization. Additionally, we incurred no accelerated amortization of OID for the year ended December 31, 2012 compared to \$50 million for the year ended December 31, 2011. The improvement was partially offset by the early repayment of certain Federal Home Loan Bank debt to further reduce funding costs, the absence of a \$121 million gain on the early settlement of a loss holdback provision related to certain historical automotive whole-loan forward flow agreements recognized during 2011, and an increase in compensation and benefits expense as a result of increased incentive compensation and pension-related expenses. The pension-related expenses resulted from our decision to de-risk our long-term pension liability through lump-sum buyouts and annuity placements for former subsidiaries. Refer to Note 23 to the Consolidated Financial Statements for further detail on these certain pension actions.

Corporate and Other also includes the results of our Commercial Finance Group. Our Commercial Finance Group earned income from continuing operations before income tax expense of \$48 million for the year ended December 31, 2012, compared to \$141 million for the year ended December 31, 2011. The decrease was primarily related to lower net revenue resulting from a decline in income from servicer advance collections, lower accelerated fee income due to fewer early loan payoffs during 2012, compared to 2011. Additionally, provision expense was less favorable in 2012 due to a greater decline in portfolio-level reserves in 2011 associated with higher recoveries on nonperforming exposures, combined with the runoff of the majority of our higher-risk non-core portfolio.

**Table of Contents****Cash and Securities**

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

December 31, (\$ in millions)	2013	2012
<b>Cash</b>		
Noninterest-bearing cash	\$ 1,123	\$ 944
Interest-bearing cash	3,396	5,942
<b>Total cash</b>	<b>4,519</b>	6,886
<b>Available-for-sale securities</b>		
<b>Debt securities</b>		
U.S. Treasury and federal agencies	859	1,124
Mortgage-backed	9,718	6,191
Asset-backed	2,183	2,332
<b>Total debt securities</b>	<b>12,760</b>	9,647
<b>Equity securities</b>	<b>4</b>	4
<b>Total available-for-sale securities</b>	<b>12,764</b>	9,651
<b>Total cash and securities</b>	<b>\$ 17,283</b>	\$ 16,537

**Risk Management**

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

**Credit risk** The risk of loss arising from an obligor not meeting its contractual obligations to our firm.

**Lease Residual risk** The risk of loss arising from the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of the values used in establishing the pricing at lease inception.

**Market risk** The risk of loss arising from changes in the fair value of our assets or liabilities (including derivatives) caused by movements in market variables, such as interest rates, foreign-exchange rates, and equity and commodity prices.

**Operational risk** The risk of loss arising from inadequate or failed processes or systems, human factors, or external events.

**Insurance/Underwriting risk** The risk of loss associated with insured events occurring, the severity of insured events, and the timing of claim payments arising from insured events.

**Liquidity risk** The risk that our financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet our financial obligations, and to withstand unforeseen liquidity stress events (see Liquidity Management, Funding, and Regulatory Capital discussion within this MD&A).

**Table of Contents**

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

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

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

In addition, our Loan Review Group provides an independent assessment of the quality of Ally's credit risk portfolios and credit risk management practices, and all lines of business and corporate functions that create or influence credit risk are subject to full and unrestricted reviews by the Loan Review Group. This group also is granted free and unrestricted access to any and all of our records, physical properties, technologies, management, and employees and reports its findings directly to the Risk and Compliance Committee. The findings of this group help to strengthen our risk management practices and processes throughout the organization.

**Table of Contents****Loan and Lease Exposure**

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

<b>December 31, (\$ in millions)</b>	<b>2013</b>	<b>2012</b>
<b>Finance receivables and loans</b>		
Dealer Financial Services	\$ 90,220	\$ 86,542
Mortgage operations	8,444	9,821
Corporate and Other	1,664	2,692
<b>Total finance receivables and loans</b>	<b>100,328</b>	<b>99,055</b>
<b>Held-for-sale loans</b>		
Dealer Financial Services	\$	\$
Mortgage operations	16	2,490
Corporate and Other	19	86
<b>Total held-for-sale loans</b>	<b>35</b>	<b>2,576</b>
<b>Total on-balance sheet loans</b>	<b>\$ 100,363</b>	<b>\$ 101,631</b>
<b>Off-balance sheet securitized loans</b>		
Dealer Financial Services	\$ 899	\$ 1,495
Mortgage operations		119,384
Corporate and Other		
<b>Total off-balance sheet securitized loans</b>	<b>\$ 899</b>	<b>\$ 120,879</b>
<b>Operating lease assets</b>		
Dealer Financial Services	\$ 17,680	\$ 13,550
Mortgage operations		
Corporate and Other		
<b>Total operating lease assets</b>	<b>\$ 17,680</b>	<b>\$ 13,550</b>
<b>Serviced loans and leases</b>		
Dealer Financial Services	\$ 111,589	\$ 134,122
Mortgage operations (a)	8,333	130,324
Corporate and Other	1,498	1,344
<b>Total serviced loans and leases</b>	<b>\$ 121,420</b>	<b>\$ 265,790</b>

(a) Includes primary mortgage loan-servicing portfolio only, which includes on-balance sheet loans of \$8.3 billion and \$10.9 billion at December 31, 2013 and December 31, 2012, respectively.

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automobile loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. Historically, we primarily originated mortgage loans with the intent to sell and, as such, retained only a small percentage of the loans that we originated or purchased. Mortgage loans that we did not intend to retain were sold to investors, primarily through securitizations guaranteed by the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs). We ultimately manage the associated risks based on the underlying economics of the exposure.

## Edgar Filing: Ally Financial Inc. - Form S-1/A

During 2013, we sold our business lending operations to Walter Investment Management Corp., completed the sales of agency MSR to Ocwen and Quicken, and exited the correspondent and direct lending channels. Our ongoing Mortgage operations are limited to the management of our held-for-investment mortgage portfolio.

***Finance receivables and loans*** Loans that we have the intent and ability to hold for the foreseeable future or until maturity, or loans associated with an on-balance sheet securitization classified as secured

---

## **Table of Contents**

financing. These loans are recorded at the principal amount outstanding, net of unearned income, premiums and discounts, and allowances. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting our servicing and collection activities (including loan modifications and restructurings), and optimizing our product and geographic concentrations. Additionally, we have elected to account for certain mortgage loans at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and were reflected in current period earnings. We used market-based instruments, such as derivatives, to hedge changes in the fair value of these loans.

***Held-for-sale loans*** Loans that we do not have the intent and ability to hold for the foreseeable future or until maturity. These loans are recorded on our balance sheet at the lower of cost or estimated fair value and are evaluated by portfolio and product type. Changes in the recorded value are recognized in a valuation allowance and reflected in current period earnings. We manage the economic risks of these exposures, including market and credit risks, in various ways including the use of market-based instruments such as derivatives.

***Off-balance sheet securitized loans*** Loans that we transfer off-balance sheet to nonconsolidated variable interest entities. We primarily report this exposure as cash, servicing rights, or retained interests (if applicable). Similar to finance receivables and loans, we manage the economic risks of these exposures, including credit risk, through activities including servicing and collections.

***Operating lease assets*** The net book value of the automobile assets we lease includes the expected residual values upon remarketing the vehicles at the end of the lease. We are exposed to fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and as such at contract inception, we determine the projected residual value based on an internal evaluation of the expected future value. This evaluation is based on a proprietary model, which includes variables such as age, mileage, seasonality, segment factors, vehicle type, economic indicators and production cycle. This internally generated data is compared against third party, independent data for reasonableness. Periodically, we revise the projected value of the lease vehicle at termination based on current market conditions and adjust depreciation expense appropriately over the remaining life of the contract. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense. The balance sheet reflects both the lease asset as well as any associated rent receivables. The lease rent receivable is a component of other assets. A valuation allowance representing the uncollectible portion of the lease rent receivable is recorded directly against this receivable. The lease asset is reviewed for impairment in accordance with applicable accounting standards.

***Serviced loans and leases*** Loans that we service on behalf of our customers or another financial institution. As such, these loans can be on or off our balance sheet. For our serviced consumer automobile loans, we do not recognize servicing assets or liabilities because we receive a fee that adequately compensates us for the servicing costs. Historically, for our MSR's, we would record an asset (at fair value) based on whether the expected servicing benefits would exceed the expected servicing costs.

Refer to the Critical Accounting Estimates discussion within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

## **Credit Risk Management**

Credit risk is defined as the potential failure to receive payments when due from an obligor in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. Credit risk is monitored by enterprise and line of business committees and the Enterprise Risk Management organization. Together they oversee the credit decisioning and management processes, and monitor credit risk exposures to ensure they are managed in a safe-and-sound manner and are within our risk appetite. In addition, our Loan



## **Table of Contents**

Review Group provides an independent assessment of the quality of our credit portfolios and credit risk management practices, and directly reports its findings to the Risk and Compliance Committee of the Board on a regular basis.

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

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. We perform ongoing analyses of the consumer automobile, consumer mortgage, and commercial portfolios using a range of indicators to assess the adequacy of the allowance based on historical and current trends. Refer to Note 7 to the Consolidated Financial Statements for additional information.

Additionally, we utilize numerous collection strategies to mitigate loss and provide ongoing support to customers in financial distress. For automobile loans, we work with customers when they become delinquent on their monthly payment. In lieu of repossessing their vehicle, we may offer several types of assistance to aid our customers based on their willingness and ability to repay their loan. Loss mitigation may include extension of the loan maturity date and rewriting the loan terms. For mortgage loans, as part of our participation in certain governmental programs, we offer mortgage loan modifications to qualified borrowers. Numerous initiatives are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

Furthermore, we manage our counterparty credit exposure based on the risk profile of the counterparty. Within our policies, we have established standards and requirements for managing counterparty risk exposures in a safe-and-sound manner. Counterparty credit risk is derived from multiple exposure types, including derivatives, securities trading, securities financing transactions, financial futures, cash balances (e.g., due from depository institutions, restricted accounts, and cash equivalents), and investment in debt securities. For more information on Derivative Counterparty Credit Risk, refer to Note 21 to the Consolidated Financial Statements.

During 2013, the U.S. economy continued to expand. The labor market recovered further during the year, with nonfarm payrolls increasing and the annual unemployment rate falling. Within the U.S. automotive portfolio, encouraging trends include an average annual rate of 15.5 million new light vehicle sales during the year. However, we continue to be cautious with the economic outlook.

### **On-balance Sheet Portfolio**

Our on-balance sheet portfolio includes both finance receivables and loans and held-for-sale loans. At December 31, 2013, this primarily included \$90.2 billion of automobile finance receivables and loans and \$8.5 billion of mortgage finance receivables and loans. Within our on-balance sheet portfolio, we have elected to account for certain mortgage loans at fair value. The valuation allowance recorded on fair value-elected loans is separate from the allowance for loan losses. Changes in the fair value of loans are classified as gain on mortgage and automotive loans, net, in the Consolidated Statement of Income.

During 2012 and 2013, we further executed on our strategy of discontinuing and selling or liquidating nonstrategic operations. Refer to Note 2 to the Consolidated Financial Statements for additional information.

**Table of Contents**

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

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2013	2012	2013	2012	2013	2012
<b>Consumer</b>						
Finance receivables and loans						
Loans at historical cost	\$ 64,860	\$ 63,536	\$ 521	\$ 642	\$ 1	\$ 1
Loans at fair value	1					
<b>Total finance receivables and loans</b>	<b>64,861</b>	<b>63,536</b>	<b>521</b>	<b>642</b>	<b>1</b>	<b>1</b>
Loans held-for-sale	16	2,490	9	25		
<b>Total consumer loans</b>	<b>64,877</b>	<b>66,026</b>	<b>530</b>	<b>667</b>	<b>1</b>	<b>1</b>
<b>Commercial</b>						
Finance receivables and loans at historical cost						
Loans held-for-sale	19	86				
<b>Total commercial loans</b>	<b>35,486</b>	<b>35,605</b>	<b>204</b>	<b>216</b>		
<b>Total on-balance sheet loans</b>	<b>\$ 100,363</b>	<b>\$ 101,631</b>	<b>\$ 734</b>	<b>\$ 883</b>	<b>\$ 1</b>	<b>\$ 1</b>

(a) Includes nonaccrual troubled debt restructured loans (TDRs) of \$312 million and \$419 million at December 31, 2013, and December 31, 2012, respectively.

(b) Generally, loans that are 90 days past due and still accruing represent loans with government guarantees. There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2013 and December 31, 2012.

Total on-balance sheet loans outstanding at December 31, 2013, decreased \$1.3 billion to \$100.4 billion from December 31, 2012, reflecting a decrease of \$1.1 billion in the consumer portfolio and a decrease of \$119 million in the commercial portfolio. The decrease in consumer on-balance sheet loans was primarily driven by our decisions to exit the direct lending and correspondent lending channels, partially offset by automobile originations, which outpaced portfolio runoff. The decrease in commercial on-balance sheet loans outstanding was primarily driven by the payoff of ResCaps debtor-in-possession financing.

The total TDRs outstanding at December 31, 2013, increased \$83 million to \$1.3 billion from December 31, 2012, primarily due to our loss mitigation efforts on commercial and consumer loans including continued foreclosure prevention and participation in a variety of government-sponsored refinancing programs. Refer to Note 7 to the Consolidated Financial Statements for additional information.

Total nonperforming loans at December 31, 2013, decreased \$149 million to \$734 million from December 31, 2012, reflecting a decrease of \$137 million of consumer nonperforming loans and a decrease of \$12 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2012, was driven, in part, by the improved performance of remaining consumer mortgage loans as lower quality legacy loans continued to runoff. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements for additional information.

**Table of Contents**

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

Year ended December 31, (\$ in millions)	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2013	2012 (b)	2013	2012
<b>Consumer</b>				
Finance receivables and loans at historical cost	\$ 477	\$ 507	0.7%	0.7%
<b>Commercial</b>				
Finance receivables and loans at historical cost	(5)	(33)		(0.1)
<b>Total finance receivables and loans at historical cost</b>	<b>\$ 472</b>	<b>\$ 474</b>	<b>0.5%</b>	<b>0.4%</b>

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

(b) Includes \$102 million of international consumer net charge-offs and \$30 million of international commercial recoveries. Net charge-offs were \$472 million for the year ended December 31, 2013, compared to \$474 million for the year ended December 31, 2012. The decrease in the consumer portfolio during the year ended December 31, 2013 was driven by continued improved performance of mortgage assets and improvements in home prices. The change in the commercial portfolio during the year ended December 31, 2013 was largely due to recoveries in 2012 that did not repeat in 2013. Loans held-for-sale are accounted for at the lower-of-cost or fair value and, therefore, we do not record charge-offs.

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

**Consumer Credit Portfolio**

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

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

Our servicing activities are another key factor in managing consumer credit risk. Servicing activities consist largely of collecting and processing customer payments, responding to customer inquiries such as requests for

**Table of Contents**

payoff quotes, and processing customer requests for account revisions (such as payment extensions and refinancings). Servicing activities are generally consistent across our operations; however, certain practices may be influenced by local laws and regulations.

During the year ended December 31, 2013, the credit performance of the consumer portfolio remained strong and reflects the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2013	2012	2013	2012	2013	2012
Consumer automobile (c)	\$ 56,417	\$ 53,715	\$ 329	\$ 260	\$	\$
Consumer mortgage	8,443	9,821	192	382	1	1
<b>Total consumer finance receivables and loans</b>	<b>\$ 64,860</b>	<b>\$ 63,536</b>	<b>\$ 521</b>	<b>\$ 642</b>	<b>\$ 1</b>	<b>\$ 1</b>

(a) Includes nonaccrual troubled debt restructured loans of \$237 million and \$373 million at December 31, 2013, and December 31, 2012, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2013 and December 31, 2012.

(c) Includes \$1 million of fair value adjustment for loans in hedge accounting relationships at December 31, 2013. Refer to Note 21 to the Consolidated Financial Statements for additional information.

Total consumer outstanding finance receivables and loans increased \$1.3 billion at December 31, 2013, compared with December 31, 2012. This increase was related to our U.S. automobile consumer loan originations which outpaced portfolio runoff. Additionally, we continued to prudently expand our used and nonprime originations as a percent of our total originations.

Total consumer nonperforming finance receivables and loans at December 31, 2013, decreased \$121 million to \$521 million from December 31, 2012, reflecting a decrease of \$190 million of consumer mortgage nonperforming finance receivables and loans and an increase of \$69 million of consumer automobile nonperforming finance receivables and loans. Consumer mortgage nonperforming finance receivables and loans decreased due to the improved performance of remaining loans. Consumer automobile nonperforming finance receivables and loans increased primarily due to the change in our portfolio mix as we continued the execution of our underwriting strategy to prudently expand our originations across a broader credit spectrum, including used and nonprime, as well as seasoning of the portfolio. Refer to Note 7 to the Consolidated Financial Statements for additional information. Total consumer nonperforming finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.8% and 1.0% at December 31, 2013 and December 31, 2012, respectively.

Consumer domestic automotive loans accruing and past due 30 days or more increased \$252 million to \$1.3 billion at December 31, 2013, compared with December 31, 2012. The increase is predominantly due to the change in our portfolio mix as we continued the execution of our underwriting strategy to prudently expand our originations across a broader credit spectrum, including used and nonprime.

**Table of Contents**

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

Year ended December 31, (\$ in millions)	Net charge-offs		Net charge-off ratios (a)	
	2013	2012 (b)	2013	2012
Consumer automobile	\$ 402	\$ 369	0.7%	0.5%
Consumer mortgage	75	138	0.8	1.4
<b>Total consumer finance receivables and loans</b>	<b>\$ 477</b>	<b>\$ 507</b>	<b>0.7%</b>	<b>0.7%</b>

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

(b) Includes \$102 million of international consumer automobile net charge-offs.

Our net charge-offs from total consumer automobile finance receivables and loans were \$402 million for the year ended December 31, 2013, compared to \$369 million for the year ended December 31, 2012. The increase was driven primarily by the change in our U.S. portfolio mix as we continued the execution of our underwriting strategy to prudently expand our originations across a broader credit spectrum, including used and nonprime, seasoning of the portfolio, and higher outstandings. This increase was partially offset by the inclusion of international net charge-offs during the year ended December 31, 2012 prior to the reclassification of the international automotive finance business to discontinued operations.

Our net charge-offs from total consumer mortgage receivables and loans were \$75 million for the year ended December 31, 2013, compared to \$138 million in 2012. The decrease was driven by continued improved performance of mortgage assets and improvements in home prices.

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

Year ended December 31, (\$ in millions)	2013	2012 (a)
Consumer automobile	\$ 26,739	\$ 40,004
Consumer mortgage	6,804	32,465
<b>Total consumer loan originations</b>	<b>\$ 33,543</b>	<b>\$ 72,469</b>

(a) Includes \$9.7 billion of international consumer automobile originations.

Total automobile-originated loans decreased \$13.3 billion for the year ended December 31, 2013, compared to 2012. The decrease was primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market. Total mortgage-originated loans decreased \$25.7 billion for the year ended December 31, 2013. The decline in loan production was driven by our strategic exit from the direct lending channel and our decision announced on April 17, 2013 to exit the correspondent lending channel.

Consumer loan originations retained on-balance sheet as held-for-investment were \$27.5 billion at December 31, 2013, compared to \$42.2 billion at December 31, 2012. The decrease was primarily due to the reclassification of our international automotive finance business to discontinued operations at the end of 2012 as well as lower new vehicle originations as a result of more competition within the automotive finance market.



**Table of Contents**

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by geographic region. Total automobile loans were \$56.4 billion and \$53.7 billion at December 31, 2013, and December 31, 2012, respectively. Total mortgage and home equity loans were \$8.4 billion and \$9.8 billion at December 31, 2013, and December 31, 2012, respectively.

December 31,	2013 (a)		2012	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	13.2%	5.8%	12.9%	5.8%
California	5.8	29.5	5.6	29.2
Florida	7.0	3.6	6.7	3.6
Pennsylvania	5.3	1.7	5.2	1.6
Illinois	4.4	4.4	4.3	4.8
Michigan	4.4	3.9	5.0	4.1
New York	4.3	1.9	4.6	2.0
Georgia	4.0	2.1	3.7	1.9
Ohio	4.0	0.7	4.0	0.8
North Carolina	3.4	1.9	3.3	2.0
Other United States	44.2	44.5	44.7	44.2
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2013.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans in the United States are in Texas and California, which represented an aggregate of 21.1% and 21.0% of our total outstanding consumer finance receivables and loans at December 31, 2013, and December 31, 2012, respectively.

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

*Repossessed and Foreclosed Assets*

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

Repossessed assets in our Automotive Finance operations at December 31, 2013, increased \$39 million to \$101 million from December 31, 2012. Foreclosed mortgage assets at December 31, 2013, increased \$4 million to \$10 million from December 31, 2012.

*Commercial Credit Portfolio*

Our commercial portfolio consists primarily of automotive loans (wholesale floorplan, dealer term loans including real estate loans, and automotive fleet financing), and some commercial finance loans. Wholesale floorplan loans are secured by the vehicles financed (and all other vehicle inventory), which provide strong collateral protection in the event of dealership default. Additional collateral (e.g., blanket lien over all dealership assets) and/or other credit enhancements (e.g., personal guarantees from dealership owners) are oftentimes

**Table of Contents**

obtained to further manage credit risk. Furthermore, Ally benefits from the automotive manufacturer repurchase arrangements, which serve as an additional layer of protection in the event of repossession of dealership inventory and/or dealership franchise termination.

Within our commercial portfolio, we utilize an internal credit risk rating system that is fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors for each borrower. The ratings are used for many areas of credit risk management, such as loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating system is critical to an effective and consistent credit risk management framework.

During the year ended December 31, 2013, the credit performance of the commercial portfolio remained strong as nonperforming finance receivables and loans and net charge-offs remained stable. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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

December 31, (\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2013	2012	2013	2012	2013	2012
Commercial and industrial						
Automobile	\$ 30,948	\$ 30,270	\$ 116	\$ 146	\$	\$
Mortgage						
Other (c)	1,664	2,697	74	33		
Commercial real estate Automobile	2,855	2,552	14	37		
Total commercial finance receivables and loans	\$ 35,467	\$ 35,519	\$ 204	\$ 216	\$	\$

(a) Includes nonaccrual troubled debt restructured loans of \$75 million and \$29 million at December 31, 2013, and December 31, 2012, respectively.

(b) There were no troubled debt restructured loans classified as 90 days past due and still accruing at December 31, 2013 and December 31, 2012.

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

Total commercial finance receivables and loans outstanding decreased \$52 million to \$35.5 billion at December 31, 2013, from December 31, 2012. The commercial and industrial outstandings decreased \$355 million primarily due to the June 2013 payoff of ResCap's \$1.3 billion debtor-in-possession financing partially offset by the increase in the dealer inventories required to support increasing automotive industry sales.

Total commercial nonperforming finance receivables and loans were \$204 million at December 31, 2013, a decrease of \$12 million compared to December 31, 2012. Total commercial nonperforming finance receivables and loans as a percentage of outstanding commercial finance receivables and loans remained flat at 0.6% as of December 31, 2013 and December 31, 2012.



**Table of Contents**

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

Year ended December 31, (\$ in millions)	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2013	2012	2013	2012
Commercial and industrial				
Automobile	\$	\$	%	%
Mortgage		(1)		(0.1)
Other	(7)	(31)	(0.3)	(1.5)
Commercial real estate Automobile	2	(1)	0.1	
Total commercial finance receivables and loans	\$ (5)	\$ (33)	%	(0.1)%

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

Our net charge-offs from commercial finance receivables and loans resulted in recoveries of \$5 million for the year ended December 31, 2013, compared to recoveries of \$33 million in 2012. The change in net charge-offs was largely driven by strong recoveries in certain wind-down portfolios during the year ended December 31, 2012 that did not repeat in 2013.

*Commercial Real Estate*

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were \$2.9 billion and \$2.6 billion at December 31, 2013, and December 31, 2012, respectively.

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

December 31, Geographic region	2013	2012
Texas	13.2%	13.0%
Florida	12.6	11.7
Michigan	11.6	12.6
California	9.2	9.3
New York	4.5	4.9
North Carolina	4.1	3.9
Virginia	3.8	3.9
Pennsylvania	3.3	3.3
Georgia	3.1	3.0
Illinois	2.5	1.8
Other United States	32.1	32.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

*Commercial Criticized Exposure*

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

economic loss.

**Table of Contents**

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

<b>December 31,</b>	<b>2013</b>	<b>2012</b>
<b>Industry</b>		
Automotive	<b>91.4%</b>	85.7%
Electronics	<b>3.4</b>	1.2
Services	<b>2.5</b>	4.9
Other	<b>2.7</b>	8.2
<b>Total commercial criticized finance receivables and loans</b>	<b>100.0%</b>	100.0%

Total criticized exposures increased \$431 million to \$2.1 billion at December 31, 2013 from December 31, 2012, primarily due to the reclassification of a small number of commercial loans within the overall stable commercial portfolio.

*Selected Loan Maturity and Sensitivity Data*

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

<b>December 31, 2013 (\$ in millions)</b>	<b>Within 1 year (a)</b>	<b>1-5 years</b>	<b>After 5 years</b>	<b>Total (b)</b>
Commercial and industrial	\$ 30,442	\$ 2,053	\$ 117	\$ 32,612
Commercial real estate	82	2,082	691	2,855
<b>Total commercial finance receivables and loans</b>	<b>\$ 30,524</b>	<b>\$ 4,135</b>	<b>\$ 808</b>	<b>\$ 35,467</b>
Loans at fixed interest rates		\$ 1,919	\$ 649	
Loans at variable interest rates		2,216	159	
<b>Total commercial finance receivables and loans</b>		<b>\$ 4,135</b>	<b>\$ 808</b>	

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

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

**Table of Contents****Allowance for Loan Losses**

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

<i>(\$ in millions)</i>	Consumer automobile	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2013	\$ 575	\$ 452	\$ 1,027	\$ 143	\$ 1,170
Charge-offs	(639)	(93)	(732)	(5)	(737)
Recoveries	237	18	255	10	265
Net charge-offs	(402)	(75)	(477)	5	(472)
Provision for loan losses	490	13	503	(2)	501
Other	10	(1)	9		9
Allowance at December 31, 2013	\$ 673	\$ 389	\$ 1,062	\$ 146	\$ 1,208
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2013 (a)	1.2%	4.6%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2013 (a)	0.7%	0.8%	0.7%	%	0.5%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2013 (a)	204.4%	203.1%	203.9%	71.6%	166.6%
Ratio of allowance for loan losses to net charge-offs at December 31, 2013	1.7	5.2	2.2	(27.1)	2.6

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

The allowance for consumer loan losses at December 31, 2013, increased \$35 million compared to December 31, 2012. The increase was primarily due to increases in the allowance for consumer automotive assets due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, and the growth in our U.S. automotive consumer portfolio. The increase was partially offset by continued improved performance of mortgage assets.

**Table of Contents**

The allowance for commercial loan losses increased \$3 million at December 31, 2013, compared to December 31, 2012, primarily related to the higher automotive assets during 2013.

<i>(\$ in millions)</i>	<b>Consumer automobile</b>	<b>Consumer mortgage</b>	<b>Total consumer</b>	<b>Commercial</b>	<b>Total</b>
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 1,282	\$ 221	\$ 1,503
Charge-offs	(616)	(149)	(765)	(11)	(776)
Recoveries	247	11	258	44	302
Net charge-offs	(369)	(138)	(507)	33	(474)
Provision for loan losses	257	86	343	(14)	329
Other (a)	(79)	(12)	(91)	(97)	(188)
Allowance at December 31, 2012	\$ 575	\$ 452	\$ 1,027	\$ 143	\$ 1,170
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2012 (b)	1.1%	4.6%	1.6%	0.4%	1.2%
Net charge-offs to average finance receivables and loans outstanding at December 31, 2012 (b)	0.5%	1.4%	0.7%	(0.1)%	0.4%
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2012 (b)	221.3%	118.0%	159.8%	66.4%	136.3%
Ratio of allowance for loans losses to net charge-offs at December 31, 2012	1.6	3.3	2.0	(4.3)	2.5

(a) Includes provision for loan losses relating to discontinued operations of \$65 million.

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

The allowance for consumer loan losses was \$1.0 billion at December 31, 2012, compared to \$1.3 billion at December 31, 2011. The decline reflected the reclassification of the foreign Automotive Finance operations to discontinued operations and the runoff of legacy portfolios, which was partially offset by an increase in loans outstanding.

The allowance for commercial loan losses was \$143 million at December 31, 2012, compared to \$221 million at December 31, 2011. The decline was primarily related to improvement in dealer performance and continued wind-down of non-core commercial assets.

**Table of Contents****Allowance for Loan Losses by Type**

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

December 31, (\$ in millions)	2013			2012		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of allowance for loan losses
<b>Consumer</b>						
Consumer automobile	\$ 673	1.2%	55.7%	\$ 575	1.1%	49.2%
Consumer Mortgage	389	4.6	32.2	452	4.6	38.6
<b>Total consumer loans</b>	<b>1,062</b>	<b>1.6</b>	<b>87.9</b>	<b>1,027</b>	<b>1.6</b>	<b>87.8</b>
<b>Commercial</b>						
<b>Commercial and industrial</b>						
Automobile	67	0.2	5.6	55	0.2	4.7
Mortgage						
Other	50	3.0	4.1	48	1.8	4.1
Commercial real estate Automobile	29	1.0	2.4	40	1.6	3.4
<b>Total commercial loans</b>	<b>146</b>	<b>0.4</b>	<b>12.1</b>	<b>143</b>	<b>0.4</b>	<b>12.2</b>
<b>Total allowance for loan losses</b>	<b>\$ 1,208</b>	<b>1.2</b>	<b>100.0%</b>	<b>\$ 1,170</b>	<b>1.2</b>	<b>100.0%</b>

**Provision for Loan Losses**

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

Year ended December 31, (\$ in millions)	2013	2012	2011
<b>Consumer</b>			
Consumer automobile	\$ 490	\$ 257	\$ 102
Consumer mortgage	13	86	126
<b>Total consumer loans</b>	<b>503</b>	<b>343</b>	<b>228</b>
<b>Commercial</b>			
<b>Commercial and industrial</b>			
Automobile	11	(3)	(3)
Mortgage		(1)	(3)
Other	(6)	(10)	(51)
Commercial real estate Automobile	(7)		(10)
<b>Total commercial loans</b>	<b>(2)</b>	<b>(14)</b>	<b>(67)</b>
<b>Total provision for loan losses</b>	<b>\$ 501</b>	<b>\$ 329</b>	<b>\$ 161</b>

## Edgar Filing: Ally Financial Inc. - Form S-1/A

The provision for consumer loan losses increased \$160 million for the year ended December 31, 2013, compared to 2012. The increase was primarily due to the continued execution of our underwriting strategy to prudently expand our originations of consumer automotive assets across a broader credit spectrum, which was significantly narrowed during the most recent economic recession, and the growth in our U.S. automotive consumer portfolio.

Provision for commercial loan losses were credits of \$2 million for the year ended December 31, 2013, compared to credits of \$14 million in 2012. Fewer recoveries and allowance releases from legacy businesses drove a lower credit for the year ended December 31, 2013.

## Table of Contents

### Lease Residual Risk Management

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

**Used vehicle market** We have exposure to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle market prices heavily influence used vehicle prices.

**Residual value projections** At contract inception, we determine the projected residual value based on an internal evaluation of the expected future value. This evaluation is based on a proprietary model, which includes variables such as age, mileage, seasonality, segment factors, vehicle type, economic indicators and production cycle. This internally generated data is compared against third party, independent data for reasonableness. Periodically, we revise the projected value of the lease vehicle at termination based on current market conditions and adjust depreciation expense appropriately over the remaining life of the contract. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense.

**Remarketing abilities** Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales.

**Manufacturer vehicle and marketing programs** Automotive manufacturers influence lease residual results in the following ways:

The brand image of automotive manufacturers and consumer demand for their products affect residual risk.

Automotive manufacturer marketing programs may influence the used vehicle market for those vehicles through programs such as incentives on new vehicles, programs designed to encourage lessees to terminate their leases early in conjunction with the acquisition of a new vehicle (referred to as pull-ahead programs), and special rate used vehicle programs.

Automotive manufacturers may provide support to us for certain residual deficiencies.

The following table summarizes the volume of Ally lease terminations in the United States over recent periods. It also summarizes the average sales proceeds on 24-, 36-, and 48-month scheduled lease terminations for those same periods.

Year ended December 31,	2013	2012	2011
Off-lease vehicles remarketed ( <i>in units</i> )	148,587	63,435	248,934
Average sales proceeds on scheduled lease terminations ( <i>\$ per unit</i> )			
24-month (a)	\$ 22,228	\$ 23,133	n/m
36-month (b)	17,660	17,434	\$ 20,239
48-month	16,613	17,144	15,720



n/m = not meaningful

- (a) During 2011, 24-month lease terminations were not materially sufficient to create a historical comparison due to our temporary curtailment of leasing beginning in late 2008.
- (b) The majority of our outstanding consumer lease portfolio is comprised of 36-month leases.

**Table of Contents**

The number of off-lease vehicles remarketed in 2013 more than doubled the historically low terminations in 2012. The decline in 2012 was the result of our temporary curtailment of lease originations beginning in late 2008. In late 2009, we began originating leases in material volume again, a primary driver of higher terminations in 2013. For information on our Investment in Operating Leases, refer to Note 8 to the Consolidated Financial Statements.

**Market Risk**

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 21 to the Consolidated Financial Statements for further information.

We are also exposed to some foreign-currency risk arising from foreign-currency denominated assets and liabilities. We enter into hedges to mitigate foreign exchange risk.

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

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

**Fair Value Sensitivity Analysis**

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

<b>December 31, (\$ in millions)</b>	<b>2013</b>	<b>2012</b>
Financial instruments exposed to changes in:		
Interest rates		
Estimated fair value	(a)	(a)
Effect of 10% adverse change in rates	(a)	(a)
Foreign-currency exchange rates		
Estimated fair value	\$ 588	\$ 2,791
Effect of 10% adverse change in rates	(23)	(279)
Equity prices		
Estimated fair value	\$ 938	\$ 1,152
Effect of 10% decrease in prices	(90)	(115)

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

**Table of Contents**

The fair value of our foreign currency exchange-rate sensitive financial instruments decreased during the year ended December 31, 2013, compared to 2012, due to decreases in finance receivables and loans. This decreased foreign-currency exchange rate exposure drove our decreased sensitivity to a 10% adverse change in rates. The decrease in the fair value of our equity-sensitive financial instruments was due to a lower equity investment balance compared to prior year. This change in equity exposure drove our decreased sensitivity to a 10% decrease in equity prices.

**Net Interest Income Sensitivity Analysis**

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

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

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

Year ended December 31, (\$ in millions)	2013	2012
Parallel rate shifts		
-100 basis points	\$ 53	\$ (7)
+100 basis points	(127)	(46)
+200 basis points	(176)	48

The positive change in net interest income in the -100 basis points scenario in the 2013 analysis is mainly due to declines in deposit interest expense and market-based funding. The impact of downward shocks is somewhat muted by the current low interest rate environment which limits absolute declines in short term rates in a shock scenario. The adverse change in net interest income in the upward shock scenarios is mainly due to increased interest expense on rate sensitive liabilities as well as rate index floors on certain commercial loans that limit interest income increases until the related rate index rises above the level of the floor. Compared to 2012, the increased impact of +100 and +200 basis point scenarios is largely driven by increased rate sensitive liabilities and a steeper yield curve.

**Operational Risk**

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

To monitor and control such risk, we maintain a system of policies and a control framework designed to provide a sound and well-controlled operational environment. This framework employs practices and tools designed to maintain risk governance, risk and control assessment and testing, risk monitoring, and transparency

## **Table of Contents**

through risk reporting mechanisms. The goal is to maintain operational risk at appropriate levels based on our financial strength, the characteristics of the businesses and the markets in which we operate, and the related competitive and regulatory environment.

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

### **Insurance / Underwriting Risk**

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

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

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

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

### **Liquidity Management, Funding, and Regulatory Capital**

#### **Overview**

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

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of

---

## **Table of Contents**

liquidity risk helps ensure an organization's preparedness to meet uncertain cash flow obligations caused by unanticipated events. The ability of financial institutions to manage liquidity needs and contingent funding exposures has proven essential to their solvency.

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

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

We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available credit facility capacity that, taken together, allows us to operate and to meet our contractual and contingent obligations in the event of market-wide disruptions and enterprise-specific events. We maintain available liquidity at various entities and consider regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. At December 31, 2013, we maintained \$13.3 billion of total available parent company liquidity and \$5.9 billion of total available liquidity at Ally Bank. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. Absolute levels of liquidity decreased as a result of liability and equity management transactions. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. At December 31, 2013, \$0.6 billion was outstanding under the intercompany loan agreement. Amounts outstanding are repayable to the parent company upon demand, subject to five days notice. As a result, this amount is included in the parent company available liquidity and excluded from the available liquidity at Ally Bank.

### **Regulatory Liquidity Developments**

In December 2010, the Basel Committee on Banking Supervision (Basel Committee) issued "Basel III: International framework for liquidity risk measurement, standards and monitoring", which included two minimum quantitative liquidity standards. The first standard is the Liquidity Coverage Ratio (LCR). The LCR is the ratio of a bank's unencumbered high-quality liquid assets to its total net cash outflows over a 30 calendar-day time horizon under a standardized liquidity stress scenario specified by supervisors. The second standard is the Net Stable Funding Ratio (NSFR). The NSFR is structured to ensure that long term assets are funded with at least a minimum amount of stable liabilities in relation to their liquidity risk profiles. In January 2013, the Group of Governors and Heads of Supervision, the oversight body of the Basel Committee, unanimously endorsed amendments to the LCR announced in December 2010. In January 2014, the Basel Committee issued final standards for banks' LCR related public disclosures and proposed revisions to the NSFR.

In November 2013, the Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve (FRB), and Federal Deposit Insurance Corporation issued a proposal titled "Liquidity Coverage Ratio: Liquidity Risk Measurement, Standards, and Monitoring; Proposed Rule" (Proposed Rule). The purpose of the Proposed Rule is to seek comment on the implementation of a quantitative liquidity standard that is broadly

## **Table of Contents**

consistent with, but is in certain respects more stringent than, the LCR standard established by the Basel Committee. The Proposed Rule would apply a U.S. version of the LCR to all internationally active banking organizations, generally, bank holding companies, certain savings and loan holding companies, and depository institutions with more than \$250 billion in total assets or more than \$10 billion in on balance sheet foreign exposure.

As part of the Proposed Rule, the FRB, on its own, also proposed a modified LCR (MLCR) standard that is based on a 21-calendar day standardized supervisory liquidity stress scenario for bank holding companies and savings and loan holding companies without significant insurance or commercial operations that have \$50 billion or more in total consolidated assets. Because Ally's total consolidated assets are less than \$250 billion but greater than \$50 billion, and because it has immaterial foreign exposure, Ally is expected to be subject to the requirements of the MLCR.

The Proposed Rule targets a January 1, 2015 effectiveness date, subject to a transition period (phased-in implementation with a minimum ratio of 80% in 2015, 90% in 2016 and 100% in 2017 and beyond). The Basel Committee has targeted a 2018 effective date for the NSFR. We will continue to monitor the potential impacts of both the Proposed Rule and anticipated NSFR, and expect to be able to meet the final requirements of each.

## **Funding Strategy**

Liquidity and ongoing profitability are largely dependent on our timely and cost-effective access to retail deposits and funding in different segments of the capital markets. Our funding strategy largely focuses on the development of diversified funding sources across a broad investor base to meet all our liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include capital market based unsecured debt, unsecured retail term notes, public and private asset-backed securitizations, committed credit facilities, brokered deposits, and retail deposits. We also supplement these sources with a modest amount of short-term borrowings, including Demand Notes, bank loans, and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and the maturity profiles of both. In addition, we further distinguish our funding strategy between Ally Bank funding and parent company (nonbank) funding.

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

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

## ***Ally Bank***

Ally Bank raises deposits directly from customers through the direct banking channel via the internet, over the telephone, and through mobile applications. These deposits provide our Automotive Finance and Mortgage operations with a stable and low-cost funding source. At December 31, 2013, Ally Bank had \$52.9 billion of total external deposits, including \$43.2 billion of retail deposits.

**Table of Contents**

At December 31, 2013, Ally Bank maintained cash liquidity of \$2.3 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$3.9 billion. In addition, at December 31, 2013, Ally Bank had unused capacity in committed secured funding facilities of \$0.3 billion. Our ability to access unused capacity depends on having eligible assets to collateralize the incremental funding and, in some instances, the execution of interest rate hedges. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to five days notice. Ally Bank has total available liquidity of \$5.9 billion at December 31, 2013, excluding the intercompany loan of \$0.6 billion.

Maximizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating asset originations to Ally Bank and growing our retail deposit base since becoming a bank holding company in December 2008. Retail deposit growth is key to further reducing our cost of funds and decreasing our reliance on the capital markets. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through our direct and indirect marketing channels. Current retail product offerings consist of a variety of products including certificates of deposits (CDs), savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. During 2013, the deposit base at Ally Bank grew \$6.0 billion, ending the year at \$52.9 billion from \$46.9 billion at December 31, 2012. The growth in deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market checking accounts, and our CDs, partially offset by a decline in our mortgage escrow accounts related to the disposition of Ally Bank's MSR assets. Strong retention rates continue to materially contribute to our growth in retail deposits. In the fourth quarter of 2013 we retained 92% of maturing CD balances up for renewal in the same period. Refer to Note 13 to the Consolidated Financial Statements for a summary of deposit funding by type.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2012.

<i>(\$ in millions)</i>	4th Quarter 2013	3rd Quarter 2013	2nd Quarter 2013	1st Quarter 2013	4th Quarter 2012	3rd Quarter 2012	2nd Quarter 2012	1st Quarter 2012
Number of retail accounts	1,509,354	1,451,026	1,389,577	1,334,483	1,219,791	1,142,837	1,082,753	1,036,468
Deposits								
Retail	\$ 43,172	\$ 41,691	\$ 39,859	\$ 38,770	\$ 35,041	\$ 32,139	\$ 30,403	\$ 29,323
Brokered	9,678	9,724	9,552	9,877	9,914	9,882	9,905	9,884
Other (a)	60	66	72	844	1,977	2,487	2,411	2,314
Total deposits	\$ 52,910	\$ 51,481	\$ 49,483	\$ 49,491	\$ 46,932	\$ 44,508	\$ 42,719	\$ 41,521

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

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During 2013, Ally Bank completed six term securitization transactions backed by retail and dealer floorplan automotive loans and lease notes raising \$4.5 billion. Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset creating an effective tool for managing interest rate and liquidity risk. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining capacity in our committed secured facilities. At December 31, 2013, Ally Bank had exclusive access

---

## **Table of Contents**

to \$3.0 billion from committed credit facilities including a \$2.5 billion syndicated facility that can fund automotive retail and dealer floorplan loans, as well as leases. In March 2013, this facility was renewed by a syndicate of nineteen lenders and extended until June 2014. At December 31, 2013, the amount outstanding under this facility was \$2.5 billion.

Ally Bank also has access to funding through advances with the FHLB of Pittsburgh. These advances are primarily secured by consumer and commercial mortgage finance receivables and loans. As of December 31, 2013, Ally Bank had pledged \$12.7 billion of assets and investment securities to the FHLB resulting in \$6.6 billion in total funding capacity with \$6.6 billion of debt outstanding.

In addition, Ally Bank has access to repurchase agreements. A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. The financial instruments sold in repurchase agreements typically include U.S. government and federal agency, and investment-grade sovereign obligations. As of December 31, 2013, Ally Bank had received \$1.5 billion in cash under repurchase agreements.

Additionally Ally Bank has access to the Federal Reserve Bank Discount Window and can borrow funds to meet short-term liquidity demands. However, the Federal Reserve Bank is not a primary source of funding for day to day business. Instead, it is a liquidity source that can be accessed in stressed environments or periods of market disruption. Ally Bank has assets pledged and restricted as collateral to the Federal Reserve Bank totaling \$3.2 billion. Ally Bank had no debt outstanding with the Federal Reserve as of December 31, 2013.

### ***Parent Company (Nonbank) Funding***

At December 31, 2013, the parent company maintained liquid cash and equivalents in the amount of \$3.3 billion and unencumbered highly liquid U.S. federal government and U.S. agency securities of \$2.9 billion. These assets can be used to obtain funding through repurchase agreements with third parties or through outright sales. At December 31, 2013, the parent company had no debt outstanding under repurchase agreements. In addition, at December 31, 2013, the parent company had available liquidity from unused capacity in committed credit facilities of \$6.5 billion. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. Our ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges. Funding sources at the parent company generally consist of long-term unsecured debt, unsecured retail term notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to five days notice. The parent company had total available liquidity of \$13.3 billion at December 31, 2013, which included the intercompany loan of \$0.6 billion.

During 2013, we completed three transactions totaling \$3.1 billion in funding through the unsecured debt capital markets and we will continue to access those markets on an opportunistic basis.

In addition, we have short-term and long-term unsecured debt outstanding from retail term note programs. These programs generally consist of callable fixed-rate instruments with fixed-maturity dates. There were \$1.8 billion and \$10.4 billion of retail term notes outstanding at December 31, 2013, and December 31, 2012, respectively. As of December 31, 2013, we have redeemed \$8.1 billion of high-coupon callable retail notes and we have provided notice for the early redemption of \$1.6 billion of high-coupon callable debt during the first quarter of 2014, as part of a liability management strategy to continue to improve Ally's cost of funds.

We also obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand



---

## **Table of Contents**

Notes outstanding were \$3.2 billion at December 31, 2013, compared to \$3.1 billion at December 31, 2012. Refer to Note 14 and Note 15 to the Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At December 31, 2013, \$22.4 billion of our \$24.7 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2013, we had \$11.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. The parent company's largest facility is an \$8.5 billion revolving syndicated credit facility secured by automotive receivables. In March 2013, we increased and renewed this facility until March 2015. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At December 31, 2013, there was \$6.5 billion outstanding under this facility. In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets. Many of the facilities have revolving commitments and allow for the funding of additional assets during the commitment period. Secured funding continues to be a significant source of financing at the parent company.

During 2013, the parent company raised \$4.1 billion through four public securitization transactions comprised of non-prime retail automotive loan collateral.

At December 31, 2013, the parent company maintained exclusive access to \$20.6 billion of committed secured credit facilities in the U.S. with outstanding debt of \$14.1 billion. In addition, we have funded \$1.0 billion in automotive assets through forward purchase commitments.

### **Recent Funding Developments**

During 2013, we completed U.S. secured funding transactions totaling \$8.6 billion and renewed or increased key existing funding facilities as we accessed both the public and private markets. Key funding highlights from 2013 to date were as follows:

Ally Financial Inc. renewed, increased and/or extended \$19.7 billion in U.S. credit facilities. The automotive credit facility renewal amount includes the March 2013 refinancing of \$11.0 billion in credit facilities at both the parent company and Ally Bank with a syndicate of nineteen lenders. The \$11.0 billion capacity is secured by retail, lease, and dealer floorplan automotive assets and is allocated to two separate facilities, one is an \$8.5 billion facility maturing in March 2015, which is available to the parent company, while the other is a \$2.5 billion facility available to Ally Bank maturing in June 2014.

Ally Financial Inc. continued to access the public asset-backed securitization markets completing ten U.S. transactions that raised \$8.6 billion, with \$4.5 billion and \$4.1 billion raised by Ally Bank and the parent company, respectively.

Ally Financial Inc. accessed the unsecured debt capital markets during 2013 and raised \$3.1 billion.

In January 2014, Ally Financial Inc. accessed the unsecured debt capital markets and raised \$0.8 billion.

In January 2014, Ally Financial Inc. issued a public non-prime securitization. The transaction raised \$1.2 billion in funding.

In February 2014, Ally Bank raised \$1.0 billion through a public securitization backed by dealer floorplan automotive assets.

**Table of Contents****Funding Sources**

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

December 31, (\$ in millions)	Bank	Nonbank	Total	%
<b>2013</b>				
Secured financings	\$ 27,818	\$ 19,776	\$ 47,594	36
Institutional term debt		24,936	24,936	19
Retail debt programs (a)		5,035	5,035	4
<b>Total debt (b)</b>	<b>27,818</b>	<b>49,747</b>	<b>77,565</b>	<b>59</b>
Deposits (c)	52,910	440	53,350	41
<b>Total on-balance sheet funding</b>	<b>\$ 80,728</b>	<b>\$ 50,187</b>	<b>\$ 130,915</b>	<b>100</b>
<b>2012</b>				
Secured financings	\$ 29,161	\$ 15,950	\$ 45,111	35
Institutional term debt		22,200	22,200	17
Retail debt programs (a)		13,451	13,451	10
Bank loans and other	2	164	166	
<b>Total debt (b)</b>	<b>29,163</b>	<b>51,765</b>	<b>80,928</b>	<b>62</b>
Deposits (c)	46,932	983	47,915	38
<b>Total on-balance sheet funding</b>	<b>\$ 76,095</b>	<b>\$ 52,748</b>	<b>\$ 128,843</b>	<b>100</b>

(a) Includes \$1.8 billion and \$10.4 billion of Retail Term Notes at December 31, 2013 and December 31, 2012, respectively.

(b) Excludes fair value adjustment as described in Note 24 to the Consolidated Financial Statements.

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

As a result of our funding strategy to maximize funding sources at Ally Bank and grow our retail deposit base, the percentage of funding sources from Ally Bank has increased in 2013 from 2012 levels, thus deposits represent a larger portion of the overall funding mix. Accordingly, the decline in committed funding facilities is attributed to the growth in Ally Bank deposits as well as to the sale of international businesses. Refer to Note 15 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at December 31, 2013.

**Committed Funding Facilities**

December 31, (\$ in millions)	Outstanding		Unused capacity (a)		Total capacity	
	2013	2012	2013	2012	2013	2012
Bank funding Secured	\$ 2,750	\$ 3,800	\$ 250	\$ 4,700	\$ 3,000	\$ 8,500
Parent funding						
Unsecured (b)		118		25		143
Secured (c) (d) (e)	15,159	22,454	6,497	7,839	21,656	30,293

Edgar Filing: Ally Financial Inc. - Form S-1/A

Total Parent funding	<b>15,159</b>	22,572	<b>6,497</b>	7,864	<b>21,656</b>	30,436
Shared capacity (f)		1,154		2,971		4,125
Total committed facilities	<b>\$ 17,909</b>	\$ 27,526	<b>\$ 6,747</b>	\$ 15,535	<b>\$ 24,656</b>	\$ 43,061

---

**Table of Contents**

- (a) Funding from committed secured facilities is available on request in the event excess collateral resides in certain facilities or is available to the extent incremental collateral is available and contributed to the facilities.
- (b) Total unsecured parent funding capacity represented committed funding for our discontinued international automobile financing business.
- (c) Total secured parent funding capacity included committed funding for our discontinued international automobile financing business of \$12.0 billion at December 31, 2012, with outstanding debt of \$9.6 billion.
- (d) Total unused capacity included \$2.2 billion at December 31, 2012 from certain committed funding arrangements that were generally reliant upon the origination of future automotive receivables available in 2013.
- (e) Includes the secured facilities of our Commercial Finance Group.
- (f) Funding was generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc. Total shared facilities included committed funding for our discontinued international automobile financing business of \$0.1 billion as of December 31, 2012, with outstanding debt of \$0.1 billion.

**Cash Flows**

Net cash provided by operating activities was \$2.5 billion for the year ended December 31, 2013, compared to \$5.0 billion for the same period in 2012. The decrease in net cash provided by operating activities was primarily due to higher cash outflow to settle derivatives during the year ended December 31, 2013, compared to 2012. The decrease was partially offset by the net cash inflow from sales and repayments of mortgage and automotive loans held-for-sale exceeding cash outflow from new originations and purchase of such loans by \$2.5 billion during the year ended December 31, 2013. During the year ended December 31, 2012, this activity resulted in a net cash inflow of \$1.0 billion.

Net cash used in investing activities was \$3.5 billion for the year ended December 31, 2013, compared to \$16.6 billion for the same period in 2012. The decrease in net cash used in investing activities was primarily due to \$7.4 billion of net cash proceeds resulting from the sale of international businesses and proceeds of \$911 million from the sale of MSRs during the year ended December 31, 2013, as well as a \$7.1 billion decrease in net cash outflow from finance receivables and loans and a \$1.6 billion increase in cash provided from the net change in restricted cash balances for the year ended December 31, 2013, compared to 2012. Cash used to purchase available-for-sale investment securities, net of proceeds from sales, maturities and repayments increased \$3.7 billion during the year ended December 31, 2013, compared to 2012. The cash outflow to purchase operating lease assets exceeded cash inflows from disposals of such assets by \$6.2 billion for the year ended December 31, 2013, compared to a net cash outflow of \$5.7 billion for the year ended December 31, 2012. The increase in net cash outflows associated with leasing activities compared to the prior year was primarily due to an increase in cash used to acquire operating lease assets.

Net cash used in financing activities for the year ended December 31, 2013, totaled \$3.1 billion, compared to net cash provided by financing of \$8.0 billion in the same period in 2012. Cash used to repay long-term debt exceeded cash generated from long-term debt issuances by \$4.6 billion for the year ended December 31, 2013, as cash generated from the sale of international businesses was used in part to pay down debt. During the year ended December 31, 2012, cash used to repay long-term debt exceeded cash from long-term debt issuances by \$0.5 billion. Also contributing to the increase in cash used in financing activities was a \$5.9 billion cash outflow to redeem mandatorily convertible preferred stock held by Treasury during 2013, as well as decreases in cash

## **Table of Contents**

provided by deposits of \$1.3 billion and short-term borrowings of \$1.1 billion during the year ended December 31, 2013, compared to 2012. Financing activities for the year ended December 31, 2013, also reflect a \$1.3 billion cash inflow from the issuance of common stock in a private placement transaction.

### **Capital Planning and Stress Tests**

As a bank holding company with \$50 billion or more of consolidated assets, Ally is required to conduct periodic stress tests and submit a proposed capital plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital plan must include a description of all planned capital actions over a nine-quarter planning horizon. The proposed capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB must approve Ally's proposed capital plan before Ally may take any proposed capital action.

Ally submitted its annual capital plan in January 2013; and then submitted a revised capital plan in September 2013 after reaching a settlement agreement with ResCap's major creditors (refer to Note 1 for further details) and entering into investment agreements, with certain accredited investors, to issue and sell them common stock in a private placement with an aggregate price of \$1.3 billion (refer to Note 17 for further details). In connection with its review of the revised capital plan, the FRB did not object to our revised Comprehensive Capital Analysis and Review. We continue to have active, frequent and constructive dialogue with the FRB, and have submitted the required 2014 capital plan on January 6, 2014.

### **Regulatory Capital**

Refer to Note 20 to the Consolidated Financial Statements.

### **Credit Ratings**

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money market investors).

Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

<b>Rating agency</b>	<b>Short-term</b>	<b>Senior debt</b>	<b>Outlook</b>	<b>Date of last action</b>
Fitch	B	BB	Stable	December 13, 2013 (a)
Moody's	Not-Prime	B1	Stable	December 19, 2013 (b)
S&P	B	BB	Stable	December 12, 2013 (c)
DBRS	R-4	BB	Stable	July 3, 2013 (d)

- (a) Fitch upgraded our senior debt rating to BB from BB- and affirmed our short term rating of B on December 13, 2013.
- (b) Moody's upgraded our corporate family rating to Ba3 and confirmed our senior debt ratings of B1 and our short term ratings of Not Prime on December 19, 2013.
- (c) Standard & Poor's upgraded our senior debt rating to BB from B+ and upgraded our short term rating to B from C on December 12, 2013.
- (d) DBRS upgraded our senior debt rating to BB, confirmed our short term rating of R-4, and changed the outlook to Stable on July 3, 2013.



## **Table of Contents**

### **Insurance Financial Strength Ratings**

Substantially all of our Insurance operations have a Financial Strength Rating (FSR) and an Issuer Credit Rating (ICR) from the A.M. Best Company. The FSR is intended to be an indicator of the ability of the insurance company to meet its senior most obligations to policyholders. Lower ratings generally result in fewer opportunities to write business as insureds, particularly large commercial insureds, and insurance companies purchasing reinsurance have guidelines requiring high FSR ratings. On February 14, 2013, A.M. Best affirmed the FSR of B++ (good) and the ICR of bbb.

### **Off-balance Sheet Arrangements**

Refer to Note 9 to the Consolidated Financial Statements.

### ***Securitization***

We are involved in several types of securitization and financing transactions that allow us to diversify funding sources by converting assets into cash earlier than what would have occurred in the normal course of business. Securitized assets include consumer and commercial automobile loans, operating leases, and commercial loans. Information regarding our securitization activities is further described in Note 9 to the Consolidated Financial Statements.

As part of these securitization activities, we sell assets to various securitization entities. In turn, the securitization entities establish separate trusts to which they transfer the assets in exchange for the proceeds from the sale of securities issued by the trust. The trusts' activities are generally limited to acquiring the assets, issuing securities, making payments on the securities, and periodically reporting to the investors.

These securitization entities are separate legal entities that assume the risks and rewards of ownership of the receivables they hold. The assets of the securitization entities are not available to satisfy our claims or those of our creditors. In addition, the trusts do not invest in our equity nor in the equity of any of our affiliates. Our economic exposure related to the securitization trusts is generally limited to cash reserves, retained interests, and customary representation and warranty provisions described in Note 9 to the Consolidated Financial Statements. The trusts have a limited life and generally terminate upon final distribution of amounts owed to investors or upon exercise of a cleanup call option by us, as servicer, when the costs of servicing the contracts becomes burdensome.

Certain of these securitization transactions meet the criteria to be accounted for as off-balance sheet arrangements if we either do not hold a potentially significant economic interest or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Certain of our securitization transactions do not meet the required criteria to be accounted for as off-balance sheet arrangements; therefore, they are accounted for as secured financings. As secured financings, the underlying automobile finance retail contracts, wholesale loans, automobile leases, or commercial loans remain on our Consolidated Balance Sheet with the corresponding obligation (consisting of the beneficial interests issued by the securitization entity) reflected as debt. We recognize interest income on the finance receivables, automobile leases and loans, and interest expense on the beneficial interests issued by the securitization entity; and we provide for loan losses on the finance receivables and loans as incurred or adjust to fair value for fair value-elected loans. At December 31, 2013 and 2012, \$72.0 billion and \$68.0 billion of our total assets, respectively, were related to secured financings. Refer to Note 15 to the Consolidated Financial Statements for further discussion.

As part of our securitization activities, we typically agree to service the transferred assets for a fee, and we may also earn other related fees. The amount of the fees earned is disclosed in Note 10 to the Consolidated Financial Statements. We may also retain a portion of senior and subordinated interests issued by the trusts. Subordinate interests typically provide credit support to the more highly rated senior interest in a securitization

---

## **Table of Contents**

transaction and may be subject to all or a portion of the first loss position related to the sold assets. For off-balance sheet arrangements, these interests are reported as investment securities or other assets on our Consolidated Balance Sheet and are disclosed in Note 6 and Note 12 to the Consolidated Financial Statements. For secured financings, retained interests are not recognized as a separate asset on our Consolidated Balance Sheet.

The FDIC, which regulates Ally Bank, promulgated safe harbor regulation for securitizations by banks. Compliance with this regulation requires the sponsoring bank to retain either five percent of each class of beneficial interests issued in the securitization or a representative sample of similar financial assets equal to five percent of the securitized financial assets to comply with the regulation. The retained interests or assets must be held for the life of the securitization and may not be sold, pledged or hedged, except that interest rate and currency hedging is permitted. Further, the risk retention requirement under the Dodd-Frank Act requires securitizers to retain no less than 5% of the credit risk when they create, sell or transfer asset-backed securities (ABS) to third parties, subject to certain exceptions. Federal regulators repropose a regulation implementing this Dodd-Frank Act requirement in August 2013. These risk retention requirements adversely affect the efficiency of securitizations, because it reduces the amount of funds that can be raised against a given pool of financial assets.

### **Purchase Obligations**

Certain of the structures related to whole-loan sales, securitization transactions, and other off-balance sheet activities contain provisions that are standard in the whole-loan sale and securitization markets where we may (or, in certain limited circumstances, are obligated to) purchase specific assets from entities. Our obligations are as follows.

### **Loan Repurchases and Obligations Related to Loan Sales**

#### ***ResCap Bankruptcy Filing***

As described in Note 1 and Note 29 to the Consolidated Financial Statements, on May 14, 2012, Residential Capital, LLC and certain of its wholly owned direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. As a result of the deconsolidation of ResCap, a significant portion of our representation and warranty reserve was eliminated.

#### ***Overview***

Ally Bank, within our Mortgage operations, sold loans that took the form of securitizations guaranteed by Fannie Mae and Freddie Mac. In connection with securitizations and loan sales, the trustee, for the benefit of the related security holders, was provided various representations and warranties related to the loans sold. The specific representations and warranties typically relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, the ability to deliver required documentation and compliance with applicable laws. In general, the representations and warranties described above may be enforced against Ally Bank at any time unless a sunset provision is in place. Upon discovery of a breach of a representation or warranty, the breach is corrected in a manner conforming to the provisions of the sale agreement. This may require Ally Bank to repurchase the loan, indemnify the investor for incurred losses, or otherwise make the investor whole.

#### ***Representation and Warranty Obligation Reserve Methodology***

The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Fannie Mae and Freddie Mac. We considered historical



**Table of Contents**

and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Consolidated Statement of Income.

On April 16, 2013, we completed the sales of agency MSRs to Ocwen and Quicken. The sale to Ocwen included the transfer of the origination representation and warranty liabilities (but not those related to servicing) on any and all claims following the sale of the MSRs through an indemnification agreement. However, Ally Bank retained all representation and warranty liability related to loans previously liquidated with a loss (e.g. GSEs completed a foreclosure) as well as the liability on outstanding claims at the time of the sale. The MSRs sale to Quicken did not include the transfer of representation and warranty liabilities. The repurchase reserve of \$45 million at December 31, 2013 represents Ally Bank's expected losses associated with the contractual obligation retained.

**Guarantees**

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in an underlying agreement that is related to a guaranteed party. Our guarantees include standby letters of credit and certain contract provisions regarding securitizations and sales. Refer to Note 28 to the Consolidated Financial Statements for more information regarding our outstanding guarantees to third parties.

**Aggregate Contractual Obligations**

The following table provides aggregated information about our outstanding contractual obligations disclosed elsewhere in our Consolidated Financial Statements.

<b>December 31, 2013 (\$ in millions)</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>More than 5 years</b>
<b>Contractually obligated payments due by period</b>					
Long-term debt					
Total (a)	\$ 70,609	\$ 17,362	\$ 28,777	\$ 12,272	\$ 12,198
Scheduled interest payments for fixed-rate long-term debt	23,659	2,050	3,540	2,554	15,515
Estimated interest payments for variable-rate long-term debt (b)	554	223	250	72	9
Estimated net payments under interest rate swap agreements (b)	390			82	308
Lease commitments	96	39	52	5	
Purchase obligations	78	76	2		
Bank certificates of deposit	31,640	15,483	12,984	3,173	
<b>Total contractually obligated payments due by period</b>	<b>\$ 127,026</b>	<b>\$ 35,233</b>	<b>\$ 45,605</b>	<b>\$ 18,158</b>	<b>\$ 28,030</b>
<b>Total other commitments by expiration period</b>					
Lending commitments	\$ 1,700	\$ 641	\$ 195	\$ 465	\$ 399

---

**Table of Contents**

- (a) Total long-term debt amount reflects the remaining principal obligation and excludes original issue discount of \$1.6 billion and fair value adjustments of \$445 million related to fixed-rate debt designated as a hedged item.
- (b) Estimate utilized a forecasted variable interest model, when available, or the applicable variable interest rate as of the most recent reset date prior to December 31, 2013. For additional information on derivative instruments and hedging activities, refer to Note 21. The foregoing table does not include our reserves for insurance losses and loss adjustment expenses, which total \$275 million at December 31, 2013. While payments due on insurance losses are considered contractual obligations because they related to insurance policies issued by us, the ultimate amount to be paid and the timing of payment for an insurance loss is an estimate subject to significant uncertainty. Furthermore, the timing on payment is also uncertain; however, the majority of the balance is expected to be paid out in less than five years.

The following provides a description of the items summarized in the preceding table of contractual obligations.

***Long-term Debt***

Amounts represent the scheduled maturity of long-term debt at December 31, 2013, assuming that no early redemptions occur. The maturity of secured debt may vary based on the payment activity of the related secured assets. The amounts presented are before the effect of any unamortized discount or fair value adjustment. Refer to Note 15 to the Consolidated Financial Statements for additional information on our debt obligations.

***Lease Commitments***

We have obligations under various operating lease arrangements (primarily for real property) with noncancelable lease terms that expire after December 31, 2013. Refer to Note 28 to the Consolidated Financial Statements for additional information.

***Purchase Obligations***

We enter into multiple contractual arrangements for various services. The arrangements represent fixed payment obligations under our most significant contracts and primarily relate to contracts with information technology providers. Refer to Note 28 to the Consolidated Financial Statements for additional information.

***Bank Certificates of Deposit***

Refer to Note 13 to the Consolidated Financial Statements for additional information.

***Lending Commitments***

We have outstanding lending commitments with customers. The amounts presented represent the unused portion of those commitments at December 31, 2013. Refer to Note 28 to the Consolidated Financial Statements for additional information.

**Critical Accounting Estimates**

Accounting policies are integral to understanding our Management's Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in

---

**Table of Contents**

determining accounting estimates used in the preparation of these statements. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements; critical accounting estimates are described in this section. An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Our management has discussed the development, selection, and disclosure of these critical accounting estimates with the Audit Committee of the Board, and the Audit Committee has reviewed our disclosure relating to these estimates.

***Allowance for Loan Losses***

We maintain an allowance for loan losses (the allowance) to absorb probable loan credit losses inherent in the held-for-investment portfolio, excluding those loans measured at fair value in accordance with applicable accounting standards. The allowance is maintained at a level that management considers to be adequate based upon ongoing quarterly assessments and evaluations of collectability and historical loss experience in our lending portfolio. The allowance is management's estimate of incurred losses in our lending portfolio and involves significant judgment. Management performs quarterly analyses of these portfolios to determine if impairment has occurred and to assess the adequacy of the allowance based on historical and current trends and other factors affecting credit losses. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, while amounts recovered on previously charged-off accounts increase the allowance. Determining the appropriateness of the allowance requires management to exercise significant judgment about matters that are inherently uncertain, including the timing, frequency, and severity of credit losses that could materially affect the provision for loan losses and, therefore, net income. The methodology for determining the amount of the allowance differs between the consumer automobile, consumer mortgage, and commercial portfolio segments. For additional information regarding our portfolio segments and classes, refer to Note 7 to the Consolidated Financial Statements. While we attribute portions of the allowance across our lending portfolios, the entire allowance is available to absorb probable loan losses inherent in our total lending portfolio.

The consumer portfolio segments consist of smaller-balance, homogeneous loans. Excluding certain loans that are identified as individually impaired, the allowance for each consumer portfolio segment (automobile and mortgage) is evaluated collectively. The allowance is based on aggregated portfolio segment evaluations that begin with estimates of incurred losses in each portfolio segment based on various statistical analyses. We leverage proprietary statistical models, including vintage and migration analyses, based on recent loss trends, to develop a systematic incurred loss reserve. These statistical loss forecasting models are utilized to estimate incurred losses and consider several credit quality indicators including, but not limited to, historical loss experience, estimated foreclosures or defaults based on observable trends, delinquencies, and general economic and business trends. Management believes these factors are relevant to estimate incurred losses and are updated on a quarterly basis in order to incorporate information reflective of the current economic environment, as changes in these assumptions could have a significant impact. In order to develop our best estimate of probable incurred losses inherent in the loan portfolio, management reviews and analyzes the output from the models and may adjust the reserves to take into consideration environmental, qualitative and other factors that may not be captured in the models. These adjustments are documented and reviewed through our risk management processes. Management reviews, updates, and validates its systematic process and loss assumptions on a periodic basis. This process involves an analysis of loss information, such as a review of loss and credit trends, a retrospective evaluation of actual loss information to loss forecasts, and other analyses.

The commercial portfolio segment is primarily composed of larger-balance, nonhomogeneous exposures within our Automotive Finance operations and Commercial Finance Group. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. A loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the

---

**Table of Contents**

contractual terms of the loan agreement based on current information and events. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loans' effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell the collateral on a discounted basis are included in the impairment measurement, when appropriate. In addition to the specific allowances for impaired loans, loans that are not identified as individually impaired are grouped into pools based on similar risk characteristics and collectively evaluated. These allowances are based on historical loss experience, concentrations, current economic conditions, and performance trends within specific geographic locations. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. The critical assumptions underlying the allowance include: (1) segmentation of each portfolio based on common risk characteristics; (2) identification and estimation of portfolio indicators and other factors that management believes are key to estimating incurred credit losses; and (3) evaluation by management of borrower, collateral, and geographic information. Management monitors the adequacy of the allowance and makes adjustments as the assumptions in the underlying analyses change to reflect an estimate of incurred loan losses at the reporting date, based on the best information available at that time. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans. If an automotive manufacturer is unable to fully honor its obligations, our ultimate loan losses could be higher. To the extent that actual outcomes differ from our estimates, additional provision for credit losses may be required that would reduce earnings.

***Valuation of Automobile Lease Assets and Residuals***

We have significant investments in vehicles in our operating lease portfolio. In accounting for operating leases, management must make a determination at the beginning of the lease contract of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term, which typically ranges from two to four years. At contract inception, we determine the projected residual value based on an internal evaluation of the expected future value. This evaluation is based on a proprietary model, which includes variables such as age, mileage, seasonality, segment factors, vehicle type, economic indicators and production cycle. This internally generated data is compared against third party, independent data for reasonableness. The customer is obligated to make payments during the term of the lease for the difference between the purchase price and the contract residual value plus a finance charge. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception. Management periodically performs a detailed review of the estimated realizable value of leased vehicles to assess the appropriateness of the carrying value of lease assets.

To account for residual risk, we depreciate automobile operating lease assets to estimated realizable value on a straight-line basis over the lease term. The estimated realizable value is initially based on the residual value established at contract inception. Periodically, we revise the projected value of the lease vehicle at termination based on current market conditions and adjust depreciation expense appropriately over the remaining term of the lease. Impairment of the operating lease asset is assessed upon the occurrence of a triggering event. Triggering events are systemic, observed events impacting the used car market such as shocks to oil and gas prices that may indicate impairment of the operating lease asset. Impairment is determined to exist if the expected undiscounted cash flows generated from the operating lease assets are less than the carrying value of the operating lease assets. If the operating lease assets are impaired, they are written down to their fair value as estimated by discounted cash flows. There were no such impairment charges in 2013, 2012, or 2011.

---

**Table of Contents**

Our depreciation methodology on operating lease assets considers management's expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used vehicle values. The critical assumptions underlying the estimated carrying value of automobile lease assets include: (1) estimated market value information obtained and used by management in estimating residual values, (2) proper identification and estimation of business conditions, (3) our remarketing abilities, and (4) automotive manufacturer vehicle and marketing programs. Changes in these assumptions could have a significant impact on the value of the lease residuals. Expected residual values include estimates of payments from automotive manufacturers related to residual support and risk-sharing agreements, if any. To the extent an automotive manufacturer is not able to fully honor its obligation relative to these agreements, our depreciation expense would be negatively impacted.

***Fair Value of Financial Instruments***

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 24 to the Consolidated Financial Statements for a description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 24 to the Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis. As such, there may be reclassifications between hierarchy levels.

We have numerous internal controls in place to ensure the appropriateness of fair value measurements. Significant fair value measures are subject to detailed analytics and management review and approval. We have an established model validation policy and program in place that covers all models used to generate fair value measurements. This model validation program ensures a controlled environment is used for the development, implementation, and use of the models and change procedures. Further, this program uses a risk-based approach to select models to be reviewed and validated by an independent internal risk group to ensure the models are consistent with their intended use, the logic within the models is reliable, and the inputs and outputs from these models are appropriate. Additionally, a wide array of operational controls are in place to ensure the fair value measurements are reasonable, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model and/or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements. Accordingly, our estimates of fair value are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange.

***Legal and Regulatory Reserves***

Our legal and regulatory reserves reflect management's best estimate of probable losses on legal and regulatory matters. As a legal or regulatory matter develops, management, in conjunction with internal and external counsel handling the matter, evaluates on an ongoing basis whether such matter presents a loss contingency that is both probable and estimable. If, at the time of evaluation, the loss contingency related to a legal or regulatory matter is not both probable and estimable, the matter will continue to be monitored for further developments that would make the loss contingency both probable and estimable. When the loss contingency

---

**Table of Contents**

related to a legal or regulatory matter is deemed to be both probable and estimable, we will establish a liability with respect to the loss contingency and record a corresponding expense amount. To estimate the probable loss, we evaluate the individual facts and circumstances of the case including information learned through the discovery process, rulings on dispositive motions, settlement discussions, our prior history with similar matters and other rulings by courts, arbitrators or others. The reserves are continuously monitored and updated to reflect the most recent information related to each matter.

Additionally, in matters for which a loss event is not deemed probable, but rather reasonably possible to occur, we would attempt to estimate a loss or range of loss related to that event, if possible. For these matters, we do not record a liability. However, if we are able to estimate a loss or range of loss, we would disclose this loss, if it is material to our financial statements. To estimate a range of probable or reasonably possible loss, we evaluate each individual case in the manner described above. We do not accrue for matters for which a loss event is deemed remote.

For details regarding the nature of all material contingencies, refer to Note 29 to the Consolidated Financial Statements.

***Loan Repurchase and Obligations Related to Loan Sales***

The liability for representation and warranty obligations reflects management's best estimate of probable lifetime losses. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties.

***Determination of Provision for Income Taxes***

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes in both the United States and several foreign jurisdictions. Significant judgments and estimates are required in determining consolidated income tax expense. Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent results of operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and incorporate assumptions about the amount of future state, federal, and foreign pretax operating income. These assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

A valuation allowance of \$1.2 billion and \$1.6 billion was recorded against the net U.S. deferred tax asset balance as of December 31, 2013, and December 31, 2012, respectively. For the year ended December 31, 2013, our results from operations benefited \$154 million from a release of a portion of our valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future and reversal of our valuation allowance on capital loss carryforwards utilized against current year capital gains. For the year ended December 31, 2012, our results from operations benefited \$1.0 billion from a release of a portion of our U.S. valuation allowance on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

## **Table of Contents**

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. During the fourth quarter of 2012, we determined that positive evidence existed to conclude that it was more likely than not that additional deferred tax assets were realizable, and therefore, we reduced the valuation allowance accordingly. Positive evidence in this assessment consisted of forecasts of future taxable income that are sufficient to realize net operating loss carryforwards before their expiration, coupled with our emergence from a cumulative three-year U.S. pretax loss (after removing the effects of non-recurring charges and discontinued operations).

We continue to believe it is more likely than not that the benefit for certain capital loss, foreign tax credit and state net operating loss 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.

For additional information regarding our provision for income taxes, refer to Note 22 to the Consolidated Financial Statements.

## **Recently Issued Accounting Standards**

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

## **Statistical Table**

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Annual Report.

**Table of Contents****Net Interest Margin Table**

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

Year ended December 31, (\$ in millions)	Average balance (a)	2013 Interest income/ interest expense	Yield/ rate	Average balance (a)	2012 Interest income/ interest expense	Yield/ rate	Average balance (a)	2011 Interest income/ interest expense	Yield/ rate
<b>Assets</b>									
Interest-bearing cash and cash equivalents	\$ 6,412	\$ 10	0.16%	\$ 10,610	\$ 24	0.23%	\$ 10,336	\$ 15	0.15%
Trading assets				261	10	3.83	321	8	2.49
Investment securities (b)	15,195	300	1.97	12,336	262	2.12	13,082	325	2.48
Loans held-for-sale, net	600	20	3.33	2,759	98	3.55	4,517	180	3.98
Finance receivables and loans, net (c) (d) (e)	97,467	4,529	4.65	95,311	4,539	4.76	83,162	4,189	5.04
Investment in operating leases, net (f)	16,028	1,214	7.57	11,185	980	8.76	7,968	988	12.40
Total interest-earning assets	135,702	6,073	4.48	132,462	5,913	4.46	119,386	5,705	4.78
Noninterest-bearing cash and cash equivalents	1,628			1,794			1,118		
Other assets (g)	20,298			50,719			61,846		
Allowance for loan losses	(1,192)			(1,234)			(1,513)		
Total assets	\$ 156,436			\$ 183,741			\$ 180,837		
<b>Liabilities</b>									
Interest-bearing deposit liabilities	\$ 50,188	\$ 654	1.30%	\$ 42,478	\$ 645	1.52%	\$ 37,535	\$ 615	1.64%
Short-term borrowings	4,858	63	1.30	3,852	71	1.84	3,605	61	1.69
Long-term debt (e) (h) (i)	66,634	2,602	3.90	77,057	3,336	4.33	71,441	3,930	5.50
Total interest-bearing liabilities (h) (j)	121,680	3,319	2.73	123,387	4,052	3.28	112,581	4,606	4.09
Noninterest-bearing deposit liabilities	536			2,261			2,238		
Total funding sources (h) (k)	122,216	3,319	2.72	125,648	4,052	3.22	114,819	4,606	4.01
Other liabilities (l)	15,448			39,173			45,949		
Total liabilities	137,664			164,821			160,768		
Total equity	18,772			18,920			20,069		
Total liabilities and equity	\$ 156,436			\$ 183,741			\$ 180,837		
Net financing revenue		\$ 2,754			\$ 1,861			\$ 1,099	
Net interest spread (m)			1.75%			1.18%			0.69%
Net interest spread excluding original issue discount (m)			1.99%			1.49%			1.57%
Net interest spread excluding original issue discount and including noninterest-bearing deposit liabilities (m)			2.00%			1.55%			1.63%
Net yield on interest-earning assets (n)			2.03%			1.40%			0.92%
Net yield on interest-earning assets excluding original issue discount (n)			2.21%			1.66%			1.68%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.



- (b) Excludes income on equity investments of \$25 million, \$30 million, and \$25 million at December 31, 2013, 2012, and 2011, respectively. Yields on available-for-sale debt securities are based on fair value as opposed to historical cost.

**Table of Contents**

- (c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements.
- (d) Includes other interest income of \$1 million, \$4 million, and \$8 million at December 31, 2013, 2012, and 2011, respectively.
- (e) Includes the effects of derivative financial instruments designated as hedges.
- (f) Includes remarketing gains of \$332 million, \$116 million, and \$217 million at December 31, 2013, 2012, and 2011, respectively. Excluding these gains, the annualized yield would be 5.50%, 7.72%, and 9.68% at December 31, 2013, 2012, and 2011, respectively.
- (g) Includes average balances of assets of discontinued operations.
- (h) Average balance includes \$1,660 million, \$1,927 million, and \$2,522 million related to original issue discount at December 31, 2013, 2012, and 2011, respectively. Interest expense includes original issue discount amortization of \$249 million, \$336 million, and \$912 million during the year ended December 31, 2013, 2012, and 2011, respectively.
- (i) Excluding original issue discount the rate on long-term debt was 3.45%, 3.80%, and 4.08% at December 31, 2013, 2012, and 2011, respectively.
- (j) Excluding original issue discount the rate on total interest-bearing liabilities was 2.49%, 2.97%, and 3.21% at December 31, 2013, 2012, and 2011, respectively.
- (k) Excluding original issue discount the rate on total funding sources was 2.48%, 2.91%, and 3.15% at December 31, 2013, 2012, and 2011, respectively.
- (l) Includes average balances of liabilities of discontinued operations.
- (m) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
- (n) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

**Table of Contents**

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

Year ended December 31, (\$ in millions)	2013 vs 2012 Increase (decrease) due to (a)			2012 vs 2011 Increase (decrease) due to (a)		
	Volume	Yield/ rate	Total	Volume	Yield/ rate	Total
<b>Assets</b>						
Interest-bearing cash and cash equivalents	\$ (8)	\$ (6)	\$ (14)	\$ 9	\$ 9	\$ 9
Trading assets	(5)	(5)	(10)	(2)	4	2
Investment securities	57	(19)	38	(18)	(45)	(63)
Loans held-for-sale, net	(72)	(6)	(78)	(64)	(18)	(82)
Finance receivables and loans, net	101	(111)	(10)	588	(238)	350
Investment in operating leases, net	381	(147)	234	331	(339)	(8)
<b>Total interest-earning assets</b>	<b>\$ 454</b>	<b>\$ (294)</b>	<b>\$ 160</b>	<b>\$ 835</b>	<b>\$ (627)</b>	<b>\$ 208</b>
<b>Liabilities</b>						
Interest-bearing deposit liabilities	\$ 107	\$ (98)	\$ 9	\$ 77	\$ (47)	\$ 30
Short-term borrowings	16	(24)	(8)	4	6	10
Long-term debt	(425)	(309)	(734)	291	(885)	(594)
<b>Total interest-bearing liabilities</b>	<b>\$ (302)</b>	<b>\$ (431)</b>	<b>\$ (733)</b>	<b>\$ 372</b>	<b>\$ (926)</b>	<b>\$ (554)</b>
<b>Net financing revenue</b>	<b>\$ 756</b>	<b>\$ 137</b>	<b>\$ 893</b>	<b>\$ 463</b>	<b>\$ 299</b>	<b>\$ 762</b>

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

**Outstanding Finance Receivables and Loans**

The following table presents the composition of our on-balance sheet finance receivables and loans.

December 31, (\$ in millions)	2013	2012	2011	2010	2009
<b>Consumer</b>					
Consumer automobile	\$ 56,417	\$ 53,715	\$ 63,459	\$ 51,254	\$ 30,245
Consumer mortgage	8,444	9,821	10,828	11,763	12,604
<b>Total consumer</b>	<b>64,861</b>	<b>63,536</b>	<b>74,287</b>	<b>63,017</b>	<b>42,849</b>
<b>Commercial</b>					
<b>Commercial and industrial</b>					
Automobile (a)	30,948	30,270	34,817	33,342	27,547
Mortgage			1,911	1,581	1,668
Other	1,664	2,697	1,241	2,107	3,125
<b>Commercial real estate</b>					
Automobile	2,855	2,552	2,485	2,287	2,229
Mortgage			14	79	283
<b>Total commercial loans</b>	<b>35,467</b>	<b>35,519</b>	<b>40,468</b>	<b>39,396</b>	<b>34,852</b>

## Edgar Filing: Ally Financial Inc. - Form S-1/A

Total finance receivables and loans (b)	<b>\$ 100,328</b>	\$ 99,055	\$ 114,755	\$ 102,413	\$ 77,701
Loans held-for-sale	<b>\$ 35</b>	\$ 2,576	\$ 8,557	\$ 11,411	\$ 20,625

(a) Amounts include no notes receivable from General Motors at December 31, 2013 and December 31, 2012, respectively, and \$529 million, \$484 million, and \$911 million at December 31, 2011, 2010, and 2009, respectively.

(b) Includes historical cost, fair value, and repurchased loans.

**Table of Contents****Nonperforming Assets**

The following table summarizes the nonperforming assets in our on-balance sheet portfolio.

December 31, (\$ in millions)	2013	2012	2011	2010	2009
<b>Consumer</b>					
Consumer automobile	\$ 329	\$ 260	\$ 228	\$ 207	\$ 386
Consumer mortgage	192	382	549	821	929
<b>Total consumer (a)</b>	<b>521</b>	<b>642</b>	<b>777</b>	<b>1,028</b>	<b>1,315</b>
<b>Commercial</b>					
Commercial and industrial					
Automobile	116	146	223	296	347
Mortgage				40	72
Other	74	33	37	134	987
Commercial real estate					
Automobile	14	37	67	199	280
Mortgage			12	71	197
<b>Total commercial (b)</b>	<b>204</b>	<b>216</b>	<b>339</b>	<b>740</b>	<b>1,883</b>
<b>Total nonperforming finance receivables and loans</b>	<b>725</b>	<b>858</b>	<b>1,116</b>	<b>1,768</b>	<b>3,198</b>
Foreclosed properties	10	8	82	150	255
Repossessed assets (c)	101	62	56	47	58
<b>Total nonperforming assets</b>	<b>\$ 836</b>	<b>\$ 928</b>	<b>\$ 1,254</b>	<b>\$ 1,965</b>	<b>\$ 3,511</b>
Loans held-for-sale	\$ 9	\$ 25	\$ 2,820	\$ 3,273	\$ 3,390

- (a) Interest revenue that would have been accrued on total consumer finance receivables and loans at original contractual rates was \$52 million during the year ended December 31, 2013. Interest income recorded for these loans was \$17 million during the year ended December 31, 2013.
- (b) Interest revenue that would have been accrued on total commercial finance receivables and loans at original contractual rates was \$16 million during the year ended December 31, 2013. Interest income recorded for these loans was \$8 million during the year ended December 31, 2013.
- (c) Repossessed assets exclude \$7 million, \$3 million, \$3 million, \$14 million, and \$23 million of repossessed operating lease assets at December 31, 2013, 2012, 2011, 2010, and 2009, respectively.

**Table of Contents****Accruing Finance Receivables and Loans Past Due 90 Days or More**

The following table presents our on-balance sheet accruing loans past due 90 days or more as to principal and interest.

December 31, (\$ in millions)	2013	2012	2011	2010	2009
<b>Consumer</b>					
Consumer automobile	\$ 1	\$ 1	\$ 3	\$ 5	\$ 5
Consumer mortgage	1	1	1	1	2
<b>Total consumer</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>7</b>
<b>Commercial</b>					
Commercial and industrial					
Automobile					
Mortgage					
Other					3
Commercial real estate					
Automobile					
Mortgage					
<b>Total commercial</b>					<b>3</b>
<b>Total accruing finance receivables and loans past due 90 days or more</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ 4</b>	<b>\$ 6</b>	<b>\$ 10</b>
<b>Loans held-for-sale</b>	<b>\$</b>	<b>\$</b>	<b>\$ 73</b>	<b>\$ 25</b>	<b>\$ 33</b>

**Allowance for Loan Losses**

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

(\$ in millions)	2013	2012	2011	2010	2009
Balance at January 1,	\$ 1,170	\$ 1,503	\$ 1,873	\$ 2,445	\$ 3,433
Cumulative effect of change in accounting principles (a)				222	
Charge-offs	(737)	(776)	(880)	(1,646)	(4,013)
Write-downs related to transfers to held-for-sale					(3,438)
<b>Total charge-offs</b>	<b>(737)</b>	<b>(776)</b>	<b>(880)</b>	<b>(1,646)</b>	<b>(7,451)</b>
Recoveries	265	302	327	448	352
<b>Net charge-offs</b>	<b>(472)</b>	<b>(474)</b>	<b>(553)</b>	<b>(1,198)</b>	<b>(7,099)</b>
Provision for loan losses	501	329	161	361	3,584
Other (b)	9	(188)	22	43	2,527
<b>Balance at December 31,</b>	<b>\$ 1,208</b>	<b>\$ 1,170</b>	<b>\$ 1,503</b>	<b>\$ 1,873</b>	<b>\$ 2,445</b>

(a) Effect of change in accounting principle due to adoption of ASU 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities*.

- (b) Includes provision for loan losses relating to discontinued operations of \$65 million, \$58 million, \$77 million, and \$2.6 billion for the years ended December 31, 2012, 2011, 2010, and 2009, respectively.

**Table of Contents****Allowance for Loan Losses by Type**

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

December 31, (\$ in millions)	2013		2012		2011		2010		2009	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
<b>Consumer</b>										
Consumer automobile	\$ 673	55.7	\$ 575	49.2	\$ 766	51.0	\$ 970	51.8	\$ 1,024	41.8
Consumer mortgage	389	32.2	452	38.6	516	34.3	580	30.9	640	26.2
Total consumer loans	1,062	87.9	1,027	87.8	1,282	85.3	1,550	82.7	1,664	68.0
<b>Commercial</b>										
Commercial and industrial										
Automobile	67	5.6	55	4.7	110	7.3	106	5.6	211	8.6
Mortgage					11	0.7	12	0.7	30	1.2
Other	50	4.1	48	4.1	53	3.6	136	7.3	433	17.8
Commercial real estate										
Automobile	29	2.4	40	3.4	42	2.8	56	3.0		
Mortgage					5	0.3	13	0.7	107	4.4
Total commercial loans	146	12.1	143	12.2	221	14.7	323	17.3	781	32.0
Total allowance for loan losses	\$ 1,208	100.0	\$ 1,170	100.0	\$ 1,503	100.0	\$ 1,873	100.0	\$ 2,445	100.0

**Deposit Liabilities**

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

Year ended December 31, (\$ in millions)	2013		2012		2011	
	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate	Average balance (a)	Average deposit rate
<b>Domestic deposits</b>						
Noninterest-bearing deposits	\$ 536	%	\$ 2,262	%	\$ 2,237	%
<b>Interest-bearing deposits</b>						
Savings and money market checking accounts	18,223	0.83	10,953	0.88	9,696	0.88
Certificates of deposit	31,291	1.53	29,972	1.64	26,109	1.77
Dealer deposits	674	3.74	1,515	3.81	1,685	3.87
Total domestic deposit liabilities	\$ 50,724	1.29%	\$ 44,702	1.44%	\$ 39,727	1.55%

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

The following table presents the amount of domestic certificates of deposit in denominations of \$100 thousand or more segregated by time remaining until maturity.



Edgar Filing: Ally Financial Inc. - Form S-1/A

<b>December 31, 2013 (\$ in millions)</b>	<b>Three months or less</b>	<b>Over three months through six months</b>	<b>Over six months through twelve months</b>	<b>Over twelve months</b>	<b>Total</b>
Domestic certificates of deposit (\$100,000 or more)	<b>\$ 1,720</b>	<b>\$ 1,716</b>	<b>\$ 3,301</b>	<b>\$ 6,408</b>	<b>\$ 13,145</b>

---

**Table of Contents**

**Business**

**General**

Ally Financial Inc. (formerly GMAC Inc.) is a leading, independent, financial services firm with \$151.2 billion in assets. Founded in 1919, we are a leading automotive financial services company with over 90 years of experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended (the BHC Act). Additionally, our election to become a financial holding company (FHC) under the BHC Act was approved by the Board of Governors of the Federal Reserve System (FRB), and became effective on December 20, 2013. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market, with \$52.9 billion of deposits at December 31, 2013. The terms Ally, the Company, we, our, and us refer to Ally Financial Inc. and its subsidiaries as a consolidated entity, except where it is clear that the terms means only Ally Financial Inc.

**Our Business**

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. Our Dealer Financial Services business is centered on our strong and longstanding relationships with automotive dealers and supports manufacturers with which we have marketing relationships and their marketing programs. Our Dealer Financial Services business serves the financial needs of approximately 16,000 dealers in the United States and approximately 4 million of their retail customers with a wide range of financial services and insurance products. We believe our dealer-focused business model makes us the preferred automotive finance company for thousands of our automotive dealer customers. We have developed particularly strong relationships with thousands of dealers resulting from our longstanding relationship with General Motors Company (GM) as well as relationships with other manufacturers, including Chrysler Group LLC (Chrysler), providing us with an extensive understanding of the operating needs of these dealers relative to other automotive finance companies. In addition, we have established specialized incentive programs that are designed to encourage dealers to direct more of their business to us.

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

Our strategy is to extend our leading position in automotive finance in the United States by continuing to provide automotive dealers and their retail customers with premium service, a comprehensive product suite, consistent funding and competitive pricing, reflecting our commitment to the automotive industry. During 2012 and 2013, we further executed on our strategy by selling or liquidating nonstrategic operations. We are focused on expanding profitable dealer relationships, prudent earning asset growth, and higher risk-adjusted returns. Our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as strengthening our network of dealer relationships. Over the past several years, we have increased our focus on the used vehicle and leased vehicle markets, which have resulted in used and leased vehicle financing volume growth. We also seek to broaden and deepen the Ally Bank franchise, prudently growing stable, quality deposits while extending our foundation of products and providing a high level of customer service.

---

**Table of Contents**

***Dealer Financial Services***

Dealer Financial Services includes our Automotive Finance operations and Insurance operations. Our primary customers are automotive dealers, which are typically independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically enter into retail installment sales contracts and leases with their retail customers. Dealers then select Ally or another automotive finance provider to which they sell retail installment sales contracts and leases. Use of the word *loan* in this document is intended to refer to, as the context suggests, retail installment sales contracts that we have acquired or other financing products. The term *originate* generally refers to our acquisition of retail installment sales contracts, other financing products, or leases as the context suggests.

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to approximately 16,000 automotive dealerships and approximately 4 million of their retail customers. We have deep dealer relationships that have been built over our greater-than 90-year history. Our dealer-focused business model encourages dealers to use our broad range of products through incentive programs like our Ally Dealer Rewards program, which rewards individual dealers based on the depth and breadth of our relationship. During 2013, 70% of our U.S. automotive dealer customers received benefits under the Ally Dealer Rewards program, which was initiated in 2009. Our automotive finance services include providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet financing, and vehicle remarketing services. We also offer retail vehicle service contracts and commercial insurance primarily covering dealers' wholesale vehicle inventories. We are a leading provider of vehicle service contracts and maintenance coverage.

***Automotive Finance***

Our Automotive Finance operations consist of automotive finance business generated in the United States. At December 31, 2013, our Automotive Finance operations had \$109.3 billion of assets and generated \$3.4 billion of total net revenue in 2013. According to Experian Automotive, we were one of the largest independent providers of new retail automotive loans to franchised dealers in the United States during 2013. We have approximately 1,800 automotive finance and 600 insurance employees across the United States focused on serving the needs of our dealer customers with finance and insurance products, expanding the number of overall dealer and automotive manufacturer relationships, and supporting our dealer lending and underwriting functions. In addition, we have over 2,200 employees that support our servicing operations. We manage commercial account servicing for approximately 4,500 dealers that utilize our floorplan inventory lending or other commercial loans. We provide consumer asset servicing for a \$77.7 billion portfolio at December 31, 2013. The extensive infrastructure and experience of our servicing operations are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers.

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

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

---

**Table of Contents**

For consumers, we provide retail automotive financing for new and used vehicles and leasing for new vehicles. In the United States, retail financing for the purchase of vehicles takes the form of installment sales financing. During 2013, we originated a total of 1.4 million automotive loans and leases totaling approximately \$37.3 billion.

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

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

Our commercial automotive financing operations primarily fund dealer inventory purchases of new and used vehicles, commonly referred to as wholesale or floorplan financing. This represents the largest portion of our commercial automotive financing business. Wholesale floorplan loans are secured by vehicles financed (and all other vehicle inventory), which provide strong collateral protection in the event of dealership default. Additional collateral (e.g., personal guarantees from dealership owners) are oftentimes obtained to further manage credit risk. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles. Interest on wholesale automotive financing is generally payable monthly and is indexed to a floating rate benchmark. The rate for a particular dealer is based on, among other considerations, competitive factors and the dealer's creditworthiness. During 2013, we financed an average of \$28.2 billion of dealer vehicle inventory through wholesale or floorplan financings. We also provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale car transactions. In 2013, we and others including dealers, fleet rental companies, financial institutions, and GM, utilized SmartAuction to sell 261,000 vehicles to dealers and other commercial customers. SmartAuction served as the remarketing channel for 40% of Ally's off-lease vehicles.

*Manufacturer Agreements*

We were previously party to agreements with each of GM and Chrysler that provided for certain exclusivity privileges related to subvention programs that they offered. Our agreement with Chrysler expired in April 2013. In addition, our agreement with GM expired effective February 28, 2014. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler for their incentive programs. We entered into a new auto financing agreement with GM that became effective on March 1, 2014 (the "GM Agreement"), which provides a general framework for dealer and consumer financing related to GM vehicles, as well as with respect to our ongoing participation in GM subvention programs. The GM Agreement does not provide Ally with any exclusivity or similar privileges related to the financing of GM vehicles, whether through subvention programs or otherwise. As a result, the GM Agreement does not provide the economic benefits or impose the obligations that were included within our prior agreement with GM. The GM Agreement is cancellable on notice by either party after one year.

---

**Table of Contents**

We have successfully competed at the dealer-level for consumer retail financing and leasing originations for GM and Chrysler automobiles based on our strong dealer relationships, competitive pricing, full suite of products, and comprehensive service. For example, during 2013, our share of GM subvented business was well in excess of the minimum level that GM was required to provide us under our prior agreement with GM. We have diversified our business mix by expanding our product offering for GM and Chrysler dealers as well as establishing new relationships with non-GM and non-Chrysler dealers.

*Insurance*

Our Insurance operations offer both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer financial and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory in the United States. Our Insurance operations had \$7.1 billion of assets at December 31, 2013, and generated \$1.3 billion of total net revenue in 2013.

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

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers' floorplan vehicles. Dealers are generally required to maintain this insurance by their floorplan finance provider. During 2013, these insurance products were purchased by approximately 3,800 dealers. Among U.S. GM franchised dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 82%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits.

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

*Mortgage*

Our Mortgage operations were historically a significant portion of our operations and were conducted primarily through the Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly-owned direct and indirect subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (Bankruptcy Court). The Bankruptcy Court entered an order confirming a bankruptcy plan on December 11, 2013, which became effective on December 17, 2013. For further details with respect to this matter, refer to Note 1 to the Consolidated Financial Statements. Our Mortgage operations had \$8.2 billion of assets at December 31, 2013, and generated \$76 million of total net revenue in 2013.

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

---

## **Table of Contents**

### ***Corporate and Other***

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

### ***Ally Bank***

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

Ally Bank provides us with a stable and diversified low-cost funding source. At December 31, 2013, we had \$52.9 billion of deposits including \$43.2 billion of retail deposits sourced by Ally Bank. The focus on retail deposits and growth and retention in our deposit base from \$19.2 billion at the end of 2008 to \$52.9 billion at the end of 2013, combined with favorable capital market conditions and a lower interest rate environment have contributed to a reduction in our cost of funds of approximately 94 basis points since the first quarter of 2012. We expect to continue to lower our cost of funds and diversify our overall funding as our deposit base grows.

We believe Ally Bank is well-positioned to continue to benefit from the consumer driven-shift from branch banking to direct banking. According to a 2013 American Bankers Association survey, the percentage of customers who prefer to do their banking via direct channels (internet, mail, phone, and mobile) increased from 21% to 61% between 2007 and 2013, while those who prefer branch banking declined from 39% to 18% over the same period. Ally Bank has received a positive response to innovative savings and other deposit products. Ally Bank's products include savings and money market accounts, certificates of deposit, interest-bearing checking accounts, and individual retirement accounts. Ally Bank's competitive direct banking features include online and mobile banking, electronic bill pay, remote deposit, electronic funds transfer nationwide, ATM fee reimbursements, and no minimum balance requirements.

### **Industry and Competition**

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

The market for automotive securitizations is also competitive, and other issuers could increase the amount of their issuances. In addition, lenders and other investors within this market often establish limits on their credit

## **Table of Contents**

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

### **Our Strengths**

#### ***Automotive financial services category leader with full product suite.***

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

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

#### ***Market-driven and dealer-centric business model.***

Implementation of our market-driven programs, such as Ally Dealer Rewards and SmartAuction, since 2008 have enabled us to grow our Dealer Financial Services business within our existing dealer relationships and expand into new relationships with dealers of various manufacturers. This business model has allowed us to offer more products, expand our dealer base, and strengthen our existing network of dealer relationships. These strong relationships have allowed us to diversify our asset base and decrease our subvented retail loan origination volumes to 12.8% of our U.S. originations during 2013, compared to 58.0% in 2009. In addition, as of December 31, 2013, over 5,200 of our automotive dealer customers utilized four or more of our products and during 2013, 70% of our U.S. dealer customers received benefits under the Ally Dealer Rewards program.

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

#### ***Infrastructure scale and breadth.***

We believe the scale and breadth of our platform provide us with a significant competitive advantage. We have invested significantly in our technology infrastructure and other initiatives to support our automotive platform to further enhance our dealer and retail customer relationships and increase business volumes. This focus has resulted in increased credit application flow and originations from dealers representing various manufacturers. We are able to access applications with respect to almost all brands sold by U.S. automotive dealerships. In 2013, we had access to nearly 8 million applications compared to almost 7 million applications in 2012 and 2 million applications in 2009. We believe that our scale, breadth of platform and strong market presence across all 50 states differentiate us from others in the auto finance industry. The combination of our extensive infrastructure, our relationships with finance and insurance departments of dealers, and our participation in the major credit application on-line networks, provides us with a strong platform to efficiently grow our consumer business volumes across a broad mix of automotive dealers.

**Table of Contents**

*Attractive market opportunities.*

We are well-positioned to benefit from continued growth in the automotive finance market as both the U.S. economy and the U.S. Seasonally Adjusted Annualized Rate (SAAR) of vehicle sales continue to rebound from their 2008-2009 recessionary levels. While consumer and business automotive spending has recovered from recent lows, it still remains well below historical average levels. According to U.S. Department of Transportation, the average age of vehicles in the United States has continued to rise and was at an all-time high of 11.4 years in 2013. The chart below shows historical consumer, business and government spending on automobiles as a percentage of U.S. GDP.

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

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

Source: Bureau of Economic Analysis as to 2006-2013 data and Blue Chip Economic Indicators, Vol. 39, No. 2, as to projected 2014-2015 data.

The used vehicle financing market is significant and highly fragmented. We continue to increase our focus on used vehicle financing, primarily through franchised dealers. According to Experian Automotive, over 11.9 million used vehicles were sold by franchised dealers in 2013. The fragmented used vehicle financing segment provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations.



---

**Table of Contents**

***Leading scalable consumer-focused direct banking franchise.***

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

***Strong and streamlined balance sheet and sophisticated risk management.***

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

We are prudently expanding automotive originations across the credit spectrum in accordance with our underwriting standards. During 2013 and 2012, we originated \$26.7 billion and \$30.4 billion of retail automotive loans, respectively. During 2013 and 2012, the loss rate on our U.S. consumer automotive portfolio was 0.72% and 0.53%, respectively.

We believe our many years of experience in the automotive industry, and our rigorous underwriting standards result in the high quality of the leases on our balance sheet. We manage risk using our robust combination of credit metrics, including, among others, FICO scores and proprietary vehicle residual value models. Estimating future vehicle residual values is one of the most important steps of writing a new lease. We have extensive experience in underwriting new leases. This experience and the large volume of off-lease and other used vehicles sold through the SmartAuction system help us set appropriate residual value rates at the time a lease is written. During 2013 and fiscal year 2012, we originated a total of 331,300 and 273,200 U.S. automotive leases totaling approximately \$10.6 billion and \$8.4 billion, respectively.

Our commercial automotive financing business consists primarily of wholesale financing in which credit is extended to individual dealers and is secured by vehicles in inventory and, in some circumstances, other assets owned by the dealer or by a personal guarantee. We manage risk in our commercial automotive financing business through our rigorous credit underwriting process which utilizes our proprietary dealer credit evaluation system, our ongoing risk monitoring program, and vehicle inventory audits to verify collateral and dealer compliance with lending agreements. At December 31, 2013, we maintained a portfolio of \$33.8 billion of commercial automotive loans. During 2013 and 2012, the loss rate on our U.S. commercial automotive loan portfolio was 0.008% and 0.003%, respectively.

Our balance sheet is well capitalized. At December 31, 2013, we had a Tier 1 capital ratio of 11.8%, and a Tier 1 common ratio of 8.8%. We currently estimate based on Final Basel III rules published in July 2013, that the impact of enhanced Basel III capital requirements on our Tier 1 common capital ratio would be a decline of 20 to 40 basis points on a fully phased-in basis. We believe this capitalization compares favorably to our peers and positions us for future growth.

---

## **Table of Contents**

### ***Access to liquidity.***

We have demonstrated strong access to diversified funding and liquidity sources, which are critical to our business. As of December 31, 2013, we had \$19.2 billion of current liquidity in the form of cash, highly liquid unencumbered securities, and committed credit facilities.

Ally Bank provides us stable, low-cost deposit funding utilizing an efficient direct-to-consumer delivery model. Deposits accounted for approximately 41% of our funding at the end of 2013, compared to 14% at the end of 2008. We expect the percentage of deposit funding to continue to grow, which will further reduce our cost of funds. We have a diversified source of funding, including unsecured debt markets, unsecured retail term notes, public and private securitizations, committed and uncommitted credit facilities, FHLB advances, CDs, and retail deposits.

### ***Experienced management team.***

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

## **Our Business Strategy**

### ***Improve our shareholder return profile and ROE.***

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

### ***Expand our dealer relationships through innovative products and premium services.***

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

**Table of Contents*****Continue to grow our leading direct bank franchise.***

Ally Bank's strategy is to continue to invest in the development of our well regarded brand and strong consumer value proposition in order to expand the relationship with our growing deposit base. For the year ended December 31, 2013, most of our U.S. wholesale balances and approximately two-thirds of our U.S. consumer automotive originations were funded within the bank. We plan to continue to increase the amount of assets that are funded by the bank. This growth will allow us to more efficiently utilize the bank's capital and to take advantage of the lower cost and greater stability of Ally Bank's funding sources, including deposits. We expect to continue to prudently expand the products Ally Bank offers in order to improve our customers' banking experience, broaden our dealer relationships, and expand our funding alternatives.

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

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

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

**Core ROTCE Improvement**

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

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

**Lower Non-Interest Expense** We expect to lower our non-interest expenses by rationalizing our operational footprint as the Company has been significantly streamlined in 2012 and 2013. We have transitioned from a multi-business line, multinational company to a focused, domestic auto finance company. These expense savings are expected to be achieved by reductions in personnel costs, information technology expenses and

---

## **Table of Contents**

professional fees, partially offset by higher origination and servicing expenses. Our operating efficiency and profitability will be further improved by economies of scale as we seek to prudently grow our Automotive Finance operations. As a result, our goal is to achieve an Efficiency Ratio (Adjusted) in the range of % to % by . See below for the definition of Efficiency Ratio (Adjusted).

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

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

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

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

### **Other Items:**

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

### **Efficiency Ratio (Adjusted)**

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

### **Core ROTCE Calculation**

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

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

**Table of Contents**

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

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

	Year ended December 31, 2013 (\$ in millions)	
Pre Tax Income from Continuing Operations	\$	
Add Back: Original Issue Discount Expense		
Add Back: Repositioning Items		
Core Pre Tax Income	\$	
Normalized Income Tax Expense @34%		
Core Net Income	\$	
Reported Series A Preferred Stock Dividends		
Reported Series G Preferred Stock Dividends		
Operating Net Income Available to Common	\$	
	As of December 31, 2012 (\$ in billions)	As of December 31, 2013 (\$ in billions)
GAAP Total Equity	\$	\$
Less: Series F-2 Preferred Book Value		
Less: Series A Preferred		
Less: Series G Preferred		
Less: Goodwill & Intangibles		
GAAP Tangible Common Equity	\$	\$
Less: Unamortized Original Issue Discount		
Less: Net Deferred Tax Assets*		
Core Tangible Common Equity	\$	\$
Less: Diff. in Series F-2 BV & Repurchase of Series F-2 and Share Adjustment Right		
Plus: Primary Common Capital Raise		
Normalized Common Equity	\$	\$
Core ROTCE		%

\* Net of deferred tax liability.

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

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

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

receipt of required regulatory approvals;

**Table of Contents**

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

stable asset yields;

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

the reduction of Ally Bank leverage ratio requirement; and

effective tax rate of 34%.

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

**Certain Regulatory Matters**

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

**Bank Holding Company and Financial Holding Company Status**

Ally Financial Inc. and IB Finance Holding Company, LLC (IB Finance) are currently both bank holding companies under the BHC Act. IB Finance is the direct holding company for Ally’s FDIC-insured depository institution, Ally Bank. As a bank holding company, Ally is subject to supervision, examination and regulation by the FRB. Ally must also comply with regulatory risk-based and leverage capital requirements, as well as various safety and soundness standards imposed by the FRB, and is subject to certain statutory restrictions concerning the types of assets or securities it may own and the activities in which it may engage. Ally Bank, our banking subsidiary, is currently not a member of the Federal Reserve System and is subject to supervision, examination and regulation by the FDIC and the Utah DFI. This regulatory oversight focuses on the protection of depositors, the FDIC’s Deposit Insurance Fund, and the banking system as a whole, not security holders, and in some instances may be contrary to their interests.

Our election to become a FHC under the BHC Act was approved by the FRB, and became effective on December 20, 2013. To maintain its status as a financial holding company, Ally and its bank subsidiary, Ally Bank, must remain well-capitalized and well-managed, as defined under applicable law.

**Permitted Activities** The Gramm-Leach-Bliley Act of 1999 (GLB Act) amended the BHC Act by providing a new regulatory framework applicable to financial holding companies, which are bank holding companies that meet certain qualifications and elect financial holding company status. The FRB supervises, examines, and regulates financial holding companies, as it does all bank holding

---

**Table of Contents**

companies. However, insurance and securities activities conducted by a financial holding company or its nonbank subsidiaries are regulated primarily by functional regulators. As a financial holding company, Ally is permitted to engage in a broader range of financial and related activities than those that are permissible for bank holding companies, in particular, securities, insurance, and merchant banking activities. Ally's status as a financial holding company allows us to continue all existing insurance activities, as well as our SmartAuction vehicle remarketing services for third parties. Under the BHC Act, Ally generally may not, directly or indirectly, acquire more than 5% of any class of voting shares of any nonaffiliated bank or bank holding company without first obtaining FRB approval.

***Dodd-Frank Wall Street Reform and Consumer Protection Act*** On July 21, 2010, the President of the United States signed into law the Dodd-Frank Act. The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, derivatives, restrictions on an insured bank's transactions with its affiliates, lending limits, and mortgage-lending practices. When fully implemented, the Dodd-Frank Act will have material implications for Ally and the entire financial services industry. Among other things, it would:

result in Ally being subject to enhanced prudential standards, oversight and scrutiny as a result of being a bank holding company with \$50 billion or more in total consolidated assets (large bank holding company);

increase the levels of capital and liquidity with which Ally must operate and affect how it plans capital and liquidity levels;

subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees paid by Ally Bank to the FDIC;

potentially impact a number of Ally's business and risk management strategies;

potentially restrict the revenue that Ally generates from certain businesses;

require Ally to provide to the FRB and FDIC an annual plan for its rapid and orderly resolution in the event of material financial distress;

subject Ally to regulation by the CFPB, which has very broad rule-making, examination, and enforcement authorities;

subject Ally to the Volcker Rule, which prohibits proprietary trading activities as well as investing in, sponsoring, or maintaining certain other relationships with covered funds, each as defined in the final implementing regulations and subject to important exemptions contained therein; and

subject derivatives that Ally enters into for hedging, risk management and other purposes to a comprehensive new regulatory regime which, over time, will require central clearing and execution on designated markets or execution facilities for certain standardized derivatives and impose margin, documentation, trade reporting and other new requirements.

A number of provisions in the Dodd-Frank Act have entered into effect while others will become effective at a later date or after a rulemaking process is completed. While U.S. regulators have finalized many regulations to implement various provisions of the Dodd-Frank Act, they plan to propose or finalize additional implementing regulations in the future.



## Edgar Filing: Ally Financial Inc. - Form S-1/A

Under the Dodd-Frank Act, financial holding companies such as Ally are subjected to a new orderly liquidation authority. The orderly liquidation authority became effective in July 2010, with implementing regulations adopted thereafter in stages, with some rulemakings still to come. Under the orderly liquidation

**Table of Contents**

authority, the FDIC would be appointed as receiver upon an insolvency of Ally, giving the FDIC considerable rights and powers that it must exercise with the goal of liquidating and winding up Ally, including the ability to assign assets and liabilities without the need for creditor consent or prior court review and the ability of the FDIC to differentiate and determine priority among creditors. In December 2013, the FDIC released its proposed Single Point of Entry strategy for resolution of a systemically important financial institution under the orderly liquidation authority. The FDIC's release outlines how it would use its powers under the orderly liquidation authority to resolve a systemically important financial institution by placing its top-tier U.S. holding company in receivership and keeping its operating subsidiaries open and out of insolvency proceedings by transferring the operating subsidiaries to a new bridge holding company, recapitalizing the operating subsidiaries, and imposing losses on the shareholders and creditors of the holding company in receivership according to their statutory order of priority.

In February 2014, the FRB issued a final rule to implement certain enhanced prudential standards under the Dodd-Frank Act for large bank holding companies such as Ally. The final rule will, among other things, require Ally to maintain a buffer of unencumbered highly liquid assets to meet projected net cash outflows for 30 days over the range of liquidity stress scenarios used in internal stress tests and to comply with a number of risk management and governance requirements, including liquidity risk management standards. The final rule will have a general compliance date of January 1, 2015. The Federal Reserve has stated that it will issue, at a later date, final rules to implement certain other enhanced prudential standards under the Dodd-Frank Act for large bank holding companies, including single counterparty credit limits and an early remediation framework.

To complement the above-mentioned internal liquidity stress testing and liquidity buffer requirements, the FRB and other U.S. banking regulators issued a proposal in October 2013 to implement the Basel III liquidity coverage ratio (LCR) requirements for large bank holding companies. The LCR was developed by the Basel Committee on Banking Supervision (Basel Committee) to ensure banking organizations have sufficient high-quality liquid assets to withstand a standardized short-term supervisory liquidity stress scenario. The U.S. LCR proposal is more stringent in certain respects compared to the Basel Committee's version of the LCR, and includes a generally narrower definition of high-quality liquid assets and a two-year phase-in period that would end on December 31, 2016.

The CFPB has issued various rules to implement consumer financial protection provisions of the Dodd-Frank Act and related requirements. Many of these rules impose new requirements on Ally and its business operations. In addition, as an insured depository institution with total assets of more than \$10 billion, Ally Bank is subject to examination by the CFPB with respect to its compliance with federal consumer financial protection laws and regulations.

***Capital Adequacy Requirements*** Ally and Ally Bank are subject to various guidelines as established under FRB and FDIC regulations. Refer to Note 20 to the Consolidated Financial Statements for additional information. See also *Basel Capital Accord* below.

***Capital Planning and Stress Tests*** In December 2011, the FRB adopted a capital plan rule for large bank holding companies. The capital planning regime requires Ally to submit a proposed capital plan to the FRB every January, which the FRB must take action on by the following March. The proposed capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed action plan must also include a discussion of how Ally will maintain capital above the U.S. Basel III minimum regulatory capital ratios that are phased in over the nine-quarter planning horizon, and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5 percent, and serve as a source of strength to Ally Bank. The FRB's capital plan rule requires that Ally receive no objection from the FRB before making a capital distribution. If the FRB objects to the capital plan, or if certain

**Table of Contents**

material events occur after approval of a plan, Ally must submit a revised capital plan within 30 days. In addition, even with an approved capital plan, Ally must seek the approval of the FRB before making a capital distribution if, among other factors, Ally would not meet its regulatory capital requirements after making the proposed capital distribution.

In October 2012, U.S. banking regulators issued final rules to implement the capital stress testing requirements in the Dodd-Frank Act. The FRB final rule requires Ally to conduct semi-annual (annual and mid-cycle) company-run stress tests under baseline, adverse, and severely adverse economic scenarios over a planning horizon that spans nine quarters. The FDIC final rule requires Ally Bank to conduct an annual company-run stress test under baseline, adverse, and severely adverse economic scenarios over a planning horizon that spans nine quarters. Under these rules, Ally and Ally Bank are required to submit the results of these stress tests to regulators and publicly disclose summary results of the stress tests under the severely adverse economic scenario. In addition, the FRB will also publish, by March 31 of each calendar year, summary results of Dodd-Frank supervisory stress tests conducted by the FRB of each large bank holding company, including Ally. The Dodd-Frank stress tests are intended to provide supervisors with forward-looking information to help identify downside risk and the potential effect of adverse conditions on capital adequacy.

As part of the FRB's annual CCAR, the Dodd-Frank stress tests required under the FRB's final rule are integrated into the capital planning process in the FRB's capital plan rule. Ally submitted its 2013 capital plan in January 2013. In March 2013, the FRB objected to the capital plan both on quantitative and qualitative grounds. In September 2013, Ally submitted a revised capital plan, to which the FRB did not object in November 2013. In November 2013, the FRB issued instructions for the 2014 CCAR and the 2014 supervisory stress test scenarios. On January 6, 2014, Ally and Ally Bank submitted the 2014 capital plan and stress tests as required by the rules and the 2014 CCAR instructions.

***Limitations on Bank and Bank Holding Company Dividends and Capital Distributions*** Utah law (and, in certain instances, federal law) places restrictions and limitations on dividends or other distributions payable by our banking subsidiary, Ally Bank, to Ally. Under the FRB's capital plan rule, an objection to a large bank holding company's capital plan generally prohibits it from paying dividends or making certain other capital distributions without specific FRB non-objection to such action. Even if a large bank holding company receives a non-objection to its capital plan, it may not pay a dividend or make certain other capital distributions without FRB approval under certain circumstances (e.g., after giving effect to the dividend or distribution, the bank holding company would not meet a minimum regulatory capital ratio or a Tier 1 common ratio of at least 5%). In addition, FRB supervisory guidance requires bank holding companies such as Ally to consult with the FRB prior to increasing dividends, implementing common stock repurchase programs or redeeming or repurchasing capital instruments. Such guidance provides for a supervisory capital assessment program that outlines FRB expectations concerning the processes that bank holding companies have in place to ensure they hold adequate capital under adverse conditions to maintain ready access to funding. The U.S. banking regulators are also authorized to prohibit a banking subsidiary or bank holding company from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or making a capital distribution would constitute an unsafe or unsound banking practice.

***Transactions with Affiliates*** Certain transactions between Ally Bank and any of its nonbank affiliates, including but not limited to Ally, are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, covered transactions including Ally Bank's extensions of credit to and asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Ally Bank's capital stock and surplus with respect to transactions with any individual affiliate, with an aggregate limit of 20% of Ally Bank's capital stock and surplus for all affiliates and all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any

**Table of Contents**

asset deemed to be a low quality asset under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions ). In addition, transactions between Ally Bank and a nonbank affiliate generally must be on market terms and conditions.

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

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

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

**Source of Strength** Pursuant to the Federal Deposit Insurance Act, as amended by the Dodd-Frank Act, FRB policy and regulations and the Parent Company Agreement and the Capital and Liquidity Maintenance Agreement described in Note 20 to the Consolidated Financial Statements, Ally is required to act as a source of financial and managerial strength to Ally Bank and is required to commit necessary capital and liquidity to support Ally Bank. This support may be required at inopportune times for Ally.

**Enforcement Authority** The FDIC and FRB have broad authority to issue orders to banks and bank holding companies to cease and desist from unsafe or unsound banking practices and from violations of laws, rules, regulations, or conditions imposed in writing by the banking agencies. The FDIC and FRB also are empowered to require affirmative actions to correct any violation or practice; issue administrative orders that can be judicially enforced; direct increases in capital; limit dividends and distributions; restrict growth; assess civil money penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the banking agencies; order termination of certain activities of bank holding companies or their subsidiaries; remove officers and directors; order divestiture of ownership or control of a nonbanking subsidiary by a bank holding company (in the case of the FRB); terminate deposit insurance (in the case of the FDIC); and/or place a bank into receivership (in the case of the FDIC).

**Table of Contents*****Basel Capital Accord***

The existing risk-based capital standards adopted by the U.S. banking regulators are based on the Basel Committee's Basel I capital accord (Basel I). The U.S. banking regulators adopted Basel I in 1989, which generally applies to U.S. insured depository institutions and bank holding companies. In 2004, the Basel Committee published a revision to Basel I known as Basel II. The goal of Basel II is to provide more risk-sensitive approaches for calculating risk-weighted assets (the denominator of a banking organization's risk-based capital ratio) and promote enhanced risk management practices among large internationally active U.S. banking organizations (advanced approaches banking organizations). U.S. banking regulators published final Basel II rules in December 2007. Basel II's more risk-sensitive approaches for calculating risk-weighted assets for credit risk and operational risk are referred to in the United States as the advanced approaches capital rules. Ally is not subject to the advanced approaches capital rules.

In December 2010, the Basel Committee reached an agreement on the Basel III capital framework, which was designed to increase the quality and quantity of regulatory capital by introducing new risk-based and leverage capital standards. In July 2013, the U.S. banking regulators finalized rules implementing the Basel III capital framework and related Dodd-Frank Act provisions. The U.S. Basel III final rules represent substantial revisions to the existing regulatory capital standards for U.S. banking organizations. Ally will become subject to the U.S. Basel III final rules beginning on January 1, 2015. Certain aspects of the U.S. Basel III final rules, including the new capital buffers and regulatory capital deductions, will be phased in over several years.

Once fully phased in, the U.S. Basel III final rules will subject Ally to a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum Total risk-based capital ratio of 8% on a fully phased-in basis. Ally will also be subject to a 2.5% Common Equity Tier 1 capital conservation buffer. Failure to maintain such buffers will result in restrictions on Ally's ability to make capital distributions, including dividend payment, stock repurchases and redemptions, and pay discretionary bonuses to executive officers. In addition to these new risk-based capital standards, the U.S. Basel III final rules require advanced approaches banking organizations to comply with a minimum Basel III supplementary leverage ratio of 3%. Ally is not an advanced approaches banking organization and therefore will not be subject to the Basel III supplementary leverage ratio requirement. The U.S. Basel III final rules subjects all U.S. banking organizations, including Ally, to a minimum Tier 1 leverage ratio of 4%, the denominator of which only takes into account on-balance sheet assets. Effective January 1, 2015, the well-capitalized standard for Ally Bank will be revised to reflect the higher capital requirements in the U.S. Basel III final rules.

In addition to introducing new capital ratios, the U.S. Basel III final rules revise the eligibility criteria for regulatory capital instruments and provides for the phase-out of existing capital instruments that do not satisfy the new criteria. Subject to certain exceptions (e.g., for certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other hybrid securities will be phased out from a banking organization's Tier 1 capital by January 1, 2016. Also, certain new items will be deducted from Common Equity Tier 1 capital and certain existing deductions from regulatory capital will be modified. Among other things, the final rules require significant investments in the common shares of unconsolidated financial institutions, MSRs, and certain deferred tax assets that exceed specified individual and aggregate thresholds to be deducted from Common Equity Tier 1 capital.

Beginning on January 1, 2015, the U.S. Basel III final rules will replace the existing Basel I-based approach for calculating risk-weighted assets with the U.S. Basel III standardized approach that, among other things, modifies certain existing risk weights and introduces new methods for calculating risk-weighted assets of certain types of assets and exposures. In December 2013, the FRB made technical revisions to the market risk capital rule, which only applies to banking organizations with significant trading assets and liabilities. Ally is currently not subject to the market risk capital rule.

**Table of Contents*****Troubled Asset Relief Program***

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

***Depository Institutions***

Ally Bank's deposits are insured by the FDIC, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were \$98.7 billion and \$94.8 billion at December 31, 2013 and 2012, respectively. As a commercial nonmember bank chartered by the State of Utah, Ally Bank is subject to various regulatory capital adequacy requirements administered by state and federal banking agencies. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, identifies five capital categories for insured depository institutions ( well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized ) and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within such categories. Depending on the category in which an institution is classified, FDICIA imposes progressively more restrictive constraints on operations, management, and capital distributions.

Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on Ally Bank's results of operations and financial condition. FDICIA generally prohibits a depository institution from making any capital distribution, including payment of a cash dividend or paying any management fee to its holding company, if the depository institution would become under-capitalized after such payment. Under-capitalized institutions are also subject to growth limitations and are required by the appropriate federal banking agency to submit a capital restoration plan. If any depository institution subsidiary of a holding company is required to submit a capital restoration plan, the holding company would be required to provide a limited guarantee regarding compliance with the plan as a condition of approval of such plan. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements.

At December 31, 2013, we were in compliance with our regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 20 to the Consolidated Financial Statements.

***U.S. Mortgage Business***

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration-approved lender, Ally Bank is required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. The U.S. mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of

---

**Table of Contents**

credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

The Dodd-Frank Act imposed new requirements regarding mortgage loan servicing, and the CFPB's final regulations implementing these provisions went into effect in January 2014. The risk retention requirement under the Dodd-Frank Act requires securitizers to retain no less than 5% of the credit risk when they create, sell, or transfer mortgage-backed securities (MBS) to third parties, with an exception for securitizations that are wholly composed of qualified residential mortgages (QRMs). Federal regulators repropose a regulation implementing this Dodd-Frank Act requirement in August 2013.

The future of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs) and the role of government agencies in the U.S. mortgage markets remain uncertain. The Executive Branch has committed to work with the Federal Housing Finance Agency (FHFA) to develop a plan to responsibly reduce the role of the GSEs in the mortgage market and, ultimately, wind down Fannie Mae and Freddie Mac. In addition, proposals have been introduced in both houses of Congress to reform the role of the GSEs in the U.S. housing sector and move toward a private sector model.

***Automotive Lending Business***

The CFPB has focused on the area of automotive finance, particularly with respect to indirect financing arrangements and fair lending compliance. In March 2013, the CFPB provided guidance about compliance with the fair lending requirements of the Equal Credit Opportunity Act and its implementing regulations for indirect automotive finance companies that permit dealers to charge annual percentage rates to consumers in excess of buy rates used by the finance company to calculate the price paid to acquire an assignment of the retail installment sale contract. In December 2013, Ally Financial Inc. and Ally Bank entered into Consent Orders issued by the CFPB and the U.S. Department of Justice (DOJ) pertaining to the allegation of disparate impact in the automotive finance business. For further information, refer to Note 29 to the Consolidated Financial Statements.

***Insurance Companies***

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

***Investments in Ally***

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

Further, refer to the Tax Assets Protective Measures section of Management's Discussion and Analysis for details of certain actions taken by us during January 2014, which are intended to prevent persons from acquiring Ally common stock that exceeds certain ownership thresholds.

---

**Table of Contents**
***Other Regulations***

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

***Privacy*** The GLB Act imposes additional obligations on us to safeguard the information we maintain on our customers, requires us to provide notice of our privacy practices, and permits customers to opt-out of information sharing with unaffiliated parties. The U.S. banking regulators and the Federal Trade Commission have issued regulations that establish obligations to safeguard information. In addition, several states have enacted even more stringent privacy and safeguarding legislation. If a variety of inconsistent state privacy rules or requirements are enacted, our compliance costs could increase substantially.

***Fair Credit Reporting Act*** The Fair Credit Reporting Act regulates the use of credit reports and the reporting of information to credit reporting agencies, and also provides a national legal standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. In late 2003, the Fair and Accurate Credit Transactions Act was enacted, making this preemption of conflicting state and local law permanent. The Fair Credit Reporting Act was also amended to place further restrictions on the use of information shared between affiliates, to provide new disclosures to consumers when risk-based pricing is used in the credit decision, and to help protect consumers from identity theft. All of these provisions impose additional regulatory and compliance costs on us and reduce the effectiveness of our marketing programs.

***Truth in Lending Act*** The Truth in Lending Act (TILA), as amended, and Regulation Z, which implements TILA, requires lenders to provide borrowers with uniform, understandable information concerning terms and conditions in certain credit transactions. These rules apply to Ally and its subsidiaries in transactions in which they extend credit to consumers and require, in the case of certain mortgage and automotive financing transactions, conspicuous disclosure of the finance charge and annual percentage rate, if any. In addition, if an advertisement for credit states specific credit terms, Regulation Z requires that such advertisement state only those terms that actually are or will be arranged or offered by the creditor. The CFPB has recently issued substantial amendments to the mortgage requirements under TILA, and additional changes are likely in the future. Failure to comply with TILA can result in liability for damages as well as criminal and civil penalties.

***Sarbanes-Oxley Act*** The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate governance and accounting measures designed to promote honesty and transparency in corporate America. The principal provisions of the act include, among other things, (1) the creation of an independent accounting oversight board; (2) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (3) additional corporate governance and responsibility measures including the requirement that the principal executive and financial officers certify financial statements; (4) the potential forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement; (5) an increase in the oversight of and enhancement of certain requirements relating to audit committees and how they interact with the independent auditors; (6) requirements that audit committee members must be independent and are barred from accepting consulting, advisory, or other compensatory fees from the issuer; (7) requirements that companies disclose whether at least one member of the audit committee is a financial expert (as defined by the SEC) and, if not, why the audit committee does not have a financial expert; (8) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions, on nonpreferential terms and in compliance with other bank regulatory requirements; (9) disclosure of a code of ethics; (10) requirements that management assess the effectiveness of internal control over financial reporting and that the Independent Registered Public Accounting firm attest to the assessment; and (11) a range of enhanced penalties for fraud and other violations.



---

## **Table of Contents**

***USA PATRIOT Act/Anti-Money-Laundering Requirements*** In 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) was signed into law. Title III of the USA PATRIOT Act amends the Bank Secrecy Act and contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the USA PATRIOT Act, requires bank holding companies, banks, and certain other financial companies to undertake activities including maintaining an anti-money-laundering program, verifying the identity of clients, monitoring for and reporting on suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. We have implemented internal practices, procedures, and controls designed to comply with these anti-money-laundering requirements.

***Community Reinvestment Act*** Under the Community Reinvestment Act (CRA), a bank has a continuing and affirmative obligation, consistent with the safe-and-sound operation of the institution, to help meet the credit needs of its entire community, including low- and moderate-income persons and neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions. However, institutions are rated on their performance in meeting the needs of their communities. Failure by Ally Bank to maintain a satisfactory or better rating under the CRA may adversely affect Ally's ability to make acquisitions and engage in new activities, and in the event of such a rating, the Federal Reserve must prohibit the financial holding company and its subsidiaries from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies.

### **Employees**

We had approximately 7,100 and 10,600 employees at December 31, 2013 and 2012, respectively. Employee head count at December 31, 2012, included employees of operations that were held-for-sale as of December 31, 2012.

### **Segment Information**

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

### **Properties**

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

The primary offices for our Dealer Financial Services operations are located in Detroit, Michigan and Southfield, Michigan. The primary office for our Automotive Finance operations is located in Detroit, Michigan, and is included in the totals referenced above. The primary office for our Insurance operations is located in Southfield, Michigan, where we lease approximately 71,000 square feet of office space under leases expiring in April 2016.

The primary offices for our Mortgage operations are located in Fort Washington, Pennsylvania and Charlotte, North Carolina. In Fort Washington, we lease approximately 96,000 square feet of office space pursuant to a lease that expires in April 2016. The office space in Charlotte is included in the totals referenced above.

**Table of Contents**

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

**Legal Proceedings**

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

**Table of Contents****MANAGEMENT**

The following table presents information regarding directors, executive officers, and other significant employees of Ally.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Franklin W. Hobbs	66	Director (Chairman of the Board)
Robert T. Blakely	72	Director (Chairman of Audit Committee)
Mayree C. Clark	56	Director (Member of Audit Committee)
Stephen A. Feinberg	53	Director
Kim S. Fennebresque	63	Director
Gerald Greenwald	78	Director
Brian P. MacDonald	48	Director (Member of Audit Committee)
Marjorie Magner	64	Director
Henry S. Miller	68	Director
Mathew Pendo	50	Director (Member of Audit Committee)
Michael A. Carpenter	66	Director and Chief Executive Officer
Jeffrey J. Brown	40	Senior Executive Vice President of Finance and Corporate Planning
Christopher A. Halmy	45	Chief Financial Officer
Barbara Yastine	54	Chief Executive Officer and President of Ally Bank
William F. Muir	59	President
William Solomon	61	Group Vice President and General Counsel
David J. DeBrunner	47	Vice President, Chief Accounting Officer, and Corporate Controller
Brian Gunn	41	Chief Risk Officer

**Directors, Executive Officers, and Other Significant Employees**

*Franklin W. Hobbs* Director of Ally since May 2009. He currently serves as Chairman of the board. Since 2004, he has been an advisor to One Equity Partners LLC, which manages investments and commitments for JPMorgan Chase & Co. in direct private equity transactions. He was previously the CEO of Houlihan Lokey Howard & Zukin. In that role, he oversaw all operations, which included advisory services for mid-market companies involved in mergers and acquisitions and corporate restructurings. He previously was Chairman of UBS AG's Warburg Dillon, Read & Co. Inc. unit. Prior to that, he was President and CEO of Dillon, Read & Co. Inc. Hobbs earned his bachelor's degree from Harvard College and master's degree in business administration from Harvard Business School. He serves as a director on the boards of the BAWAG P.S.K., Lord Abbett & Company, and Molson Coors Brewing Company.

*Robert T. Blakely* Director of Ally since May 2009. He currently serves as Chairman of the Audit Committee. Previously, he was a trustee of the Financial Accounting Foundation, the oversight board for the Financial Accounting Standards Board. Blakely is the former executive vice president and chief financial officer of Fannie Mae. In this role, he led the financial restatement and implementation of Sarbanes-Oxley controls. He was previously the chief financial officer of WorldCom/MCI, Lyondell Chemical, Tenneco, and US Synthetic Fuels Corporation where he gained valuable experience dealing with accounting principles and financial reporting rules and regulations, evaluating financial results, and generally overseeing the financial reporting processes of large corporations. Blakely received his PhD from Massachusetts Institute of Technology and his master's and bachelor's degrees from Cornell University.

*Mayree C. Clark* Director of Ally since May 2009. She currently serves on the Audit Committee. Clark is the founding partner of Eachwin Capital, an asset management firm. Previously, she was a partner and member of the executive committee of AEA Holdings and held a variety of executive positions at Morgan Stanley over a span of 24 years, serving as Global Research Director, Director of Global Private Wealth Management, and deputy to the chairman, president and CEO. Clark earned a bachelor's degree from the University of

---

**Table of Contents**

Southern California and a master's degree in business administration from Stanford University Graduate School of Business. She serves on the board of the Stanford Management Company and is a member of the Council on Foreign Relations, the Dean's Advisory Council of the Stanford Graduate School of Business, Women Moving Millions, and the Circle Financial Group.

*Stephen A. Feinberg* Director of Ally since March 2009. He co-founded Cerberus Capital Management in November 1992. Feinberg began his career at Drexel Burnham Lambert where he was actively involved in trading large pools of firm capital. From 1985 to 1992, after leaving Drexel Burnham Lambert, he managed money in separate accounts, most of which was firm capital of Gruntal & Co., Inc. Feinberg has over 25 years of experience in distressed investing, including investments in the financial services industry, and he has served as a control party in connection with investments in numerous financial institutions, including various lending institutions. Feinberg is a 1982 graduate of Princeton University.

*Kim S. Fennebresque* Director of Ally since May 2009. Fennebresque served as chairman and chief executive officer of Dahlman Rose & Co. and is a senior advisor at Cowen Group, Inc. He also served as its chairman, president, and chief executive officer where he oversaw all aspects of the management and operations of the company. Fennebresque has extensive business experience and has served as an investment banker for over three decades. He has demonstrated leadership capability and has extensive knowledge of the management of a publicly traded company. The depth and breadth of his exposure to areas of compensation, legal, accounting, and regulatory issues make him a skilled advisor. Prior to joining Cowen Group, Fennebresque held positions as head of the Corporate Finance and Mergers & Acquisitions departments at UBS, general partner and co-head of Investment Banking at Lazard Frères & Co., and various positions at The First Boston Corporation. Fennebresque is a graduate of Trinity College and Vanderbilt Law School. He is currently on the boards of TEAK Fellowship, Fountain House, and Common Good.

*Gerald Greenwald* Appointed to the Ally board of directors in August 2012. Greenwald is a founder of Greenbriar Equity Group, a private equity firm focused on the global transportation sector. Previously, Greenwald was the chairman and chief executive officer of United Airlines from 1994 to 1999. Greenwald began his career in the automotive industry at Ford Motor Company where he worked in several positions including controller, director of operations in Europe and president of Ford of Venezuela. He later joined Chrysler, where he worked in various positions including corporate controller and chief financial officer before being promoted to vice chairman. Greenwald received a bachelor's degree from Princeton University and a master's degree from Wayne State University. He serves on the boards of Align Aerospace Holdings, Inc., GENCO Distribution System, Inc., Ryan Herco Flow Solutions, Western Peterbilt, Inc. and The Aspen Institute, and Chairman of a RAND Corporation Advisory Council.

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

*Marjorie Magner* Director of Ally since May 2010. Magner has over 30 years of experience in the financial services sector. She is a founding member and partner of Brysam Global Partners, a specialized private equity firm that invests in financial services. Previously, she served as chairman and chief executive officer of the Global Consumer Group at Citigroup. In this position, she was responsible for the company's operations

**Table of Contents**

serving consumers through retail banking, credit cards, and consumer finance. She earned a bachelor's degree in psychology from Brooklyn College and a master's degree from Krannert School of Management, Purdue University. Magner also serves on the boards of Accenture Ltd., Gannett Company, Inc., and the Brooklyn College Foundation. She is a member of the dean's advisory council for the Krannert School of Management.

*Henry S. Miller* Appointed to the Ally board of directors in August 2012. Miller has served as chairman of Marblegate Asset Management, LLC since its formation in 2009. Miller was also co-founder, chairman and managing director of Miller Buckfire & Co., LLC. Prior to founding Miller Buckfire, he was vice chairman and managing director at Dresdner Kleinwort Wasserstein. He also served as managing director and head of both the restructuring and transportation industry group of Salomon Brothers. He also previously held senior leadership roles at Prudential Securities and Lehman Brothers. Miller received his bachelor's degree from Fordham University and a master's degree in business administration from Columbia Business School. He is a trustee of Save the Children, the Washington Institute for Near East Policy, and Fordham University, as well as a member of the board of directors of AIG and a member of the board of overseers of Columbia Business School.

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

*Michael A. Carpenter* Chief Executive Officer of Ally since November 2009 and a member of the Ally Board of Directors since May 2009. He oversees all Ally strategy and operations to focus on strengthening the core businesses, while positioning the company for long-term growth. Carpenter has broad and deep experience in banking, capital markets, turnarounds, and corporate strategy. Most recently, he founded Southgate Alternative Investments in 2007. From 2002 to 2006, he was chairman and chief executive officer of Citigroup Alternative Investments overseeing \$60 billion of proprietary capital and customer funds globally in various alternative investment vehicles. From 1998 to 2002, Carpenter was chairman and chief executive officer of Citigroup's Global Corporate & Investment Bank with responsibility for Salomon Smith Barney Inc. and Citibank's corporate banking activities globally. Carpenter was named chairman and CEO of Salomon Smith Barney in 1998, shortly after the merger that created Citigroup, and led the first ever successful integration of a commercial and investment bank. Prior to Citigroup, he was chairman and CEO of Travelers Life & Annuity and vice chairman of Travelers Group Inc. responsible for strategy and business development. From 1989 to 1994, he was chairman of the board, president, and CEO of Kidder Peabody Group Inc., a wholly owned subsidiary of General Electric Company. From 1986 to 1989, Carpenter was executive vice president of GE Capital Corporation. He first joined GE in 1983 as vice president of Corporate Business Development and Planning and was responsible for strategic planning and development as well as mergers and acquisitions. Earlier in his career, Carpenter spent nine years as vice president and director of the Boston Consulting Group consulting to major companies on corporate strategy and three years with Imperial Chemical Industries of the United Kingdom. Carpenter received a bachelor of science degree from the University of Nottingham, England, and an MBA from the Harvard Business School where he was a Baker Scholar. He also holds an honorary degree of Doctor of Laws from the University of Nottingham. He serves on the boards of Autobyte Inc., U.S. Retirement Partners, and the New York City Investment Fund. Carpenter has been a board member of the New York Stock Exchange, General Signal, Loews Cineplex, and various other private and public companies.

*Jeffrey J. Brown* Appointed Senior Executive Vice President of Finance and Corporate Planning in June 2011. In this role, Brown oversees the finance, treasury and corporate strategy activities of the company. Brown joined Ally in March 2009 as corporate treasurer with responsibility for global treasury activities, including

**Table of Contents**

funding and balance sheet management. Prior to joining Ally, Brown was the corporate treasurer for Bank of America where he had responsibility for the core treasury functions including funding and managing interest rate risk. Brown was at Bank of America for 10 years, beginning his career in finance and later joining the balance sheet management division. Brown previously served as the bank's deputy treasurer and oversaw balance sheet management and the company's corporate funding division. He was also a member of the company's Asset/Liability Management Committee. He received a bachelor's degree in economics from Clemson University and an executive master's degree in business from Queens University in Charlotte. He serves on the Trevillian Cabinet of the College of Business and Behavioral Sciences at Clemson University and on the advisory board of McColl School of Business at Queen's University in Charlotte.

*Christopher A. Halmy* Chief Financial Officer of Ally since November 2013. In this role, he is responsible for the oversight of the company's financial reporting, controls and analysis, accounting, and investor relations, as well as treasury activities, including capital, funding and balance sheet management. Prior to his current position, Halmy served as Ally's corporate treasurer since June 2011. He joined Ally in 2009 and previously served as structured funding executive with responsibility for the strategy, planning, and execution of securitizations and structured funding globally. In this role, he also was responsible for bank relationships and compliance related to existing transactions in the market. Prior to joining Ally, Halmy was the global funding executive at Bank of America where he was responsible for funding and liquidity activities. During his tenure at Bank of America, he also led the mortgage and automotive securitization group. Prior to joining Bank of America in 1997, Halmy held treasury, finance, and accounting positions at MBNA America, N.A., Merrill Lynch & Co., JP Morgan & Co., and Deloitte & Touche. Halmy holds a bachelor's degree in accounting and a master's degree in business administration from Villanova University. In addition, he was an adjunct professor at Wesley College from 1999 to 2006 and currently serves as an adjunct professor at Queens University. Halmy is also a certified public accountant.

*Barbara A. Yastine* Chief Executive Officer and President of Ally Bank since May 2012. She also continues as chair of the bank, a position she assumed when she joined Ally in 2010. Yastine is a seasoned executive with diverse experience at financial services companies. Prior to joining Ally, she served as a principal of Southgate Investment Partners, LLC, an investment and advisory firm. Before that, she was chief financial officer for Credit Suisse First Boston from 2002 to 2004 and had responsibility for controllership, treasury, risk management, strategy, mergers and acquisitions, and tax. She was with Citigroup and its predecessors for 15 years with her last position being as chief financial officer of Citigroup's Global Corporate and Investment Bank. During her time at Citigroup, she also served as chief auditor, chief administrative officer of the Global Consumer Group, and executive vice president and chief financial officer of its consumer finance business. Yastine began her career at Citigroup predecessor Primerica as the head of investor relations. Yastine serves on the board of directors of Primerica Corporation and nonprofit Phoenix House. Yastine is a former trustee of the Financial Accounting Foundation. She holds a bachelor's of arts degree in journalism and a master's degree in finance, both from New York University.

*William F. Muir* President of Ally since 2004, and head of its Global Automotive Services business. He oversees the company's automotive finance, insurance, vehicle remarketing and servicing operations. Muir is also a member of the Ally Bank board of directors. Chairman of Ally Insurance Group since June 1999, and a Member of the Ally Commercial Finance and Ally Bank Boards of Directors since February 2002 and March 2004, respectively. Prior to that time, Muir served as executive vice president and chief financial officer from February 1998 to 2004. From 1996 to 1998, Muir served as executive-in-charge of operations and then executive director of planning at Delphi Automotive Systems, a former subsidiary of GM. Prior to serving at Delphi Automotive Systems, Muir served in various executive capacities with Ally since first joining Ally in 1992. He also served in a number of capacities with GM since joining the company in 1983. Muir received a bachelor's degree in industrial engineering and operations research from Cornell University in 1977. He earned a master's of business administration degree from Harvard University in 1983.

*William Solomon* Group Vice President and General Counsel of Ally since 2004. Solomon is responsible for providing all legal services to Ally through the oversight of outside counsel and an 80-member Legal Staff.

**Table of Contents**

He is also responsible for the secretary's office, the licensing department, and the organization's record and information management activity. Prior to joining Ally, Solomon was an attorney and practice area manager for GM from 1988 to 1999, where he was responsible for commercial lending activities. He also held the positions of general counsel for Vixen Motor Company from 1985 to 1988 and regional staff attorney at Ford Motor Credit Company from 1980 to 1985. Solomon received his bachelor's degree in political science at the University of Detroit in 1973 with honors and a master's degree in political science from McMaster University in Hamilton, Ontario in 1974 with honors. Solomon received his juris doctorate from the University of Notre Dame in 1978. He has also published two articles: Solomon and Mossburg: Co-Signer Requirements Under the FTC Fair Credit Practices Rule, Summer 1982, Consumer Fin. L.Q. Rep.; and Solomon, Proposed Consumer Revision to Article 9 of the UCC, 1997 D.C.L. Law Rev., 1087. Solomon is a member of the Michigan Bar and American Bar Associations.

*David J. DeBrunner* Vice President, Chief Accounting Officer, and Controller of Ally since September 2007. DeBrunner joined Ally from Fifth Third Bancorp (Fifth Third) where he was senior vice president, corporate controller, and chief accounting officer from January 2002 to August 2007. Prior to that position, he served as the chief financial officer for the commercial division of Fifth Third beginning in December 1999. DeBrunner joined Fifth Third in 1992 and held various financial leadership positions throughout the company. Prior to his time at Fifth Third, he held positions at Deloitte and Touche LLP in the Chicago and Cincinnati offices. DeBrunner is a certified public accountant (inactive) and a chartered global management accountant with a bachelor's of science in accounting from Indiana University and is a member of the American Institute of Certified Public Accountants and the Ohio Society of Certified Public Accountants.

*Brian Gunn* Chief Risk Officer of Ally since November 2011. In this role, Gunn has overall responsibility for achieving an appropriate balance between risk and return, mitigating unnecessary risk and protecting the company's financial returns. Gunn joined Ally in 2008 as chief risk officer for the Global Automotive Services business where he was responsible for overseeing disciplined risk processes, governance and analytics in support of Ally's efforts to diversify and grow its automotive product lines. In this role, Gunn established a global automotive risk management framework for all product lines across North America, Latin America, Europe and China. Prior to joining Ally, Gunn served in a number of senior leadership positions with GE Money of Stamford, Conn., most recently as chief risk officer for GE Money Canada. In this role, he was responsible for all areas of risk management and collections across various product lines. Gunn received a master's degree in Banking and Finance from Hofstra University in Hempstead, N.Y., and a bachelor's degree in Finance from Providence College in Providence, R.I.

**Ally Code of Ethics**

Ally has published on its website the Ally Code of Conduct and Ethics (the Code) that is applicable to all employees. The Code further includes certain provisions that apply specifically to Ally financial professionals (as that term is defined in the Code). Any amendment to, or waiver from, a provision of the Code that applies to our principal executive officer, principal financial officer, principal accounting officer or controller or persons performing similar functions will be posted at this same internet website location as required by applicable law.

**Certain Corporate Governance Matters**

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

**Table of Contents**

Agreement provides that the Board is to be comprised of the following: (1) one director designated by affiliates of Cerberus Capital Management, L.P., (2) four directors designated by Treasury, (3) the chief executive officer of Ally and (4) five independent directors chosen by the members described in (1) through (3) above. Currently, the Board consists of the Cerberus appointed director, the chief executive officer of Ally, four directors designated by Treasury, and five independent directors.

The Board has independently and affirmatively determined that all Board members, except for Mr. Carpenter, meet all the requirements for independence under the rules and regulations promulgated by the NYSE and Rule 10A-3 of the Exchange Act. John D. Durrett and John J. Stack, who served as directors for a portion of our 2013 fiscal year, also satisfied the requirements for independence under these rules.

***Audit Committee*** The Board has a standing Audit Committee. Members are Chairman Robert T. Blakely, Mayree C. Clark, Brian P. MacDonald and Mathew Pendo. Each member is independent as required by Rule 10A-3 of the Exchange Act and under rules of the NYSE, and the Board has determined that all members are also qualified as audit committee financial experts, as defined by the SEC. The Audit Committee operates pursuant to a charter that it adopted. The Audit Committee reviews and, as it deems appropriate, recommends to our Board of Directors our internal accounting and financial controls and the accounting principles and auditing practices and procedures to be employed in preparation and review of our financial statements.

***Other Board Committees*** the Board has also established a Risk and Compliance Committee (Risk Committee) and a Compensation, Nominating, and Governance Committee (CNG Committee). Members of the Risk Committee currently are Mayree C. Clark (Committee Chairwoman), Gerald Greenwald, Franklin W. Hobbs, Marjorie Magner, and Henry S. Miller. Members of the CNG Committee currently are Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, and Franklin W. Hobbs. The Risk Committee operates pursuant to a charter that it adopted. The Risk Committee assists the Board of Directors in setting risk appetite and tolerances, and overseeing our management's responsibility to manage our risk profile and implement our risk program, with emphasis on credit, market, liquidity, operational, and reputational risks from both an enterprise and a line of business perspective. Additionally, the Risk Committee oversees our management's responsibility to implement our compliance program, with emphasis on our compliance with legal and regulatory requirements. The Board has independently and affirmatively determined that all CNG Committee members meet all the requirements for independence under the rules and regulations promulgated by the NYSE and Rule 10A-3 of the Exchange Act. The CNG Committee operates pursuant to a charter that it adopted.



---

**Table of Contents**

**EXECUTIVE COMPENSATION**

**Corporate Governance and Related Disclosures**

**The Compensation, Nominating and Governance Committee**

The Ally Compensation, Nominating and Governance Committee (the Committee) is a committee of the Ally Board of Directors (Board) consisting of four non-employee independent directors, including Kim S. Fennebresque (Committee Chairman), Robert T. Blakely, Franklin W. Hobbs and Marjorie Magner.

The Committee, pursuant to its Charter, is, among other things, responsible for the following:

Discharging the Board's responsibilities with respect to the establishment, maintenance and administration of Ally's compensation plans, including determining the total compensation of the Chief Executive Officer and executive officers plus other senior executives designated by the Committee as under its purview;

Overseeing Ally's leadership development and succession planning programs;

Identifying qualified individuals for membership on the Board (consistent with criteria approved by the Board) and to recommend to the Board the director nominees;

Reviewing and recommending to the Board the director compensation for service on the Board;

Leading the Board and its committees in their annual self-evaluation and the annual review of the Board's performance;

Developing and recommending to the Board a corporate governance policy for the Board, and overseeing Ally's corporate governance procedures and practices related to the Board; and

Performing any and all duties required of it under applicable laws, rules, regulations, regulatory guidance, or other legal authority.

**Compensation, Nominating and Governance Committee Process**

Ally's executive compensation programs are administered by the Committee. During 2013, the Committee met 13 times.

The Committee determines the compensation of senior executives under its purview, including the compensation of our named executive officers (NEOs, who are also our Senior Executive Officers (SEOs) for purposes of the Troubled Asset Relief Program (TARP) requirements). In making its determination for senior executives other than the Chief Executive Officer (CEO), and in making changes to our executive compensation program, the Committee considers the recommendations of the CEO. The Committee determines the compensation of the CEO without recommendations from the CEO or other management. The Committee has delegated to the CEO the authority to determine cash and equity compensation for executives other than for the approximately 25 highest-compensated employees (Top 25) and other select senior executives as determined by the Committee. The Committee also meets periodically in executive session without the presence of any members of management. The Committee seeks the input of Ally's Risk Management functions, and in its deliberations on compensation related issues it also consults with the chairperson of the Board's Risk and Compliance Committee and Audit Committee.



## **Table of Contents**

Frederic W. Cook & Co. (Cook) served as an independent advisor during 2013. Cook reports directly to the Committee and provides ongoing advice with respect to the plans and programs covering the executives, including our NEOs and non-employee directors, for which the Committee is responsible. Cook reviews all materials developed by management in advance of Committee meetings, provides advice and recommendations concerning changes to our plans and programs, as well as information on market practices and trends, and attends meetings of the Committee. Cook undertakes no separate work for Ally.

Ally management engaged Pearl Meyer & Partners (Pearl Meyer) to provide consulting assistance on matters pertaining to executive compensation, including a competitive assessment of the compensation paid to Ally's CEO, an updated competitive assessment of the compensation for Ally's 25 highest-compensated executives requested by the Office of the Special Master for TARP Executive Compensation (Special Master), and consulting related to a post-TARP compensation framework.

## **Executive Compensation Discussion and Analysis**

### **Introduction**

For the full year 2013, Ally reported net income of \$361 million. From a core business results perspective in 2013, Ally grew net financing revenue 36%, reduced cost of funds by approximately 40 basis points, grew automotive earning assets 8%, and increased retail deposits at Ally Bank by \$8.1 billion, resulting in balances increasing 23% year-over-year.

In addition to positive core business trends, 2013 brought about the conclusion of several strategically important events, including:

bolstering the common capital through a \$1.3 billion common equity raise;

achieving financial holding company status;

receiving confirmation of the ResCap bankruptcy plan;

completing the sales of nearly all international operations;

receiving credit ratings upgrades;

receiving a non-objection to the revised CCAR plan; and

repurchasing \$5.9 billion of mandatorily convertible preferred stock from the U.S. Department of Treasury (Treasury).

### **Executive Compensation Limitations**

In connection with our participation in TARP, certain determinations of the Special Master, and other laws and regulations, Ally is subject to certain limitations on executive compensation, the most significant of which are:

Cash salaries are limited based on the determination of the Special Master;

## Edgar Filing: Ally Financial Inc. - Form S-1/A

The majority of an SEO's compensation paid in equity that must be held long-term;

Any incentive compensation granted must be in the form of long-term restricted equity that is contingent on performance and paid out after incremental TARP repayments;

**Table of Contents**

Perquisites and other compensation capped at \$25,000, with limited exceptions;

Suspension of the accrual of benefits to supplemental executive retirement plans;

Prohibition on incentives for SEOs that could cause them to take unnecessary or excessive risks;

Clawback of any bonus or incentive compensation paid to an SEO based on statements of earnings, revenues, gains, or other performance criteria that are later found to be materially inaccurate, is based on erroneous data that resulted in an accounting restatement due to material noncompliance with any financial reporting requirement under the securities laws within the three years prior to payment, or is found to require repayment under the provisions of any other Federal law or regulation that may govern the Company's executive compensation; and

Prohibition on any severance payable to the SEOs and the next five most highly compensated employees.

**Ally Compensation Program Overview and Philosophy**

Working within the limitations imposed on our executive compensation by TARP, Ally's compensation philosophy has been, and continues to be, that there should be a strong linkage between compensation and performance. We believe compensation should:

Align with long-term value creation for our shareholders;

Provide appropriate incentives based on individual, business, and Company performance;

Encourage prudent, but not excessive risk taking;

Provide a total compensation opportunity competitive with market practice; and

Be internally equitable for the relative value of the employee's position at Ally.

In addition, our compensation plans are intended to achieve performance enabling us to complete the repayment to the U.S. taxpayers as quickly as practicable.

Ally supports the compensation principles underlying the TARP compensation rules, and we believe our compensation philosophy is consistent with the TARP compensation principles. The Special Master has required that the majority of compensation for NEOs and the next 20 highest-compensated employees be in the form of long-term stock or stock units, that such stock or stock units should be held for specified minimum periods of time, and that any incentive payments should be subject to recoupment if paid based on information that is subsequently found to be materially inaccurate. The Company and the Committee fully support and have implemented these principles for our NEOs and the next 20 highest-compensated employees.

Refer to the *Long-term Equity-based Incentives* section for a discussion of the long-term stock awards that are granted to our NEOs.

**The Pay Process for 2013**

For 2013, the total compensation opportunity for the NEOs was determined by the Special Master, following review and approval of recommended total direct compensation levels for each of the NEOs by the Committee. As part of the process for developing pay

## Edgar Filing: Ally Financial Inc. - Form S-1/A

recommendations for submission to the Special Master, the Committee approved individual performance objectives for awarding long-term incentive restricted stock units (RSUs) at year-end.

**Table of Contents**

**Assessing Ally Compensation Competitiveness**

We compare our total direct compensation against a peer group of other comparably sized financial services companies with whom we compete for business and senior executive talent. We use publicly available reported pay data from a peer group of companies approved by the Committee to conduct the competitive assessment for the CEO and principal financial officer positions. For the other NEO and senior executive positions, we use market survey data from several survey sources to conduct the competitive assessments. Wherever practical, the market surveys include companies that are part of the peer group approved by the Committee.

For the 2013 competitive assessments, the peer group approved by the Committee in 2011 continued to be used. The current peer group consists of the ten financial services companies listed below:

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

Updated 2013 survey data used for the remaining NEOs and other senior executives came from one or more survey sources, including the Hewitt Total Compensation Measurement (TCM) database, the Towers Watson Executive Financial Services survey, the McLagan Partners Investment Management survey, the McLagan Partners Fixed Income Sales and Trading survey, and the McLagan Partners Treasury and Asset Liability Management survey. Because multiple survey sources are used and not all survey participants provide data for each of the remaining NEOs, it is not possible to list the survey participants included in our competitive data analyzed for positions other than the CEO and the principal financial officer.

For executives below the Top 25 whose pay is not determined by the Special Master, our compensation philosophy is to set base salaries and employee benefits at median competitive levels and to set annual incentive compensation to deliver total annual cash and equity compensation up to or exceeding the 75th percentile when warranted by achievement of aggressive performance goals and top quartile competitive performance. If annual performance goals are not achieved, annual incentive compensation is reduced or eliminated, and total annual cash and equity compensation falls to below the market median. The size of long-term equity-based incentive awards relative to total compensation is set annually to ensure senior management maintains an appropriate level of long-term balance in their total compensation and to achieve individual differentiation of total compensation based on performance considerations and retention needs.

Due to the pay restrictions applicable to the NEOs under TARP, including limitations on incentive compensation, total direct compensation rather than individual elements of pay (i.e., base salary, annual incentives, and long-term incentives) is set to be competitive.

The Committee sets proposed total direct compensation levels for each of the NEOs based on his or her job responsibilities. Once the Committee determines and approves the proposed compensation packages for the NEOs, they are submitted to the Special Master for approval. The Special Master then reviews the proposed packages to determine if they are aligned with TARP requirements and set at appropriate market levels. The Special Master subsequently issues a Determination Letter, specifying the final design and allocation of total pay approved for the NEOs. At the end of the year, with the exception of 2012 for which there was no incentive compensation included in the NEO pay packages, the Committee reviews the performance of the NEOs relative to their individual objectives and determines the percentage of incentive compensation (i.e., the IRSUs) eligible to be awarded to each NEO.

## **Table of Contents**

### **Role of Management in Compensation Decisions**

Compensation recommendations for the NEOs other than the CEO are presented to and discussed with the Committee by the CEO. The Committee then determines and approves the proposed compensation for the NEOs, which is submitted to the Special Master for final approval.

The Committee determines and approves the compensation of the CEO without the recommendation of management.

### **Components of Ally Compensation Program**

#### ***Special Master's 2013 Determination Letter***

Pursuant to Treasury's Interim Final Rule on TARP Standards for Compensation and Corporate Governance, the Special Master determined the compensation structure for the NEOs for 2013. For 2012, the Special Master issued a Supplemental Determination Letter that the portion of total compensation previously in the form of long-term IRSUs would be payable as equity based salary in the form of deferred stock units (DSUs) under a modified compensation structure more appropriate for the strategic business issues resulting from the 2012 bankruptcy filing of our former mortgage subsidiary. The modified structure continued to be in place for the first half of 2013, after which, under the Special Master's 2013 Determination Letter, IRSUs were again included in the compensation program for NEOs and the next 20 highest-compensated employees. The Chairman of the Ally Financial Inc. Board of Directors asked the Special Master to reconsider the compensation structure described below. However, the Office of the Special Master declined to modify the structure.

The compensation structure for the Top 25 approved by the Special Master in 2013 and then adopted by the Committee are as follows:

No increase in cash salaries for any Top 25 employee.

DSUs earned by the CEO in 2013 are payable in three equal, annual installments beginning on the first anniversary of grant.

For other Top 25 employees, DSUs earned in 2013 are payable in three equal installments: the first on the final payroll date of 2013, the second ratably over 2014 and the third ratably over 2015.

Ten percent of Ally's compensation opportunities, effective July 1, 2013, should be in the form of long-term incentive awards payable upon the achievement of specified, objective performance criteria provided to the Special Master and vested after three years of service. Even if vested, as required by the Interim Final Rule, all IRSU awards may be paid only in 25% installments as Ally repays its TARP obligations in 25% increments, and will otherwise be forfeited.

#### ***Base Salary***

Under our compensation philosophy, base salary is intended to provide a predictable level of compensation that is competitive in the marketplace for the position responsibilities and individual skills, knowledge, and experience of each executive. However, the pay restrictions under TARP significantly limit the form and amount of cash base salary paid in 2013. As a result, a significant portion of total direct compensation is delivered in the form of equity-based salary. Beginning in March 2010, all of the CEO's salary has been equity-based.



**Table of Contents**

The following table shows base salaries paid to the NEOs in 2013.

NEO	Cash (\$)	2013 Base salary Equity (Deferred stock units) (\$)	Total (\$)
Michael A. Carpenter		9,025,000	9,025,000
Jeffrey J. Brown	600,000	3,577,997	4,177,997
Barbara Yastine	600,000	4,327,989	4,927,989
William Muir	600,000	3,200,450	3,800,450
William Solomon	500,000	1,713,950	2,213,950
James G. Mackey	477,886	2,081,456	2,559,342

Equity salary is delivered in the form of DSUs, which are immediately vested, but are subject to restrictions on the timing of payout. Except for the CEO, DSUs and deferred cash earned in 2013 will be payable in three equal installments: the first on the final payroll date of 2013, the second ratably over 2014 and the third ratably over 2015. DSUs earned by the CEO in 2013 are payable only in three equal, annual installments beginning on the first anniversary of grant.

**Annual Cash Incentives**

All NEOs were ineligible to receive annual cash incentives in 2013 due to restrictions under TARP and will continue to be ineligible for as long as the TARP restrictions on executive compensation are in place.

**Long-term Equity-based Incentives**

For 2013, the Special Master determined that 10% of compensation effective July 1, 2013, should be paid as long-term equity-based incentives in the form of IRSUs to have an incentive compensation component in the total direct compensation opportunity for our NEOs, and to provide retention and alignment with shareholder interests. Due to the restrictions under TARP, grants of long-term IRSUs are the only incentive compensation permitted for the NEOs and the next 20 highest-compensated employees.

The long-term IRSU awards granted in 2013 to the Top 25 vest two-thirds after two years from the date they were granted and in full three years from the date they were granted. After the vesting requirement is met, the NEOs will receive payouts as the Company repays its TARP obligations. Payouts will be made in 25% increments based on the percentage of TARP obligations that have been repaid, as determined in accordance with the established guidelines for determining repayment. As of December 31, 2013, Ally had repaid 75% of its TARP obligations, as determined in accordance with the established guidelines. Therefore, 75% of IRSUs granted will be immediately payable to recipients upon the vesting dates.

**Incentive Compensation Determination for the NEOs**

For 2013, the Special Master determined that commencing July 1, 2013, 10% of Ally's compensation structure should be in the form of long-term incentive awards. As noted above, IRSU awards are the only permitted incentive compensation for the NEOs. Individual goals and objectives related both to Ally performance and individual performance including the performance of the individual's business unit or function were set for the awarding of incentive compensation at year-end.

Based on its reviews of Ally and individual performance, the Committee granted the IRSU awards to the NEOs in December as indicated in the Summary Compensation Table. The value of each IRSU award granted was determined at the end of the year primarily based on the 2013 performance of Ally relative to Company objectives and accomplishments and the Committee's judgment of how each NEO performed relative to his or her individual objectives, including adherence to standards set by Ally's risk, audit, model validation, loan review and compliance functions. In its determination process, the Committee did not employ any formula or

**Table of Contents**

quantitative adjustment methodology, but relied instead on its overall assessment of the individual s performance against stated objectives and its subjective judgment regarding the individual s contribution to the Company s annual performance. Forms of compensation other than IRSUs were not impacted by these reviews since they were set at the permitted levels in accordance with the applicable TARP restrictions on executive compensation.

The significant 2013 performance objectives and accomplishments for Ally are discussed in the CEO Compensation section below. Each NEO was responsible for various contributions to achieve these enterprise-wide objectives. Below is a listing of the overall responsibilities of each NEO, along with the NEO s significant individual 2013 performance objectives and applicable 2013 accomplishments. In addition to the performance objectives and accomplishments listed below, in determining the incentive compensation amounts for the NEOs, the Committee also considered the overall financial performance of Ally for 2013.

*CEO Compensation*

*Michael A. Carpenter* Chief Executive Officer of Ally since November 2009 and a member of the Ally Board of Directors since May 2009. Mr. Carpenter oversees all Ally strategy and operations to focus on strengthening the core businesses, accelerating repayment of Treasury s investment and driving toward near-term TARP exit. The 2013 performance objectives and accomplishments for Mr. Carpenter are included in the table below. In making the incentive compensation award determination for Mr. Carpenter, the Committee considered the performance objectives and accomplishments of Ally.

<b>2013 Performance Objectives</b>	<b>2013 Accomplishments</b>
Continue to grow our leading automotive services operation	Increased consumer automobile financing originations for new and used vehicles Honored with 2013 Auto Finance Excellence Award by Auto Finance News for success and contributions to the automotive finance industry
Grow Ally Bank by building upon its unique consumer value proposition	Achieved strong deposit growth and high CD retention rates at Ally Bank Ally Bank was named Money Magazine Best Online Bank for the third consecutive year
Complete the sale and separation of legacy businesses to reduce risk and best position the company to thrive	ResCap s bankruptcy process has been completed and Ally s legacy mortgage issues have been largely addressed
Improve competitiveness through lower funding costs and enhanced balance sheet management	Improved cost of funds through reduction in high cost unsecured debt and increased deposits
Position Ally to repay Treasury as soon as practical	Repaid \$5.9 billion to Treasury in November leading to a total repayment of \$12.3 billion thus far, reflecting more than 70% of the investment made in the Company

*Other NEO Compensation*

Mr. Carpenter, in consultation with the Committee and the Board, established the priorities for Ally and each NEO at the beginning of the year. Each is a member of the Management Council, a group which is responsible for the strategic direction and overall performance of the Company. Each NEO plays a key role in the stewardship and overall success of Ally and achievement of Ally s established performance objectives. Therefore, the 2013 Ally accomplishments outlined in the CEO Compensation section above were the main deciding factors in determining the incentive compensation awards provided to each NEO for 2013. In addition to the accomplishments of Ally, the Committee also considered each NEO s individual accomplishments discussed below in a non-formulaic manner. When awarding incentive compensation to individual NEOs, the Committee is limited in the awards that can be granted as governed by the TARP compensation rules discussed above. Mr. Mackey was ineligible for a 2013 performance review and incentive compensation as he left the Company prior to year end.

**Table of Contents**

*Jeffrey J. Brown* Senior Executive Vice President of Finance and Corporate Planning of Ally since June 2011. Mr. Brown oversees the finance, treasury and corporate strategy activities of the Company. In making the incentive compensation award determination for Mr. Brown, the Committee considered the performance objectives and accomplishments of Ally. The significant additional 2013 performance objectives and accomplishments for Mr. Brown are included in the table below.

<b>2013 Performance Objectives</b>	<b>2013 Accomplishments</b>
Enhance strategic flexibility for Ally	Received \$8.4 billion in proceeds related to the sale of the international operations Completed a private placement of \$1.3 billion in Ally common stock
Lead substantial repayment of TARP	Received a non-objection from the Federal Reserve to the Comprehensive Capital Analysis and Review (CCAR) Completed the repurchase of the Mandatory Convertible Preferred securities held by Treasury and the settlement of the share adjustment provision, which led to the repayment of \$5.9 billion
Drive improved funding and operational costs	Continued reduction of cost of funds through enhanced balance sheet management

*Barbara Yastine* Chief Executive Officer and President of Ally Bank since May 2012. Ms. Yastine also continues as chair of Ally Bank, a position she assumed when she joined Ally in 2010. In making the incentive compensation award determination for Ms. Yastine, the Committee considered the performance objectives and accomplishments of Ally. The significant additional 2013 performance objectives and accomplishments for Ms. Yastine are included in the table below.

<b>2013 Performance Objectives</b>	<b>2013 Accomplishments</b>
Grow retail deposits	Retail deposits grew by more than 20 percent Total deposits now represent more than 40 percent of Ally's funding profile
Increase customer base	Customer base grew 30 percent year-over-year
Risk framework and controls	Continued to maintain strong risk culture, with emphasis on transparency and teamwork, addressing issues quickly and aggressively

*William Muir* President of Ally Financial Inc. since 2004. Mr. Muir oversees the Company's automotive finance, insurance, vehicle remarketing, and service operations. Mr. Muir is also a member of the Ally Bank board of directors. In making the incentive compensation determination for Mr. Muir, the Committee considered the performance objectives and accomplishments of Ally. The significant additional 2013 performance objectives and accomplishments for Mr. Muir are included in the table below.

<b>2013 Performance Objectives</b>	<b>2013 Accomplishments</b>
Capitalize on opportunities in the automotive finance business	Ally's industry leading automotive finance franchise remained well positioned, despite significant competition Strong automotive net financing revenue growth
Strengthen and grow dealer relationships with Ally's leading insurance operations	Growth in the number of dealers participating in Ally's insurance services

**Table of Contents**

*William Solomon* General Counsel of Ally since 1999. Mr. Solomon is responsible for providing all legal services to Ally through the oversight of outside counsel and staff. In making the incentive compensation award determination for Mr. Solomon, the Committee considered the performance objectives and accomplishments of Ally. The significant additional 2013 performance objectives and accomplishments for Mr. Solomon are included in the table below.

<b>2013 Performance Objectives</b>	<b>2013 Accomplishments</b>
Provide effective legal support for all strategic business initiatives	Supported the sale of the discontinued international businesses
Risk framework and controls	Supported the conclusion of the ResCap bankruptcy
Reduce cost of obtaining outside legal services	Managed completion of two-year review of business operations for legal risk assessments
	Oversaw various alternative fee and counsel management programs for ad hoc projects and routine matters

**Benefits and Perquisites**

We provide our NEOs with health and welfare benefits under the broad-based program generally available to all of our employees. This allows them to receive certain benefits that are not readily available to individuals except through an employer and to receive certain benefits on a pretax basis. Our benefit program includes the Ally Retirement Savings Plan. We provide the savings plan in lieu of higher current cash compensation to ensure that employees have a source of retirement income and because these plans enjoy more favorable tax treatment than current compensation. Under this plan, employee contributions of up to 6% of salary were matched 100% by Ally. The plan also provided a 2% nonmatching contribution on both salary and annual cash incentives, which fully vests after being employed for three years, and a 2% nonmatching discretionary contribution on salary in light of the Company's 2013 performance.

Ally suspended nonqualified contributions to its Retirement Savings Plan in 2009 and did not make any additional nonqualified contributions in 2013. Therefore, employer contributions for 2013 were made only under the qualified portion of the plan only which limits contributions to pay up to \$255,000.

In addition to broad-based benefits, the NEOs are provided with limited supplemental benefits and perquisites to remain competitive in attracting and retaining executive talent. For 2013, in accordance with the TARP restrictions, the total value of these perquisites and supplemental benefits was capped at \$25,000.

**Long-term Compensation Structure**

Based on the compensation structure for 2013, long-term equity-based compensation, represented by DSUs and IRSUs, comprises a significant portion of each NEOs total compensation. The long-term equity-based portion of total compensation for each NEO and its associated percentage of total compensation for 2013 are as follows.

<b>Name</b>	<b>Total compensation (\$)</b>	<b>Long-term equity-based compensation</b>	
		<b>Dollar amount awarded (\$)</b>	<b>Percent of total compensation (%)</b>
Michael A. Carpenter	9,547,517	9,500,000	99.5%
Jeffrey J. Brown	4,428,824	3,797,892	85.8%
Barbara Yastine	5,216,583	4,587,357	87.9%
William Muir	4,032,411	3,400,000	84.3%
William Solomon	2,367,076	1,830,000	77.3%
James G. Mackey	2,585,578	2,081,456	80.5%

**Table of Contents****Employment Agreements and Severance**

Ally currently has no employment agreement with any of the NEOs.

As a condition to participating in TARP, Ally's NEOs and the next five most highly compensated employees are not eligible for any severance in the event of termination of employment. These restrictions apply until Ally repays its TARP obligations.

**Clawback Provisions**

In connection with the risk assessment Ally conducted in 2013, the Company has reviewed all of its incentive compensation programs to ensure they include language allowing the Company to recoup incentive payments made to recipients in the event those payments were based on financial statements that are later found to be materially inaccurate. Incentive plans that did not include such language were revised to allow for incentive payments to be recovered. A recipient who fails to promptly repay Ally under such circumstances is subject to termination of employment.

**Post-TARP Compensation**

Upon our exit from TARP, we will review and revise our executive compensation programs to align them with market practice and our business goals. As a result, we expect our senior executives will receive cash base salaries and both annual and long term incentive compensation opportunities, including equity based long term incentive compensation opportunities.

**Summary Compensation Table**

The following table shows compensation for any person serving as principal executive officer or principal financial officer during 2013, as well as Ally's next three most highly compensated executive officers.

Name and principal position	Year	Salary	Stock	All other	Total
		(\$ (a))	awards (\$ (b) (c) (d))	compensation (\$ (e))	(\$)
Michael A. Carpenter Chief Executive Officer	2013		9,500,000	47,517	9,547,517
	2012		9,500,000	57,119	9,557,119
	2011		9,500,000	43,077	9,543,077
Jeffrey J. Brown Senior Executive Vice President of Finance and Corporate Planning	2013	600,000	3,797,892	30,932	4,428,824
	2012	600,000	3,797,892	30,167	4,428,059
	2011	600,000	3,743,678	29,609	4,373,287
Barbara Yastine Chief Executive Officer and President, Ally Bank	2013	600,000	4,587,357	29,226	5,216,583
	2012	600,000	4,587,357	28,599	5,215,956
	2011	600,000	4,587,357	27,950	5,215,307
William Muir President	2013	600,000	3,400,000	32,411	4,032,411
	2012	600,000	3,400,000	31,723	4,031,723
	2011	509,000	3,147,280	30,595	3,686,875
William Solomon General Counsel	2013	500,000	1,830,000	37,076	2,367,076
	2012	477,886	2,081,456	26,236	2,585,578
	2011	550,000	2,450,000	30,904	3,030,904
James G. Mackey Chief Financial Officer	2013	550,000	2,305,738	29,653	2,885,391

- (a) The amounts shown as salary represent the cash portion of base salary and do not include the DSU award values that are part of the executive's base salary and are shown as stock awards in this table.

**Table of Contents**

- (b) The 2013 total represents the grant date fair value of the Ally DSU and IRSU awards granted in 2013 as determined by the Ally Board of Directors. The 2013 total is not necessarily the cash payment received. For a further discussion, see footnote (a) in the Outstanding Equity Awards at 2013 Fiscal Year End Stock Awards section below and Note 23 to our Consolidated Financial Statements. The grant amounts for each NEO for 2013 are displayed in the following table.

Name	2013 DSU (\$)	2013 IRSU (\$)	Total (\$)
Michael A. Carpenter	9,025,000	475,000	9,500,000
Jeffrey J. Brown	3,577,997	219,895	3,797,892
Barbara Yastine	4,327,989	259,368	4,587,357
William Muir	3,200,450	199,550	3,400,000
William Solomon	1,713,950	116,050	1,830,000
James G. Mackey	2,081,456		2,081,456

- (c) The 2012 total represents the grant date fair value of the Ally DSU awards granted in 2012 and is not necessarily the cash payment received. The grant amounts for each NEO for 2012 are displayed in the following table.

Name	2012 DSU (\$)	2012 IRSU (\$)	Total (\$)
Michael A. Carpenter	9,500,000		9,500,000
Jeffrey J. Brown	3,797,892		3,797,892
Barbara Yastine	4,587,357		4,587,357
William Muir	3,400,000		3,400,000
James G. Mackey	2,450,000		2,450,000

- (d) The 2011 total represents the grant date fair value of the Ally DSU and IRSU awards granted in 2011 and is not necessarily the cash payment received. The grant amounts for each NEO for 2011 are displayed in the following table.

Name	2011 DSU (\$)	2011 IRSU (\$)	Total (\$)
Michael Carpenter	8,000,000	1,500,000	9,500,000
Jeffrey J. Brown	2,350,000	1,393,678	3,743,678
Barbara Yastine	2,858,238	1,729,119	4,587,357
William Muir	1,931,520	1,215,760	3,147,280
James G. Mackey	1,353,825	951,913	2,305,738

- (e) Refer to the *All Other Compensation in 2013* section for further details.

**All Other Compensation in 2013**

	Michael A. Carpenter	Jeffrey J. Brown	Barbara Yastine	William Muir	William Solomon	James G. Mackey
Financial counseling (a)	\$ 3,500	\$ 3,500	\$	\$	\$ 3,500	\$ 3,500
Liability insurance (b)	458	458	458	883	458	420
Total perquisites	3,958	3,958	458	883	3,958	3,920
Life insurance (c)	18,059	1,380	3,174	5,934	7,524	1,672
401(k) matching contribution (d)	25,500	25,500	25,500	25,500	25,500	20,400
Other (e)		94	94	94	94	244
Total all other compensation	\$ 47,517	\$ 30,932	\$ 29,226	\$ 32,411	\$ 37,076	\$ 26,236

- (a) We provide a taxable allowance to certain senior executives for financial counseling, tax preparation and estate planning services. Costs associated with this benefit are reflected in the table above, based on the actual charge for the services received. Any taxes assessed on the imputed income for the value of this service are the responsibility of the executive.

**Table of Contents**

- (b) We provide a taxable allowance for a personal umbrella liability insurance for certain executives. Any taxes assessed on the imputed income for the value of this service are the responsibility of the executive.
- (c) Represents tax value of the Company provided life insurance for 2013.
- (d) Represents the employer contribution, Company match contribution, and discretionary contribution made to the employees 401(k) fund.
- (e) Represents a \$150 wellness credit for participating in and completing various wellness initiatives as part of a company-wide wellness program and a \$94 award.

**Grants of Plan-based Awards in 2013 Estimated Future Payments under Equity Incentive Plan Awards**

The following table represents Ally DSU and IRSU awards, which are stated in phantom shares.

Name	Award	Grant Date (a)	All other stock awards: number of shares or unit of stock (b)	Grant date fair value of stock or unit awards \$(c)
Michael A. Carpenter	DSU		1002.8	9,025,000
	IRSU	12/18/2013	52.8	475,000
Jeffrey J. Brown	DSU		397.6	3,577,997
	IRSU	12/18/2013	24.4	219,895
Barbara Yastine	DSU		480.9	4,327,989
	IRSU	12/18/2013	28.8	259,368
William Muir	DSU		355.6	3,200,450
	IRSU	12/18/2013	22.2	199,550
William Solomon	DSU		190.4	1,713,950
	IRSU	12/18/2013	12.9	116,050
James G. Mackey	DSU		231.3	2,081,456
	IRSU			

- (a) For all NEOs, DSU awards were granted ratably for each pay period at one rate for the first 6 months of the year and at a different rate for the remaining 6 months of the year as noted in table below.

Name	Awards made: January 1, 2013 - June 30, 2013 (c)	Awards made: July 1, 2013 - December 31, 2013 (c)	Total 2013 \$(c)
Michael A. Carpenter	527.8	475.0	9,025,000
Jeffrey J. Brown	211.0	186.6	3,577,997
Barbara Yastine	254.9	226.0	4,327,989
William Muir	188.9	166.7	3,200,450
William Solomon	101.7	88.8	1,713,950
James G. Mackey	136.1	95.2	2,081,456

- (b) The award grants are expressed as phantom shares of Ally.



Edgar Filing: Ally Financial Inc. - Form S-1/A

- (c) The grant date fair value amounts shown do not reflect realized cash compensation by the NEOs. For a further discussion of the valuation, see footnote (a) in the Outstanding Equity Awards at 2013 Fiscal Year End Stock Awards section below.

**Table of Contents****Outstanding Equity Awards at 2013 Fiscal Year End Stock Awards**

The following table provides information for the named executive officers regarding the Ally IRSU awards outstanding at December 31, 2013.

Name	Grant date	Number of shares or units of stock that have not vested (#) (a) (b)	Market value of shares or units of stock that have not vested (\$) (a)
Michael A. Carpenter	12/19/2011	62.5	562,613
	12/18/2013	52.8	475,000
Jeffrey J. Brown	12/18/2013	24.4	219,895
Barbara Yastine	12/18/2013	28.8	259,368
William Muir	12/18/2013	22.2	199,550
William Solomon	12/18/2013	12.9	116,050
James G. Mackey	12/18/2013		

- (a) Amounts shown represent Ally IRSU awards granted to named executives that have not vested. Each award represents one phantom share of Ally. The fair market value for the phantom shares is determined by the Board at least annually, as required by the Ally Financial Long-Term Equity Compensation Incentive Plan. The fair market value for each phantom share at December 31, 2013 was determined to be \$9,000. During 2013, Sandler O'Neill & Partners, L.P. (Sandler O'Neill), an independent investment banking firm, was engaged to provide certain valuation analyses regarding the fair market value of the Company's common equity securities. The valuation amounts as of December 31, 2013 were determined based on the analyses provided by Sandler O'Neill. The analyses considered, among other things, the stock price performance, on an indexed basis, of publicly traded common stock issued by comparative companies selected by Sandler O'Neill and considered Ally's common stock as if it were freely tradable in the public markets when determining the fair market value of Ally's common equity securities.
- (b) Mr. Carpenter's 62.5 shares represent one-third of his 2011 award. All other NEO's 2011 awards fully vested in 2013 as a result of the Special Master's Supplemental Determination Letter dated June 8, 2012. No 2012 IRSU awards were granted to the NEOs. For 2013, all NEOs receive the same vesting: two-thirds after two years and one-third after the third year. Even if vested, as required by the Interim Final Rule, IRSU awards may be paid only in 25% installments (at their then value) as Ally repays its TARP obligations in 25% increments, and will otherwise be forfeited. The table below represents the amount of the unpaid increments still owed to the NEOs for the IRSU shares that have vested.

Name	Number of shares or units of stock that have vested and are unpaid (#)	Market value of shares or units of stock that have vested and are unpaid (\$) (c)
Michael A. Carpenter	91.9	827,010
Jeffrey J. Brown	127.8	1,149,705
Barbara Yastine	70.0	630,315
William Muir	105.0	945,293
William Solomon	51.6	464,199
James G. Mackey	43.2	388,947

- (c) Amounts shown represent the fair market value of shares or units of stock that have vested and are unpaid. The fair market value of these shares or units were determined as described in footnote (a) above.

**Table of Contents****Options Exercised and Shares Vested in 2013**

During 2013, no stock options were held by the named executive officers.

The following table reflects the Ally IRSU awards that vested in 2013. One-fourth of the value cannot be paid until Ally pays the remaining balance of its TARP obligations.

Name	Number of shares acquired on vesting (#) (a) (b)	Value realized on vesting (\$) (b)
Michael A. Carpenter	367.6	3,308,040
Jeffrey J. Brown	174.2	1,567,888
Barbara Yastine	216.1	1,945,259
William Muir	152.0	1,367,730
William Solomon	49.1	441,563
James G. Mackey		

- (a) Amounts shown include the 2013 vesting of the continued service portion of Mr. Carpenter's 2010 IRSU grants and two-thirds of his 2011 IRSU grant. For the other NEOs, amounts shown include the 2013 vesting of the continued service portion of their 2011 IRSU grants. The 2011 IRSU vesting was modified in 2012 as a result of the Special Master Supplemental letter dated June 8, 2012. Except for Mr. Carpenter, these awards vested after two years of service from the grant date. Even if vested, as required by the Interim Final Rule, these awards may be paid only in 25% installments as Ally repays its TARP obligations in 25% increments (at their then value), and will otherwise be forfeited.
- (b) The value shown as realized for the vested shares is their fair market value as of the vesting date. For purposes of the limitation on payment of IRSUs, the table below provides 75% of the realized value that was paid in 2013 for the vested shares above and an additional 50% payment for vested awards from prior years as was also permissible in 2013 due to Ally's additional repayment of TARP obligations.

Name	Realized value: 75% of 2013 (\$)	Realized value: 50% of Prior Years (\$)
Michael A. Carpenter	2,481,030	1,523,576
Jeffrey J. Brown	1,175,916	1,515,467
Barbara Yastine	1,458,944	288,000
William Muir	1,025,798	1,206,721
William Solomon	331,172	707,617
James G. Mackey		777,894

**Table of Contents****Nonqualified Deferred Compensation in 2013**

The table below reflects year-end balances, Company distributions, and all earnings associated primarily with the Ally nonqualified equalization plan. This plan allows Company contributions to this plan to continue after the IRS maximum limits under our 401(k) plan have been reached.

**Nonqualified deferred compensation**

Name	Plan name	Executive contributions in last FY (\$)	Registrant contributions in last FY (\$)	Aggregate earnings in last FY (\$)	Aggregate withdrawals/distributions (\$)	Aggregate balance at last FYE (\$)
Michael A. Carpenter	DSUs (a) (b)		9,025,000		7,884,532	21,000,201
Jeffrey J. Brown	Nonqualified Benefit					
	Equalization Plan (c)			3,449		30,862
	DSUs (a) (b)		3,577,997		4,454,634	4,245,357
Barbara Yastine	DSUs (a) (b)		4,327,989		5,325,829	5,110,081
William Muir	Nonqualified Benefit					
	Equalization Plan (c)			39,079		253,075
	DSUs (a) (b)		3,200,450		3,695,851	3,746,565
William Solomon	Nonqualified Benefit					
	Equalization Plan (c)			28,973		131,395
	DSUs (a) (b)		1,713,950		1,929,850	1,965,598
James G. Mackey	DSUs (a) (b)		2,081,456		2,540,826	2,546,672

- (a) In 2009, we included DSU awards, which vested at grant date, within the Options Exercised and Shares Vested in 2009 table. Starting in 2010 and continuing in 2013, we have included the DSU award information in the *Nonqualified Deferred Compensation in 2013* table to more accurately reflect the form of the awards.
- (b) The NEOs had outstanding DSU award values at December 31, 2012, of \$19,859,733 for Mr. Carpenter, \$5,121,993 for Mr. Brown, \$6,107,921 for Ms. Yastine, \$4,241,966 for Mr. Muir, \$2,181,498 for Mr. Solomon, and \$3,006,041 for Mr. Mackey.
- (c) Ally maintains a nonqualified benefit equalization plan for highly-compensated employees, including the NEOs. This plan is a nonqualified savings plan designed to allow for the equalization of benefits for highly compensated employees under the Ally 401(k) Program when such employees' contribution and benefit levels exceed the maximum limitations on contributions and benefits imposed by Section 2004 of the Employee Retirement Income Security Act of 1974, as amended, and Section 401(a)(17) and 415 of the Internal Revenue Code of 1986, as amended. This plan is maintained as an unfunded plan and all expenses for administration of the plan and payment of amounts to participants are borne by Ally. Each participant is credited with earnings based on a set of investment options selected by the participant similar to 401(k) investment option to all employees. Pursuant to the Special Master's Determination Letter dated October 22, 2009, contributions to this plan were suspended. Therefore, the amounts shown reflect contributions made by the Company prior to receipt of the Determination Letter.

**Executive Compensation Post-employment and Termination Benefits**

As a condition to participating in TARP, Ally's NEOs and next five highest paid employees waived any right to severance in the event of their termination of employment. These waivers apply until Ally repays its TARP obligations to Treasury.



---

**Table of Contents**

**Ally Financial Inc. 2014 Incentive Compensation Plan**

We have adopted the Ally Financial Inc. 2014 Incentive Compensation Plan (the "2014 Incentive Plan"), which allows us to grant an array of equity-based and cash incentive awards to our NEOs and other employees and service providers (other than our non-employee directors). The purpose of the 2014 Incentive Plan is to motivate and reward those employees and other individuals who are expected to contribute significantly to our success.

*Plan Term.* The 2014 Incentive Plan expires after ten years, unless prior to that date the maximum number of our common shares available for issuance under the 2014 Incentive Plan has been issued or our Board of Directors terminates the 2014 Incentive Plan.

*Authorized Shares.* Subject to adjustment as described below, the maximum number of shares of our common stock available for issuance under the 2014 Incentive Plan, including shares of our common stock to be issued in respect of stock-settled awards granted under the 2014 Executive Performance Plan (discussed below), shall not exceed 7% of the number of our fully diluted shares outstanding immediately following the closing of this offering. No participant may receive under the 2014 Incentive Plan in any three consecutive calendar years stock options and stock appreciation rights that relate to more than 1% of our fully diluted shares outstanding immediately following such closing. Further, in any three consecutive year period, no participant may receive awards of restricted stock, restricted stock units, performance awards and other stock-based awards (to the extent that such awards are denominated in shares and intended to qualify as performance-based compensation for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code")) that relate to more than 0.3% of the number of our fully diluted shares outstanding immediately following such closing. Generally, if an award expires or is canceled, forfeited or settled in cash, then the shares covered by such award again will be available for issuance under the 2014 Incentive Plan. Shares tendered or withheld in payment of an exercise price or for withholding taxes also again will be available for issuance under the 2014 Incentive Plan. It is currently contemplated that all outstanding restricted stock unit awards granted after January 1, 2010 will settle in shares, the number of which will count toward the share availability of the 2014 Incentive Plan described above.

*Administration.* The Committee or such other committee of the Board of Directors as may be designated by the Board of Directors (collectively referred to as the "Committee") administers the 2014 Incentive Plan and has authority to select individuals to whom awards are granted and determine the types of awards and number of shares covered and the terms and conditions of awards, including the applicable vesting schedule, performance conditions and whether the award will settle in cash or shares.

*Types of Awards.* The 2014 Incentive Plan provides for grants of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards (cash-based and share-based) and other stock-based awards.

*Stock Options.* A stock option is a contractual right to purchase shares at a future date at a specified exercise price. Generally, the per share exercise price of a stock option will be determined by the Committee but may not be less than the closing price of a share of our common stock on the grant date. The Committee will determine the date after which each stock option may be exercised and the expiration date of each option; however, no stock option will be exercisable more than ten years from the grant date unless, in the case of non-incentive stock options, the option would otherwise expire during a period during which trading in our common stock is prohibited as a matter of law or company policy, in which case such option will expire 30 days after the end of such prohibition. Stock options that are intended to qualify as incentive stock options must meet the requirements of Section 422 of the Code.

---

**Table of Contents**

*Stock Appreciation Rights.* A stock appreciation right is a contractual right to receive, in cash or shares, an amount equal to the appreciation of one share of our common stock from the grant date. Any stock appreciation right will be granted subject to the same terms and conditions as apply to stock options, as described above.

*Restricted Stock.* Restricted stock is an award of shares of our common stock that are subject to restrictions on transfer and a substantial risk of forfeiture.

*Restricted Stock Units.* Restricted stock units represent a contractual right to receive the value of a share of our common stock at a future date, subject to specified vesting and other restrictions.

*Performance Awards.* Performance awards, which may be denominated in cash or shares, will be earned upon the satisfaction of performance conditions specified by the Committee, which has authority to specify that any other award granted under the 2014 Incentive Plan will constitute a performance award by conditioning the exercisability or settlement of the award upon the satisfaction of performance conditions. The performance conditions with respect to awards that are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code will be limited to overhead costs, general and administration expense, market price of our common stock, cash flow, reserve value, net asset value, earnings, net income, operating income, cash from operations, revenue growth, margin, EBITDA (earnings before interest, taxes, depreciation and amortization), net capital employed, return on assets, stockholder return, reserve replacement, return on equity, return on capital employed, production, assets, unit volume, sales, market share, or strategic business criteria consisting of one or more objectives based on meeting specified goals relating to acquisitions or divestitures, as consistently applied by us where applicable. These performance criteria may be measured on an absolute (*e.g.*, plan or budget) or relative basis. Relative performance may be measured against a group of peer companies, a financial market index or other acceptable objective and quantifiable indices. The amount of any performance awards denominated in cash that is intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code that may be earned in any calendar year may not exceed \$10,000,000.

*Other Stock-Based Awards.* The Committee is authorized to grant other stock-based awards, which may be denominated in our common shares or factors that may influence the value of our common shares, including convertible or exchangeable debt securities, other rights convertible or exchangeable into shares, purchase rights for shares, awards with value and payment contingent upon our performance or business units or any other factors designated by the Committee, including grants of our unrestricted common shares in settlement of awards granted under our 2014 Executive Performance Plan or any successor thereto.

*Eligibility.* Our employees, consultants, advisors and other service providers (other than our non-employee directors) are eligible to receive awards under the 2014 Incentive Plan.

*Adjustments.* If necessary to prevent dilution or enlargement of benefits or potential benefits under the 2014 Incentive Plan, the Committee will adjust equitably the terms of any outstanding awards and the number of our common shares issuable under the 2014 Incentive Plan to reflect any change in our common shares resulting from a dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of our common shares or other securities or any other similar corporate transaction or event affecting our common shares.

*Termination of Service and Change in Control.* Except as otherwise provided in an award agreement, all unvested awards will be forfeited upon a participant's termination of service other than death, disability, retirement, termination as a result of a sale of a business unit, termination by us without cause and a qualifying termination by the participant (as such terms are defined in the 2014 Incentive Plan), in which events all or portions of the participant's unvested

**Table of Contents**

awards will become nonforfeitable and options and stock appreciation rights will be immediately exercisable and will remain outstanding for one year from the date of termination of service. In the event of a change in control (as defined in the 2014 Incentive Plan), all outstanding stock options, stock appreciation rights, restricted stock and restricted stock units not continued in effect or converted into similar awards of the survivor or successor corporation will vest upon the change in control, and all outstanding stock options, stock appreciation rights, restricted stock and restricted stock units so continued or converted will vest upon the occurrence of the participant's termination of service without cause or a qualifying termination by him or her within twelve months following the change in control.

*Amendment and Termination.* Our Board of Directors may amend, alter, suspend, discontinue or terminate the 2014 Incentive Plan, subject to approval of our shareholders if required by the rules of the stock exchange on which our common shares are principally traded or by applicable law. The Committee may amend, alter, suspend, discontinue or terminate any outstanding award. However, no such board or Committee action that would materially adversely affect the rights of a holder of an outstanding award may be taken without the holder's consent. The Committee also may not lower the per share exercise price of a stock option or stock appreciation right or cancel a stock option or a stock appreciation right in exchange for cash or another award when the per share exercise price exceeds the fair market value (other than in connection with a change in control or other corporation transaction necessitating an anti-dilution type adjustment in the outstanding stock options or stock appreciation rights).

*Initial Awards in Connection with This Offering.* In connection with this offering, we plan to make grants of restricted stock units to substantially all of our employees. The grant date fair value of each grant will range from a minimum of \$100 to a maximum of \$1,500, determined by reference to the initial public in this offering for grants made to all employees other than our top 25 most highly compensated employees. These restricted stock units will cliff vest three years from the date of grant and in the case of our U.S.-based employees, settle in shares and in the case of our employees based outside of the United States, settle in cash. Grants of such awards to our top 25 most highly compensated employees will not be made until the Company is no longer subject to TARP, and the number of restricted stock units awarded will be determined by reference to the fair market value of our common shares on the date of the grant.

**Ally Financial Inc. 2014 Executive Performance Plan**

We have adopted the Ally Financial Inc. 2014 Executive Performance Plan (the 2014 Performance Plan), which allows us to grant incentive compensation awards that are intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code to certain executive officers. The purpose of the 2014 Performance Plan is to attract and retain executive officers who can make significant contributions to our success by providing incentives and financial rewards to such executive officers.

*Administration.* The Committee administers the 2014 Performance Plan and has authority to select plan participants, determine the terms and conditions of each incentive award granted under the 2014 Performance Plan, certify the calculation of performance metrics based on which the awards are paid and the amount payable to each participant, determine the time when incentive awards will be paid and the form of such payment, determine whether and to what extent any incentive award will be reduced based on such factors as the Committee deems appropriate in its discretion, determine whether payment of awards may be in cash, in shares of our common stock issuable under our 2014 Incentive Plan, or may be deferred, interpret and administer the 2014 Performance Plan and any instrument or agreement entered into in connection with the 2014 Performance Plan, correct any defect, supply any omission or reconcile any inconsistency in the 2014 Performance Plan or any incentive award in the manner and to the extent that the Committee deems desirable to carry it into effect, establish such rules and regulations and appoint such agents as it deems appropriate for the proper administration of the 2014 Performance Plan, and make any other determination and take any other action that the Committee deems necessary or desirable for administration of the 2014 Performance Plan.

*Eligibility.* Participants of the 2014 Performance Plan are our Chief Executive Officer and other executive officers of the Company or a subsidiary selected by the Committee.



---

**Table of Contents**

*Performance Period.* The performance period underlying each incentive award will be our fiscal year or another period not exceeding five years in length established by the Committee. No later than 90 days after the commencement of each fiscal year, the Committee will designate one or more performance periods for such fiscal year as well as the participants for such performance period(s).

*Incentive Awards.* The incentive award will not exceed 3.0%, in the case of our Chief Executive Officer and 1.5%, in the case of each other participant, of our net income after taxes as reported on a consolidated basis in our audited financial statements for each calendar year in the performance period (with such adjustments not inconsistent with Section 162(m) of the Code as the Committee may deem appropriate, and proportionately adjusted for any portion of the performance period that is less than a full calendar year). The amount of incentive award actually paid to a participant will be determined by the Committee based on factors it deems appropriate and may not exceed the original amount of the incentive award established using the formula above.

*Termination of Service.* All unpaid incentive awards will be forfeited upon a participant's termination of service, except that in the event of the participant's death, disability, retirement, termination by us without cause and a qualifying termination (as such terms are defined in the 2014 Incentive Plan) during a performance period, the Committee may proportionately reduce the incentive award payable to such participant based on the period of his or her actual employment during the applicable performance period.

*Amendment and Termination.* Our Board of Directors may alter, amend, suspend or terminate the 2014 Performance Plan, subject to approval of our shareholders if required by the rules of the stock exchange on which our common shares are principally traded or by applicable law, including Section 162(m) of the Code. No amendment to, or termination of, the 2014 Performance Plan may materially impair the rights of a participant under any incentive award previously granted without such participant's consent.

**Ally Financial Inc. Employee Stock Purchase Plan**

We have adopted the Ally Financial Inc. Employee Stock Purchase Plan (the "ESPP"), the purpose of which is to provide our employees with an opportunity to purchase our stock at a discount and thus encourage broad-based employee ownership of our stock. The ESPP is intended to qualify as an employee stock purchase plan for purposes of Section 423 of the Code.

*Authorized Shares.* The aggregate number of shares authorized for sale under the ESPP will not exceed 1% of our fully diluted shares outstanding immediately following the closing of this offering.

*Administration.* The Committee administers the ESPP and has authority to interpret, construe, apply and make final determinations regarding the ESPP, including authority to determine eligibility under the ESPP and the terms and conditions of any purchase right under the ESPP.

*Offering Period.* The initial offering period under the ESPP will commence on the first trading day following the closing of this offering. This initial offering period will expire not sooner than six months after the consummation of this offering. Subsequently, the ESPP will have consecutive offering periods with a new offering period commencing approximately every six months, as determined by the Committee.

*Eligibility.* Any of our active employees (including active employees of our designated subsidiaries on a given offering date (*i.e.*, the first trading day of an offering period) is eligible to participate in the ESPP; however, employees who are citizens or residents of a non-U.S. jurisdiction may be excluded from participation in the ESPP or an offering if participation is prohibited under applicable local law or if complying with applicable local laws would cause the ESPP or an offering to violate Section 423 of the Code. Additionally, no employee may be granted a purchase right under the ESPP if immediately after the grant such employee would own our capital stock and/or hold outstanding purchase rights to purchase capital stock possessing 5% or more of the total combined voting

## **Table of Contents**

power or value of all classes of our capital stock, or if his or her rights to purchase capital stock under all of our employee stock purchase plans accrues at a rate that exceeds \$25,000 worth of such stock (determined at the fair market value of the shares of such stock at the time such purchase right is granted) for each calendar year in which such purchase right is both outstanding and exercisable.

*Enrollment and Contribution.* An eligible employee may become a participant in the ESPP by completing, within the prescribed enrollment period prior to the applicable offering date, a participation election, at which time he or she may elect to have payroll deductions made on each pay day during the applicable offering period in an amount not exceeding 10% of the compensation he or she receives on each pay day during the offering period. In the case of the initial offering period, each eligible employee will be automatically enrolled in the ESPP prior to the initial offering date, and will be permitted to continue to participate in the ESPP only by making a participant election after the closing of this offering and following our filing of an appropriate Securities Act registration statement relating to shares to be offered under the ESPP.

*Purchase Right.* On the offering date of each offering period, each eligible employee participating in the offering period will be granted a right to purchase on the purchase date (*i.e.*, the last trading day of the offering period) a number of shares determined by dividing such employee's payroll deductions accumulated prior to the purchase date by the applicable purchase price, which will be no less than the lower of 85% of the closing price of a share of our common stock on the offering date (in the case of the initial ESPP offering period, 85% of the initial price to the public in this offering) or 85% of the closing price of a share of our common stock on the purchase date.

*Purchase of Shares.* On the purchase date, the maximum number of shares that may be purchased with the accumulated payroll deductions in the participant's account will be purchased for the participant at the applicable purchase price (as described above). Fractional shares may not be purchased, and any payroll deductions accumulated in a participant's account that are not sufficient to purchase a full share will, at our discretion, be returned to the participant or be retained in the participant's account for the subsequent offering period.

*Delivery of Shares.* As soon as reasonably practicable after each purchase date on which a purchase occurs, we will arrange for the delivery to each participant of the shares purchased to the participant's brokerage or plan account in a form determined by us.

*Withdrawal.* A participant may withdraw all, but not less than all, the payroll deductions credited to his or her account and not yet used to purchase shares under the ESPP by giving notice in a form or manner and time prescribed by us prior each purchase date.

*Termination of Employment.* Unless otherwise determined by us, upon a participant's employment termination for any reason, he or she will be deemed to have elected to withdraw from the ESPP and the payroll deductions credited to his or her account during the offering period but not yet used to purchase shares under the ESPP will be returned to him or her.

*Change in Control.* In the event of a change in control (as defined in the ESPP), the offering period then in progress will be shortened and end on a new purchase date, which will be before the date of the proposed merger or change in control. We will notify each participant in writing, at least ten business days prior to the new purchase date, that the purchase date for the applicable period has been changed to the new purchase date and that shares will be purchased automatically for the participant on the new purchase date. The Committee may provide for an alternative process that provides participants with the economic equivalent of the benefits described above.

*Adjustments.* The Committee may proportionately adjust the maximum number of shares available under the ESPP, the maximum number of shares each participant may purchase during the offering period or over a calendar year under the \$25,000 limitation and the per share price used to determine the purchase price for

## **Table of Contents**

any increase or decrease in the number of issued shares resulting from any nonreciprocal transaction between us and our stockholders (*e.g.*, a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend) that affects our common stock or the price of our common stock and cause a change in the per share value of the shares underlying outstanding purchase rights.

*Amendment and Termination.* Subject to any applicable law or government regulation and to the rules of the stock exchange on which our common shares are principally traded, our Board of Directors may amend, modify, suspend or terminate the ESPP without the approval of our shareholders; however, no amendment may make any change in any purchase right previously granted that adversely affects the rights of any participant without the consent of the affected participant. To comply with Section 423 of the Code, we will obtain shareholder approval of any amendment in such a manner and to such a degree as required. Without shareholder approval and without regard to whether any participant rights may be considered to have been adversely affected, the Committee may change the offering periods, limit the frequency or number of changes in the amount withheld during an offering period, establish the exchange rate applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant to adjust for delays or mistakes in our processing of any properly completed participation election, establish reasonable waiting and adjustment periods, accounting, or crediting procedures to ensure that amounts applied toward the purchase of shares for each participant properly correspond with amounts withheld from the participant's compensation and establish such other limitations or procedures as the CNG Committee determines.

## **Director Compensation**

Employee directors do not receive any separate compensation for their Board activities. Non-employee directors receive the compensation described below.

For 2013, the annual retainer paid to non-employee directors was \$200,000 and was paid entirely in cash. During 2011 and the first quarter of 2012, DSUs had been included in the program for \$110,000 of the annual retainer as part of planning for a potential initial public offering. By their terms, those DSUs settle upon the director's departure from the Board. Beginning with the second quarter of 2012, payment of the annual retainer returned to all cash.

An additional retainer of \$50,000 is paid to each non-employee director who serves as a chair of a standing committee. All non-employee directors who serve as members of committees, including chairs of a committee, are paid additional retainers of \$20,000 each. The Chair of the Board receives an additional retainer of \$250,000, which was paid all in cash, the same as the Board retainer. Meeting fees of \$2,000 for each in-person and telephonic meeting are payable when the Board or any committee meets more than eight times per year.

Non-employee directors are reimbursed for travel expenses incurred in conjunction with their duties as directors. Furthermore, Ally will provide the broadest form of indemnification permitted under Delaware law in connection with liabilities that may arise as a result of their role on the Board, provided that the director satisfies the statutory standard of care.

**Table of Contents**

The following table provides compensation for non-employee directors who served during fiscal 2013.

**2013 Director Compensation Table**

Director name	Fees earned or paid		
	in cash (\$)		
	(a)	(b)	(c)
Robert T. Blakely			338,000
Mayree C. Clark			322,000
John D. Durrett			109,481
Kim S. Fennebresque			296,000
Franklin W. Hobbs			518,000
Marjorie Magner			275,864
John J. Stack			163,286
Henry S. Miller			238,000
Gerald Greenwald			234,042
Brian MacDonald			153,755
Mathew Pendo			178,111

- (a) The retainer and fees for our non-employee directors were prorated based on when each director served on the Board and their respective committees.
- (b) As noted above, the non-employee directors' cash retainer and fees consist of the components in the table below.
- (c) John D. Durrett and John J. Stack also received a cash settlement of outstanding equity awards, made in prior years, equal to \$113,585 and \$135,419, respectively, upon the departure as directors of Ally.

Director Name	Annual cash retainer (\$)	Committee chair or member/chair of		Additional meeting fees (\$)
		Board fees (\$)	Ally Bank Board fees (\$)	
Robert T. Blakely	200,000	90,000		48,000
Mayree C. Clark	200,000	90,000		32,000
John D. Durrett	81,233	16,248		12,000
Kim S. Fennebresque	200,000	70,000		26,000
Franklin W. Hobbs	200,000	290,000		28,000
Marjorie Magner	200,000	49,864		26,000
John J. Stack	63,699	35,035	52,552	12,000
Henry S. Miller	200,000	20,000		18,000
Gerald Greenwald	200,000	20,042		14,000
Brian Macdonald	117,535	10,220		26,000
Mathew Pendo	136,713	13,398		28,000

The following table sets forth the aggregate number of DSUs held by each non-employee director at December 31, 2013. Each DSU represents one phantom share of Ally.

Name

	<b>Number of DSUs (#)</b>
Robert T. Blakely	15.0
Mayree C. Clark	15.0
Kim S. Fennebresque	15.0
Franklin W. Hobbs	32.1
Marjorie Magner	15.0

**Table of Contents**

**Ally Financial Inc. 2014 Non-Employee Directors Equity Compensation Plan**

We have adopted the Ally Financial Inc. 2014 Non-Employee Directors Equity Compensation Plan (the 2014 Directors Plan ), to attract and retain the services of our experienced non-employee directors.

*Types of Awards.* The 2014 Directors Plan provides for grants of stock options, deferred stock units ( DSUs ) and shares of our common stock.

*Plan Term.* The 2014 Directors Plan expires after ten years, unless prior to that date the maximum number of our common shares available for issuance under the 2014 Directors Plan has been issued or our Board of Directors terminates the 2014 Directors Plan.

*Authorized Shares.* Subject to adjustment as described below, the maximum number of shares of our common stock available for awards to be granted under the 2014 Directors Plan will not exceed 0.1% of our fully diluted shares outstanding following the closing of this offering.

*Administration.* The Committee administers the 2014 Directors Plan and has authority to select individuals to whom awards are granted and interpret and administer the 2014 Directors Plan and any instrument or agreement relating to, or award made under, the 2014 Directors Plan.

*Eligibility.* Each member of our Board of Directors who is not our employee is eligible to receive awards under the 2014 Directors Plan.

*Adjustments.* If necessary to prevent diminution or enlargement of benefits or potential benefits under the 2014 Directors Plan, the Committee will adjust equitably the terms of any outstanding awards and the number of our common shares issuable under the 2014 Directors Plan to reflect any change in our common shares resulting from a dividend or other distribution, recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of our common shares or other securities or any other similar corporate transaction or event affecting our common shares.

*Initial Award.* Each director who is in office as of, and will continue in office following, the closing of this offering will receive a one-time initial award of DSUs (with each DSU representing a right to receive the value of one share of our common stock on the terms and conditions set forth in the 2014 Directors Plan and the applicable award agreement) equal to the quotient of (i) \$100,000 divided by (ii) the fair market value of one share of our common stock on the date of such grant, with each fractional DSU rounded up to the nearest whole DSU. Each new director who joins our Board of Directors for the first time following, 2014 will also receive a one-time initial award of DSUs equal to the quotient of (i) \$100,000 divided by (ii) the fair market value of one share of our common stock on the date of such grant, with each fractional DSU rounded up to the nearest whole DSU. Prior to the grant of any initial award, the Company has the right to make adjustments to the amount and form of such award.

*Retainer Award.* Beginning at our first Annual Meeting of Shareholders following the closing of this offering and at each Annual Meeting of Shareholders thereafter, each director who is to continue in service following such meeting will receive an award of DSUs equal to the quotient of (i) \$100,000 divided by (ii) the fair market value of one share of our common stock on the date of such grant, with each fractional DSU rounded up to the nearest whole DSU. Each director who joins our Board of Director following the grant date of an annual award but prior to the date of our next Annual Meeting of Shareholders will receive a prorated annual award. In the event that our first Annual Meeting of Shareholders following the closing of such offering occurs more than one calendar quarter after such closing, each director then in office will be granted a quarterly award of DSUs at the end of each calendar quarter after such closing until such Annual Meeting of Shareholders, in an amount determined as provided above, using \$25,000 as the numerator. Any director who joins our Board of Directors

**Table of Contents**

between grants of such quarterly awards will receive a pro-rated quarterly award. Prior to the grant of any retainer award or prorated retainer award, the Committee has the right to make adjustments to the amount and form of such award.

*Vesting and Settlement.* Each initial award, retainer award and prorated award will vest and settle pursuant to the terms of the applicable award agreement. We currently anticipate that initial awards will be subject to quarterly vesting over one year from date of grant, retainer awards will be immediately vested upon grant and all awards will settle in shares upon the directors' termination of service.

*Termination of Service and Change in Control.* Except as otherwise provided in an award agreement, all unvested awards will be forfeited upon a participant's termination of service other than death and disability, in which events all of the participant's unvested awards will become nonforfeitable. In the event of a change in control (as defined in the 2014 Incentive Plan), all outstanding awards will vest and be immediately due and payable.

*Amendment and Termination.* Our Board of Directors may amend, alter, suspend, discontinue or terminate the 2014 Directors Plan, subject to approval of our shareholders if required by the rules of the stock exchange on which our common shares are principally traded or by applicable law. The Committee may also amend, alter, suspend, discontinue or terminate any outstanding award. However, no such Board or Committee action that would materially adversely affect the rights of a holder of an outstanding award may be taken without the holder's consent.

**Table of Contents****CERTAIN STOCKHOLDER AGREEMENTS****Stockholders Agreements**

In connection with the private placement of \$1.3 billion of common stock that consummated in November 2013, FIM and Treasury entered into separate agreements with Ally, each dated August 19, 2013 (the Relinquishment Agreements), pursuant to which each of Ally, FIM and Treasury irrevocably relinquished and surrendered all rights, privileges and powers afforded to such party and releasing all obligations and duties owed or required to be performed under the Amended and Restated Governance Agreement, dated May 21, 2009 (the Governance Agreement) made by and among Ally, FIM, Treasury and other parties thereto. Upon effectiveness of the Relinquishment Agreements, Ally, FIM and Treasury released all parties that had signed a Joinder Agreement to the Governance Agreement from their obligations to be bound by, and subject to, all the terms and conditions of the Governance Agreement.

On August 19, 2013, Ally, FIM and Treasury entered into the Stockholders Agreement in order to memorialize certain understandings relating to the composition of the Board of Directors of the Company.

Pursuant to the Stockholders Agreement, the Board will continue to be comprised of 11 directors. Treasury and FIM have agreed to vote their shares of common stock of Ally in order to effectuate the Board composition described in the below table (and Ally will nominate the individuals for election to the Board that are designated as set forth below):

	Percentage of Outstanding Common Stock held by Treasury			
	9.9% - 19.9%	20.0% - 35.5%	35.6% - 49.9%	50.0% and greater
Directors designated by Treasury ( Treasury Designated Directors )	1	2	4	6
Directors designated by FIM or, under certain circumstances, Cerberus Capital Management, L.P. or its affiliates ( Cerberus Designated Director )	1	1	1	1
Chief Executive Officer of Ally ( Management Designated Director )	1	1	1	1
Independent Directors	8	7	5	3

Independent Directors will be appointed by a majority vote of the Treasury Designated Directors, the Cerberus Designated Director and the Management Designated Director, which majority must include at least one Treasury Designated Director. However, following any time that the percentage of outstanding common stock of Ally held by Treasury is 35.5% or less or following the consummation of a sale of common stock by Treasury, other than in an initial public offering, to any person, together with its affiliates, purchasing 20.0% or more of the outstanding shares of Ally's common stock resulting in Treasury holding less than 50.0% of Ally's outstanding common stock, the Independent Directors shall be nominated by the Board and elected by stockholder vote as set forth in Ally's Amended and Restated Bylaws. The Stockholders Agreement does not alter the composition of the current Board.

FIM will lose the right to designate a director when FIM and its affiliates collectively cease to own at least 5.0% of the then outstanding common stock. In addition, for so long as FIM and its affiliates hold at least 2.5% of the then outstanding common stock, they will be entitled to appoint one non-voting observer to the Board.

Additionally, for so long as Treasury and its affiliates hold at least 10% of the then outstanding common stock, they will be entitled to appoint one non-voting observer to the Board.

Pursuant to its terms, the Stockholders Agreement will terminate and be of no further force or effect upon the earliest of (i) the date that Treasury ceases to hold at least 9.9% of the common stock, (ii) with respect to FIM, the date FIM and its affiliates cease to own any common stock, and (iii) written agreement of Ally, Treasury and FIM.



---

## **Table of Contents**

The Stockholders Agreement provides that, in connection with this offering, the Stockholders Agreement will automatically terminate and the parties will endeavor in good faith to enter into appropriate arrangements with respect to the future governance of Ally, and that such arrangements will include an agreement of the Company to nominate a person designated by FIM to the Board so long as FIM and its affiliates collectively hold at least 5% of the then outstanding common stock.

### **Voting Agreement**

In connection with this offering, we have entered into a voting agreement with Treasury. The voting agreement provides that, effective upon the consummation of this offering and until the termination of the voting agreement, Treasury will vote its shares of our common stock at any meeting (whether annual or special) with respect to each matter on which common stockholders are entitled to vote, other than a designated matter, in the same proportion as all other shares of the common stock are voted with respect to each such matter. Designated matters are (i) the election and removal of directors, (ii) the approval of any merger, consolidation, statutory share exchange or similar transaction that requires the approval of our stockholders, (iii) the approval of a sale of all or substantially all of our assets or property, (iv) the approval of our dissolution, (v) the approval of any issuance of our securities on which common stockholders are entitled to vote, (vi) the approval of any amendment to our amended and restated certificate of incorporation or bylaws on which common stockholders are entitled to vote and (vii) the approval of any other matters reasonably incidental to clauses (i) through (vi) as determined by Treasury.

The rights, restrictions, and obligations under the voting agreement shall terminate when Treasury beneficially owns less than 2% of the shares of our common stock then issued and outstanding.

### **Registration Rights Agreement**

Pursuant to a Registration Rights Agreement, which is included as Exhibit F to Ally's current Bylaws, Ally granted eligible holders registration rights with respect to certain securities of the Company.

For purposes of the Registration Rights Agreement, registrable securities consist of Ally's common stock and all equity securities issued or otherwise distributed in respect of Ally's common stock in a stock or other equity split or combination, or a stock or other equity dividend, or in connection with certain specified events, including a merger, conversion, recapitalization, reclassification or reorganization, in each case held by eligible holders. Eligible holders include holders of Common Membership Interests of GMAC LLC as of May 22, 2009 and holders that acquired registrable securities from such persons in transactions not consummated on a national securities exchange and not registered under the Securities Act.

Any particular registrable securities shall cease to be registrable securities for purposes of the Registration Rights Agreement when they have been distributed to the public through a registered offering, when they have otherwise been sold on a national securities exchange and when they have been repurchased by Ally or a subsidiary of Ally.

### ***Shelf Registrations***

The Registration Rights Agreement provides that, subject to certain limitations, at any time that Ally is eligible to use Form S-3, Ally will file a shelf registration statement covering all registrable securities and, if such shelf registration statement is not automatically effective, use commercially reasonable best efforts to cause the shelf registration statement to be declared effective. Once it is effective, Ally is required to use commercially reasonable best efforts to keep the shelf registration statement continuously effective and usable for resale of registrable securities until there are no registrable securities held by eligible holders or all registrable securities may be sold without restriction under Rule 144.

The Registration Rights Agreement provides that, subject to limitations described below, any holder with registrable securities registered pursuant to a shelf registration may effect an underwritten offering of its registrable securities after delivery of advance notice to the Company, provided that the Company is not required

---

## **Table of Contents**

to facilitate an underwritten offering unless either registrable securities representing at least 2% of the then outstanding class of such registrable securities are proposed by the eligible holders to be included in such offering or the expected aggregate gross proceeds from such offering exceed \$200 million. The other holders shall have the right to elect to include in such underwritten offering such portion of their registrable securities as they may request, subject to underwriter cutback provisions.

### ***Demand Registration Rights***

So long as Ally does not have an effective shelf registration statement with respect to the registrable securities, any eligible holder may request registration of all or a portion of its registrable securities (a Demand Registration). Demand Registrations are limited to registration of an aggregate number of registrable securities representing at least 2% of the outstanding class of such registrable securities or registrable securities having a value of at least \$200 million. Ally shall not be obligated to effectuate more than three Demand Registrations in any 12-month period or any non-underwritten offering for registrable securities that could otherwise be sold without restriction under Rule 144. Additionally, Ally may postpone for up to 90 days the filing or effectiveness of, or, if already effective, suspend a Demand Registration upon a good faith determination by the Board of Directors that the failure to do so would have a material adverse effect on certain proposed transactions. However, the Company may not delay a Demand Registration more than once in any 12-month period and only if holders of similar securities with registration rights have been subject to a similar limitation.

### ***Piggyback Registration Rights***

Provided that a shelf registration statement is not in effect at the time, any time Ally proposes to register equity securities under the Securities Act or proposes to undertake an underwritten offering of equity securities (each a Piggyback Registration), Ally must, subject to certain limitations, promptly notify all eligible holders of registrable securities of its intention to do so and must include, on the same terms and conditions, any registrable securities that are requested to be included by such eligible holders in writing.

### ***Holdback Agreements***

Ally may not effect any public sale or distribution of equity securities (1) during the 10-day period preceding and the 75-day period following the effective date of any underwritten Demand Registration or Piggyback Registration or (2) the period commencing on the date Ally is notified that an eligible holder intends to undertake an underwritten shelf offering and ending 75 days after commencement of such underwritten shelf offering, unless the managing underwriters agree to a shorter period.

If Ally has previously filed a registration statement with respect to registrable securities pursuant to a Demand Registration or a Piggyback Registration or if an underwritten shelf offering has commenced, Ally may not file or cause or permit to be effective any other registration of any of its equity securities until at least 60 days have elapsed from the relevant effective date or commencement date, as applicable.

As of the date hereof, certain provisions restricting such common stockholders' ability to sell their stock have expired, and, as a result, the Registration Rights Agreement no longer contains any restrictions on these holders' ability to sell their stock.

### ***Indemnification and Contribution***

Under the Registration Rights Agreement, Ally agrees, subject to certain limitations, to indemnify each holder of registrable securities, its officers, directors, managers and partners, and each person controlling such holder against all losses, claims, actions, damages, liabilities and expenses in certain circumstances and to pay any expenses reasonably incurred in connection investigating, preparing or defending these actions; except insofar as the same are caused by or contained in any information furnished in writing to the Company by such

**Table of Contents**

holder expressly for use therein or by such holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same.

To the extent indemnification is not available to the indemnified party for the losses, claims, actions, damages, liabilities and expenses otherwise covered by indemnification, such party would be entitled to contribution from us.

**Letter Agreement with Treasury**

On February 17, 2011, Ally and Treasury entered into a letter agreement in connection with this offering which provides, among other things, that Ally will pay all underwriting discounts and commissions, transfer taxes and transaction fees, if any, applicable to the sale of the common stock and the fees and disbursements of counsel for the selling security holder incurred in connection with the sale.

**Table of Contents**

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Certain relationships and related transactions are described below.

**Relationship with General Motors**

At December 10, 2013, GM's ownership interest in Ally common stock was reduced to zero. However, prior to this time, GM was a related person within the meaning of applicable SEC rules.

**Products and Services Provided to GM**

We provide various products and services to GM on terms comparable to those we provide to third parties. Except as described below, we currently expect to continue to provide these services to GM on an ongoing basis. These products and services include the following:

We provide wholesale and term-loan financing to dealerships that are either wholly owned by GM or in which GM has a controlling interest. The majority of these dealerships are located in the United States. At December 31, 2013, 2012, and 2011, finance receivables and loans to dealerships owned or majority-owned by GM totaled \$136 million, \$260 million and \$304 million, respectively.

We provided operating leases to GM-affiliated entities for buildings with a net book value of \$61 million and \$59 million at December 31, 2012, and 2011 respectively. At December 31, 2013, there were no outstanding operating leases to GM-affiliated entities for buildings. The income statement effects of these lease revenues were \$2 million, \$8 million and \$6 million during the years ended December 31, 2013, 2012, and 2011, respectively.

The income statement effects for interest on notes receivable from GM were \$7 million and \$37 million during the years ended December 31, 2012, and 2011, respectively. There was no income statement effect for interest on notes receivable from GM during the year ended December 31, 2013.

We have other lease arrangements whereby we lease facilities to GM whereby we have advanced \$1 million, \$3 million and \$12 million at December 31, 2013, 2012, and 2011, respectively. There was not an income statement effect for leasing revenues under these arrangements for the year ended December 31, 2013. For the years ended December 31, 2012 and 2011, the income statement effects for leasing revenues under these arrangements were \$1 million and \$3 million, respectively.

We provide insurance to GM for certain vehicle service contracts. We have recognized insurance premiums for that coverage of \$77 million, \$101 million and \$122 million for the years ended December 31, 2013, 2012, and 2011, respectively.

GM may elect to sponsor financing incentive programs for wholesale dealer financing, which is known as wholesale subvention. The income statement effects of wholesale subvention and service fees were \$63 million, \$177 million and \$163 million for the years ended December 31, 2013, 2012, and 2011, respectively.

We provide certain other services to GM for which they reimburse us. The income statement effects for these services were \$17 million for the year ended December 31, 2013. The corresponding accounts receivable balance was \$2 million at December 31, 2013.

---

**Table of Contents**

**Support Services Provided by GM**

GM historically has provided a variety of support services for our business, and we reimburse GM for the costs of providing these services to us. In addition, GM supports us by reimbursing us for certain programs it has with its customers or for expenses we may experience due to their business operations. The services GM provides us, including reimbursement arrangements, include:

GM may elect to sponsor incentive programs (on both retail contracts and leases) by supporting financing rates below standard rates at which we purchase retail contracts. In addition, under residual support programs, GM may upwardly adjust residual values above the standard lease rates. The subvention related receivables were \$119 million, \$172 million and \$129 million at December 31, 2013, 2012, and 2011, respectively.

GM provides lease residual value support as a marketing incentive to encourage consumers to lease vehicles. Examples of incentives include rate support and residual support in the form of an upfront cash payment to Ally, which reduces our base in the operating lease asset, thus requiring less depreciation expense over the life of the lease. For the years ended December 31, 2013 and 2012, the income from GM for residual support was \$15 million and \$5 million, respectively. The expense from GM for residual support was \$299 million for the year ended December 31, 2011.

GM provides financing rates below standard rates at which we purchase contracts (rate support). The revenue from GM for rate support was \$513 million, \$629 million and \$578 million for the years ended December 31, 2013, 2012, and 2011, respectively.

GM occasionally sponsors lease pull-ahead programs whereby consumers are encouraged to terminate lease contracts early in conjunction with the acquisition of a new GM vehicle. Under these programs, GM waives all or a portion of the customer's remaining payment obligations and compensates us for the waived payments, adjusted based on the remarketing results associated with the underlying vehicle. We reported net financing revenue from this compensation program of \$18 million for the year ended December 31, 2011.

GM periodically reimburses us for certain selling expenses we may incur on certain vehicles sold by us at auction. The income statement effects for the reimbursements were \$1 million and \$9 million at December 31, 2012 and 2011, respectively. There were no reimbursements for certain selling expenses during the year ended December 31, 2013.

GM occasionally provides payment guarantees on certain commercial and dealer loans and receivables Ally has outstanding. The amount of commercial and dealer loans and receivables covered by a GM guarantee was \$45 million, \$127 million and \$127 million at December 31, 2013, 2012, and 2011, respectively.

GM provides us certain other services and facilities services for which we reimburse them. The income statement effects for these services were \$91 million, \$86 million and \$110 million for the years ended December 31, 2013, 2012, and 2011, respectively.

GM provides us certain marketing services for which we reimburse them. The income statement effects for these services were \$5 million and \$3 million at December 31, 2013, 2012, and 2011, respectively. There were no similar marketing services provided during the year ended December 31, 2013.

We have accounts payable to GM that include wholesale settlement payments to GM and notes payable. The balances outstanding for accounts payable were \$55 million, \$563 million and \$262 million for the years ended December 31, 2013, 2012, and 2011, respectively.



**Table of Contents**

**Credit Arrangements and Other Amounts Due from or Owed to GM**

During the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to GM Financial. We also entered into an agreement with GM Financial to acquire our international operations and 40% interest in a motor vehicle finance joint venture in China. As of December 31, 2013, our interest in the motor vehicle joint venture in China is the only remaining component of the disposal group for which the sale has not been completed. Prior to the disposal of our international businesses to GM Financial:

We provided wholesale financing to GM for vehicles in which GM retained title while the vehicles were consigned to Ally or dealers in the United Kingdom and Italy. The financing to GM would remain outstanding until title was transferred to the dealers. At December 31, 2012 and 2011, the amount of this financing outstanding was \$11 million and \$504 million, respectively.

We were party to a Rental Fleet Agreement in which we agreed to buy from the rental companies, on agreed terms reflecting fair value, all vehicles sold by GM to rental car companies in various European countries that GM had become obligated to repurchase. The Rental Fleet Agreement provided for a true-up mechanism whereby GM was required to reimburse us to the extent the revenues we earned from the resale of the vehicles were less than the amount we paid the rental companies to purchase such vehicles. At December 31, 2012 and 2011 we had a receivable in the amount of \$18 million and \$13 million, respectively, for providing this service.

In addition, we had certain financing arrangements with GM with outstanding receivables totaling \$12 million for the year ended December 31, 2011. These receivables included certain of our borrowings related to various other arrangements.

**Capital Contributions Received from GM**

During 2013, 2012, and 2011, we did not receive any capital contributions from GM.

**Table of Contents****PRINCIPAL AND SELLING STOCKHOLDERS**

The following table sets forth information regarding beneficial ownership of our common stock as of February 28, 2014, by:

each person whom we know to own beneficially more than 5% of our common stock;

each of the directors and named executive officers individually;

all directors and executive officers as a group; and

the selling stockholder.

In accordance with the rules of the SEC, beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable pursuant to stock options that are exercisable within 60 days of February 28, 2014. Shares issuable pursuant to stock options are deemed outstanding for computing the percentage of the person holding such options but are not outstanding for computing the percentage of any other person.

The percentage of beneficial ownership for the following table is based on 1,547,637 shares of common stock outstanding as of February 28, 2014.

Name and Address of Beneficial owner	Shares Beneficially Owned Before the Offering		Number of Shares Subject to Over-allotment Offered		Shares Beneficially Owned After Offering		Percentage Beneficially Owned After Offering	
	Number	Percent	Number of Shares Offered	Over-allotment Option	Without Over-allotment Option	With Over-allotment Option	Without Over-allotment Option	With Over-allotment Option
U.S. Department of Treasury (1) 1500 Pennsylvania Avenue Washington, D.C. 20220	571,971	37.0%						
Third Point LLC 390 Park Avenue, 18 <sup>th</sup> Floor New York, NY 10022	147,191	9.5%	0	0	147,191	147,191	9.5%	9.5%
Persons affiliated with Cerberus Capital Management, L.P. c/o Cerberus Capital Management, L.P. 299 Park Avenue, 22 <sup>nd</sup> Floor New York, New York 10171	133,924	8.7%	0	0	133,924	133,924	8.7%	8.7%
All directors and executive officers of Ally Financial Inc. 200 Renaissance Center, P.O. Box 200, Detroit, MI 48265-2000	0	0%	0	0	0	0	0%	0%

(1) The following description of the selling stockholder was provided by Treasury: Treasury is the executive agency of the U.S. government responsible for promoting economic prosperity and ensuring the financial security of the United States. Treasury is responsible for a wide



## Edgar Filing: Ally Financial Inc. - Form S-1/A

range of activities, such as advising the President of the United States on economic and financial issues, encouraging sustainable economic growth and fostering improved governance in financial institutions. Treasury operates and maintains systems that are critical to the nation's financial infrastructure, such as the production of coin and currency, the disbursement of payments to the American public, revenue collection and the borrowing of funds necessary to run the federal government. Treasury works with other federal agencies, foreign governments and international financial institutions to encourage global economic growth, raise standards of living and, to the

**Table of Contents**

extent possible, predict and prevent economic and financial crises. Treasury also performs a critical and far-reaching role in enhancing national security by implementing economic sanctions against foreign threats to the United States, identifying and targeting the financial support networks of national security threats and improving the safeguards of our financial systems. In addition, under EESA, Treasury was given certain authority and facilities to restore the liquidity and stability of the financial system. See also the section of this prospectus entitled "Risk Factors - Risks Relating to this Offering and Ownership of Our Common Stock." Treasury, the selling stockholder, is a federal agency, and your ability to bring a claim against it under the federal securities laws may be limited.

**Table of Contents**

**DESCRIPTION OF CAPITAL STOCK**

The following descriptions are summaries of the material terms of our Certificate of Incorporation and Bylaws that will be in effect upon the consummation of this offering. Reference is made to the more detailed provisions of, and the descriptions are qualified in their entirety by reference to, the Certificate of Incorporation and Bylaws, copies of which are filed with the SEC as exhibits to the registration statement of which this prospectus is a part, and applicable law.

**General**

Upon the consummation of this offering, our Certificate of Incorporation will authorize us to issue \_\_\_\_\_ shares of capital stock, consisting of:

shares of common stock, par value \$0.01 per share; and

shares of preferred stock, par value \$0.01 per share of which:

160,870,560 are designated as Preferred Stock, Series A;

2,576,601 are designated as Preferred Stock, Series G; and

15,000 are designated as Preferred Stock, Series H.

As of December 31, 2013, the following shares of capital stock were issued and outstanding:

1,547,637 shares of common stock;

40,870,560 shares of Series A preferred stock; and

2,576,601 shares of Series G preferred stock.

**Common Stock**

*Common stock outstanding.* As of February 28, 2014 there were 1,547,637 shares of common stock outstanding which were held of record by 259 stockholders. All outstanding shares of common stock are fully paid and non-assessable.

*Voting rights.* The holders of common stock are entitled to one vote per share, except as provided by law or as may otherwise be provided in a certificate of designations designating the rights, powers and preferences of any series of preferred stock.

Unless otherwise required by law, our Certificate of Incorporation or our Bylaws, all matters subject to a stockholder vote will be decided by the vote of the holders of at least a majority of the outstanding shares of stock entitled to vote on the matter and present at the meeting in which the vote occurs. The election of directors will be decided by a plurality of the votes cast by the holders of common stock outstanding.

*Dividend rights.* Subject to the preferences that may be applicable to any outstanding preferred stock, dividends on common stock will be paid if, as, and when declared by the Board. See Dividend Policy.

## Edgar Filing: Ally Financial Inc. - Form S-1/A

*Rights upon liquidation.* In the event of liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities, subject to the distribution rights of preferred stock, if any, then outstanding.

*Other rights.* There are no redemption or sinking fund provisions applicable to the common stock.

**Table of Contents**

**Protective Amendment**

On January 9, 2014, our Board approved an amendment to our previous amended and restated certificate of incorporation, which amendment has been included in our current restated certificate of incorporation (such amendment, the Protective Amendment). The purpose of the Protective Amendment is to prevent certain transfers of our securities that could result in an ownership change under Section 382 (Section 382) of the Code, and, therefore, materially inhibit our ability to use certain tax assets.

The transfer restrictions contained in the Protective Amendment generally will restrict any transfer of (i) Ally's common stock, par value \$0.01 per share, (ii) any warrants, rights, or options (including options within the meaning of Treas. Reg. § 1.382-2T(h)(4)(v) and Treas. Reg. § 1.382-4(d)(9)) to purchase securities of Ally, and (iii) any other interests treated as stock of Ally pursuant to Treas. Reg. § 1.382-2(a)(3) or Treas. Reg. § 1.382-2T(f)(18) (Stock) (collectively, the Ally Capital Stock) if the effect of the transfer would be to:

increase the direct or indirect ownership of any of Ally Capital Stock by any Person (as defined below) to 4.99% or more (a 5-percent shareholder); or

increase the percentage of Ally Capital Stock owned directly or indirectly by any Person that was a 5-percent shareholder as of the effective time of the Protective Amendment, subject to limited exceptions.

Person means any individual, government, firm, corporation or other legal entity, including persons treated as a single entity pursuant to Treas. Reg. § 1.382-3(a)(1)(i), and includes any successor (by merger or otherwise) of such entity.

Transfers restricted by the Protective Amendment include sales to Persons whose resulting percentage ownership (direct or indirect) of any Ally Capital Stock would exceed the 4.99% threshold discussed above, or to Persons whose direct or indirect ownership of any Ally Capital Stock would by attribution cause another Person to exceed such threshold. Complex rules of constructive ownership, aggregation, segregation, combination and other ownership rules prescribed by the Code, and related regulations are applied in determining whether a Person constitutes a 5-percent shareholder under the Protective Amendment. For purposes of determining the existence and identity of, and the amount of Ally Capital Stock owned by, any shareholder, the Board will be entitled to rely on the existence or absence of certain public securities filings as of any date, subject to the Board's actual knowledge of the ownership of Ally Capital Stock. The Protective Amendment includes the right to require a proposed transferee, as a condition to registration of a transfer of Ally Capital Stock, to provide all information reasonably requested regarding such Person's direct and indirect ownership of Ally Capital Stock.

The transfer restrictions may result in the delay or refusal of certain requested transfers of Ally Capital Stock, or prohibit ownership (thus requiring dispositions) of Ally Capital Stock due to a change in the relationship between two or more persons or entities or to a transfer of an interest in an entity other than Ally that, directly or indirectly, owns Ally Capital Stock. The transfer restrictions will also apply to proscribe the creation or transfer of certain options (which are broadly defined by Section 382 of the Code) with respect to Ally Capital Stock to the extent that, in certain circumstances, the creation, transfer or exercise of the option would result in any Person having a proscribed level of ownership.

Any direct or indirect transfer attempted in violation of the restrictions contained in the Protective Amendment will be void as of the date of the prohibited transfer as to the purported transferee (or, in the case of an indirect transfer, the ownership of the direct owner of Ally Capital Stock would terminate simultaneously with the transfer), and the purported transferee (or in the case of any indirect transfer, the direct owner) will not be recognized as a shareholder for any purpose whatsoever in respect of the shares which are the subject of the prohibited transfer, including for purposes of voting and receiving dividends or other distributions in respect of such shares, or in the case of options, receiving shares in respect of their exercise. Ally Capital Stock purportedly acquired in violation of the transfer restrictions is referred to herein as excess securities.

**Table of Contents**

In addition to the prohibited transfer being void as of the date it is attempted, upon demand by Ally, the purported transferee must transfer the excess securities to an agent designated by the Board (the Agent) along with any dividends or other distributions paid with respect to such excess securities. The Agent is required to sell the excess securities in an arms length transaction (or series of transactions) that would not constitute a prohibited transfer under the Protective Amendment. The net proceeds of the sale, together with any other distributions with respect to such excess securities received by the Agent, will be distributed first to reimburse the Agent for its costs and expenses, second to the purported transferee in an amount, if any, up to the cost (or in the case of gift, inheritance or similar transfer, the market price of the excess securities at the time of the attempted transfer) incurred by the purported transferee to acquire such excess securities, and the balance of the proceeds, if any, will be distributed to the transferor (or, if the transferor cannot be readily identified, to a charity designated by the Board). If the purported transferee has resold the excess securities before receiving demand from Ally to surrender excess securities to the Agent, the purported transferee shall be deemed to have sold the excess securities on behalf of the Agent, and shall be required to transfer to the Agent any prohibited distributions and proceeds of such sale (except to the extent Ally grants written permission to the purported transferee to retain a specified amount), which will be distributed as described above.

The Protective Amendment does not apply to certain transfers, including (i) transfers made in connection with a transaction in which, upon consummation, the acquiror owns at least a majority of the outstanding shares of Ally Capital Stock (i.e., mergers, consolidations, mandatory share exchanges or other business combinations), and in which all holders of each class or series of Ally's capital stock receive, or are offered the same opportunity to receive, cash or other consideration, (ii) transfers to any employee stock ownership or other employee benefit plan of Ally or any of its subsidiaries (or any entity or trustee holding shares of Ally Capital Stock for or pursuant to the terms of any such plan or for the purpose of funding any such plan or funding other employee benefits for employees of Ally or any of its subsidiaries) and (iii) to any underwriter, dealer or initial purchaser (within the meaning of underwriter in Treas. Reg. § 1.382-3(j)(7), as determined in good faith by the Board) from (A) an eligible holder (as such term is defined in the Registration Rights Agreement contained in Exhibit F of Ally's Bylaws (the Registration Rights Agreement)) for resale in a transaction contemplated by the Registration Rights Agreement or (B) the United States Department of the Treasury for resale in a similar transaction contemplated by any other agreement with Ally which grants the United States Department of the Treasury registration rights. In addition, the Board will have the discretion to approve a transfer that would otherwise be a prohibited transfer upon request by the proposed transferor in accordance with the procedures set forth in the Protective Amendment.

The Protective Amendment will expire on the earliest of (i) the Board's determination, with input from Ally's advisors, that the tax assets are utilized in all material respects or are no longer available in any material respect, (ii) the Board's determination, with input from Ally's advisors, that an ownership change under Section 382 of the Code would not adversely impact in any material respect the time period in which Ally could use the tax assets, or materially impair the amount of the tax assets that could be used in any particular time period, for applicable tax purposes, (iii) such date as the Board otherwise determines that the Protective Amendment should terminate and (iv) the close of business on the date of the third annual meeting of Ally's shareholders following Ally's 2014 Annual Meeting of the Shareholders.

**The Tax Asset Protection Plan**

On January 9, 2014, the Board approved the adoption of the Plan and Ally entered into the Plan on January 10, 2014. The purpose of the Plan is to help protect Ally's tax assets. The Plan is designed to reduce the likelihood that Ally will experience an ownership change for U.S. federal income tax purposes (as described above) by (i) discouraging any person or group from becoming a holder of 4.99 percent or more of the outstanding shares of Common Stock and (ii) discouraging any existing holder of 4.99 percent or more of the outstanding shares of Common Stock from acquiring additional shares of Ally stock, subject to certain exceptions. There is no guarantee, however, that the Plan will prevent Ally from experiencing an ownership change.

**Table of Contents**

*The Rights.* In connection with the adoption of the Plan, on January 9, 2014, the Board declared a dividend, payable on January 10, 2014, of one right (a *Right* ) for each outstanding share of Common Stock held of record as of the close of business on January 10, 2014 (the *Record Time* ), or issued thereafter and prior to the Separation Time (as defined below) and thereafter pursuant to options, warrants and convertible securities outstanding at the Separation Time. Each Right entitles its registered holder to purchase from Ally, at or after the Separation Time, one one-hundredth of a share of our Series H preferred stock, par value \$0.01 per share, ( *Participating Preferred Stock* ), for \$16,875.00 (the *Exercise Price* ), subject to adjustment.

The Rights will be evidenced by either the registration of shares of Common Stock on the stock transfer books of Ally or by Common Stock certificates, if issued, until the next business day following the earlier of (either, the *Separation Time* ) (i) the tenth business day (or such later date as the Board may from time to time fix) after the date on which any Person (as defined in the Plan) commences a tender or exchange offer which, if consummated, would result in such Person s becoming an Acquiring Person (as defined below) and (ii) the Flip-in Date (as defined below); provided, however, that if a tender or exchange offer referred to in clause (i) is cancelled, terminated or otherwise withdrawn prior to the Separation Time without the purchase of any shares of Common Stock pursuant thereto, such offer shall be deemed never to have been made.

A *Flip-in Date* will occur on the Stock Acquisition Date (as defined below) or such later date and time as the Board may from time to time fix by resolution adopted prior to the Flip-in Date that would otherwise have occurred. A *Stock Acquisition Date* means the date on which Ally announces that a person or group has acquired 4.99 percent or more of Common Stock and become an Acquiring Person for purposes of the Plan. An *Acquiring Person* is any Person having Beneficial Ownership (as defined in the Plan) of 4.99 percent or more of the outstanding shares of Common Stock, but does not include:

- (i) Ally, any majority-owned subsidiary of Ally or any employee stock ownership or other employee benefit plan of Ally,
- (ii) any Person who is the Beneficial Owner of 4.99 percent or more of the outstanding Common Stock as of the date of the public announcement of the Plan (an *Existing Holder* ) until such time as such Person (other than certain investors that will be excluded from the definition of *Acquiring Person* until such time as such person acquires additional Common Stock, other than through a dividend or a stock split) acquires additional Common Stock, other than through a dividend or stock split,
- (iii) any Person who becomes the Beneficial Owner of 4.99 percent or more of the outstanding shares of Common Stock after the time of the first public announcement of the Plan solely as a result of (A) an acquisition by Ally of shares of Common Stock, (B) an acquisition directly from Ally in a transaction which duly authorized officers of Ally have determined shall not result in the creation of an Acquiring Person under the Plan, or (C) an acquisition of Common Stock (or any security convertible into or exchangeable for Common Stock) by any underwriter, dealer or initial purchaser (within the meaning of *underwriter* in Treasury Regulation § 1.382-3(j)(7), as determined in good faith by the Board) from (x) an *eligible holder* (as such term is defined in the Registration Rights Agreement) for resale in a transaction contemplated by the Registration Rights Agreement or (y) the United States Department of the Treasury for resale in a similar transaction contemplated by any other agreement with Ally which grants the United States Department of the Treasury registration rights, until, in each case, such time thereafter as such Person becomes the Beneficial Owner (other than by means of a stock dividend, stock split or reclassification) of additional shares of Common Stock while such Person is or as a result of which such Person becomes the Beneficial Owner of 4.99 percent or more of the outstanding shares of Common Stock,
- (iv) any Person who the Board determines has inadvertently become the Beneficial Owner of 4.99 percent or more of the outstanding Common Stock if such Person promptly divests sufficient securities such that such 4.99 percent or greater Beneficial Ownership ceases or

**Table of Contents**

- (v) any Person who the Board exempts upon receiving, at the Board's request, a report from Ally's advisors to the effect that the proposed transaction does not create a significant risk of material adverse tax consequences to Ally, or which the Board determines is otherwise in the best interests of Ally.

Furthermore, the Board must, within 20 business days of receiving an exemption request, exempt (A) a proposed transfer that does not cause any aggregate increase in the Beneficial Ownership of Stock by 5-percent shareholders (as determined after giving effect to the proposed transfer) over the lowest Beneficial Ownership of Stock by such 5-percent shareholders (as determined immediately before the proposed transfer) at any time during the relevant testing period, in all cases for purposes of Section 382 of the Code, (B) a proposed transfer by the United States Department of the Treasury if such proposed transfer and all prior and anticipated transfers or other transactions effected or expected to be effected during the relevant testing period (including, without limitation, any possible transfer by an Existing Holder (other than the United States Department of the Treasury) that would effect an owner shift (as defined in the Code)) do not result in an aggregate owner shift (as defined in the Code) of more than 40 percentage points as determined for purposes of Section 382 of the Code, taking into account both the Regulations thereunder and the provisions of IRS Notice 2010-2, insofar as they are relevant in determining, among other things, whether the Beneficial Ownership of any Beneficial Owner of 4.99% or more of the outstanding shares of Common Stock has increased and (C) a proposed acquisition by any Existing Holder (other than the United States Department of the Treasury) if such proposed transfer and all prior and anticipated acquisitions or transactions effected or expected to be effected during the relevant testing period does not result in any Existing Holder (other than the United States Department of the Treasury) being the Beneficial Owner of more than 9.9% of the outstanding Common Stock for purposes of Section 382 of the Code. The Plan provides that, until the Separation Time, the Rights will be transferred with and only with the Common Stock, and will be evidenced by either the registration of the Common Stock on the stock transfer books of Ally, or a certificate for Common Stock, if issued. Following the Separation Time, separate certificates evidencing the Rights ( Rights Certificates ) will be delivered to holders of record of Common Stock at the Separation Time.

*Exercisability.* The Rights will not be exercisable until the Separation Time. The Rights will expire on the earliest of (i) the Exchange Time (as defined below), (ii) the close of business on the date of the third annual meeting of Ally's shareholders following Ally's 2014 Annual Meeting of the Shareholders, (iii) the date on which the Rights are redeemed as described below and (iv) the time at which the Board determines the tax assets are utilized in all material respects or are no longer available (in any such case, the Expiration Time ).

The Exercise Price and the number of Rights outstanding, or in certain circumstances the securities purchasable upon exercise of the Rights, are subject to adjustment from time to time to prevent dilution in the event of a Common Stock dividend on, or a subdivision or a combination into a smaller number of shares of, Common Stock, or the issuance or distribution of any securities or assets in respect of, in lieu of or in exchange for Common Stock.

In the event that prior to the Expiration Time a Flip-in Date occurs, each Right (other than Rights Beneficially Owned by the Acquiring Person or any affiliate or associate thereof, which Rights shall become void) shall constitute the right to purchase from Ally, upon the exercise thereof in accordance with the terms of the Plan, that number of shares of Common Stock having an aggregate Market Price (as defined in the Plan), on the Stock Acquisition Date that gave rise to the Flip-in Date, equal to twice the Exercise Price for an amount in cash equal to the then-current Exercise Price.

*Exchange.* The Board may, at its option, at any time after a Flip-in Date and prior to the time that an Acquiring Person becomes the Beneficial Owner of more than 50 percent of the outstanding shares of Common Stock, elect to exchange all (but not less than all) of the then-outstanding Rights (other than Rights Beneficially Owned by the Acquiring Person or any affiliate or associate thereof, which Rights become void) for shares of Common Stock at an exchange ratio of one share of Common Stock per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date of the Separation Time (the Exchange Ratio ). Immediately upon such action by the Board (the Exchange Time ), the right to exercise the



---

## **Table of Contents**

Rights will terminate and each Right will thereafter represent only the right to receive a number of shares of Common Stock equal to the Exchange Ratio.

*Redemption.* Whenever Ally shall become obligated, as described in the preceding paragraph, to issue shares of Common Stock upon exercise of or in exchange for Rights, Ally, at its option, may substitute therefor shares of Participating Preferred Stock, at a ratio of one one-hundredth of a share of Participating Preferred Stock for each share of Common Stock so issuable.

The Board may, at its option, at any time prior to the Flip-in Date, redeem all (but not less than all) the then outstanding Rights at a price of \$0.001 per Right (the Redemption Price ) as and to the extent provided in the Plan. Immediately upon the action of the Board electing to redeem the Rights, without any further action and without any notice, the right to exercise the Rights will terminate and each Right will thereafter represent only the right to receive the Redemption Price in cash or securities for each Right so held. The Board may amend the Plan at any time and in any manner.

The holders of Rights will, solely by reason of their ownership of Rights, have no rights as shareholders of Ally, including, without limitation, the right to vote or to receive dividends, and will rank junior to Ally's Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A and Fixed Rate Cumulative Perpetual Preferred Stock, Series G.

### **Preferred Stock**

#### *Description of Series A Preferred Stock*

##### *General*

A total of 40,870,560 shares of the Series A preferred stock, liquidation amount \$25 per share, are outstanding as of December 31, 2013. The Series A certificate of designations authorizes the issuance of up to a total of 160,870,560 shares of the Series A preferred stock. The Series A preferred stock have no maturity date. The holders of the Series A preferred stock are not entitled to preemptive rights, or to any similar rights.

##### *Dividends*

Holders of the Series A preferred stock are entitled to receive, when, as and if declared by the board of directors or a duly authorized committee of the board of directors, on each share of Series A preferred stock with respect to each dividend period, non-cumulative cash dividends at the fixed rate of 8.500% per annum on the liquidation amount from March 25, 2011 to but excluding May 15, 2016, quarterly in arrears, without accumulation of any undeclared dividends, commencing on May 15, 2011, and thereafter at a rate equal to Three-Month LIBOR plus 6.243%, quarterly in arrears, without accumulation of any undeclared dividends, commencing on August 15, 2016, in each case on the 15th day of February, May, August and November. Dividends payable on the Series A preferred stock on any dividend payment date will be payable to holders of record of such Series A preferred stock as they appear on Ally's stock register at the close of business on the preceding February 1, May 1, August 1 or November 1, as the case may be, or on such other date, not more than seventy calendar days prior to the dividend payment date, as will be fixed by the board of directors or any duly authorized committee of the board of directors.

In the event that dividends payable on shares of Series A preferred stock with respect to a dividend period have not been paid in full on the dividend payment date, Ally will be prohibited, subject to certain exceptions, from (i) redeeming, purchasing or otherwise acquiring, directly or indirectly any Junior Stock (as defined below) or Parity Stock (as defined below), (ii) paying any dividends or making any distributions to any Junior Stock until such time as Ally has paid the dividends payable on shares of the Series A preferred stock with respect to a subsequent dividend period, and (iii) declaring or paying any dividend on any Parity Stock, except with respect to

## **Table of Contents**

certain dividends payable solely in shares of Junior Stock or with respect to dividends declared on the Series A preferred stock such that the respective amounts of such dividends declared on the Series A preferred stock and each such other class or series of Parity Stock shall bear the same ratio to each other as all accrued and unpaid dividends per share on the shares of the Series A preferred stock and such class or series of Parity Stock bear to each other.

Junior Stock means (i) our common stock and (ii) each class or series of our stock established on or after June 30, 2009, the terms of which do not expressly provide that such class or series ranks senior to or on a parity with the Series A preferred stock and the Parity Stock as to dividend rights or rights upon liquidation, winding-up or dissolution. We have no outstanding or authorized series of Junior Stock other than our common stock.

Parity Stock means (i) each class or series of our preferred stock established after June 30, 2009, the terms of which expressly provide that such class or series will rank on a parity with our Series G preferred stock and the Series A preferred stock as to dividend rights and/or as to rights on our liquidation, dissolution or winding up (in each case without regard to whether dividends accrue cumulatively or non-cumulatively); and (ii) the Series G preferred stock.

### *Liquidation Rights*

In the event of any liquidation, dissolution or winding up of our affairs, whether voluntary or involuntary, holders of the Series A preferred stock will be entitled to receive for each share of Series A preferred stock held by such holder, out of assets or proceeds thereof (whether capital or surplus) available for distribution and subject to the rights of Ally's creditors, before any distribution of such assets or proceeds is made or set aside for holders of Junior Stock or any other of our stock ranking junior to the Series A preferred stock as to such distribution, payment in full in an amount equal to the sum of the liquidation amount per share of Series A preferred stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment of such distribution.

### *Redemptions*

We may not redeem the Series A preferred stock before May 15, 2016. Subject to (i) obtaining any required regulatory approvals, (ii) compliance with Ally's replacement capital covenant agreement entered into for the benefit of certain of its debtholders on November 30, 2006 and (iii) any restrictions imposed by our other series of outstanding stock we may redeem all or any portion of the outstanding shares of Series A preferred stock on any dividend payment date on or after May 15, 2016. A redemption date must fall on a date that is also a dividend payment date.

The redemption price for each share of Series A preferred stock will be equal to the sum of (i) the liquidation amount and (ii) any accrued and unpaid dividends for the period from and including the dividend payment date immediately preceding the redemption date to but excluding the redemption date. Payments of the redemption price will be made in cash in immediately available funds.

### *No Conversion Rights*

Holders of the Series A preferred stock have no rights to exchange or convert their shares for or into any of our other capital stock or any other securities.

### *Voting Rights*

If and when dividends on any shares of Series A preferred stock or any Parity Stock having similar voting rights shall have not been declared and paid for the equivalent of six or more dividend periods, whether or not consecutive (nonpayment), the holders, voting together as a class with holders of any and all other series of such Parity Stock then outstanding, will be entitled to vote for the election of a total of two additional members

---

**Table of Contents**

of the board of directors, subject to certain limitations. Such voting rights will continue until the dividends on the shares of the Series A preferred stock and any such series of Parity Stock shall have been fully paid for at least four regular dividend periods following the nonpayment. The foregoing voting rights will be divested if and when dividends for at least four regular dividend periods following a nonpayment have been fully paid on the Series A preferred stock and any other class or series of Parity Stock. In such event, the term of office of each director so elected shall terminate and the number of directors on the board of directors shall automatically be decreased by two.

In addition, the vote or consent of the holders of at least two-thirds of the shares of the Series A preferred stock is required for Ally to do the following (i) to authorize or issue certain equity securities of Ally that rank senior to the Series A preferred stock with respect to dividends or upon a sale or liquidation of Ally, (ii) to amend, alter or repeal any provision of the terms of the Series A preferred stock contained in Ally's Bylaws or Certificate of Incorporation, including the certificate of designations for the Series A preferred stock included therein, if such action would affect the Series A preferred stock in any manner materially adverse to the holders of the Series A preferred stock, or (iii) to the extent Ally has failed to pay dividends payable on shares of Series A preferred stock with respect to the immediately preceding dividend period, redeem, purchase or otherwise acquire, directly or indirectly, any Junior Stock or Parity Stock other than as permitted by the terms of the certificate of designations for the Series A preferred stock.

*No Sinking Fund*

The shares of Series A preferred stock do not have the benefit of any mandatory redemption, sinking fund or other similar provisions. Holders of the Series A preferred stock have no right to require redemption or repurchase of any shares of Series A preferred stock.

***Description of Series G Preferred Stock***

*General*

A total of 2,576,601 shares of the Series G preferred stock, liquidation amount \$1,000 per share, are outstanding as of December 31, 2013, which constitutes all of the currently authorized shares pursuant to the Series G certificate of designations. The shares of Series G preferred stock have no maturity date. The holders of the Series G preferred stock are not entitled to preemptive rights, or to any similar rights.

*Dividends*

Holders of the Series G preferred stock are entitled to receive, if declared by the board of directors out of funds legally available for payment, cash dividends at a rate per annum of 7%, payable quarterly on February 15, May 15, August 15 and November 15 of each year.

Unless all accrued and unpaid dividends on the Series G preferred stock for all past dividend periods have been paid in full, we are not permitted to (i) make any Restricted Payments (as defined below); (ii) declare or pay any dividend or make any distribution of assets on any Parity Stock (as defined below), other than dividends or distributions in the form of shares of Parity Stock or Junior Stock (as defined below); or (iii) redeem, purchase or otherwise acquire any shares of Parity Stock, except upon conversion into or exchange for other Parity Stock or Junior Stock.

A Restricted Payment means (i) any dividend payment or distribution of assets on any share of Junior Stock, other than (1) distributions in the form of shares of Junior Stock and (2) certain tax distributions; (ii) any redemption, purchase or other acquisition of any shares of Junior Stock, other than upon conversion or exchange for other shares of Junior Stock, or (iii) any payment of monies, or making monies available, for a sinking fund for such Junior Stock.

## **Table of Contents**

**Junior Stock** means our common stock and each class or series of our stock established on or after June 30, 2009, the terms of which stock do not expressly provide that such class or series ranks senior to or on a parity with the Series G preferred stock and the Parity Stock as to dividend rights or rights upon liquidation, winding-up or dissolution.

**Parity Stock** means (i) each class or series of our preferred stock established after June 30, 2009, the terms of which expressly provide that such class or series will rank on a parity with our Series A preferred stock and our Series G preferred stock as to dividend rights and/or as to rights on our liquidation, dissolution or winding-up (in each case without regard to whether dividends accrue cumulatively or non-cumulatively); and (ii) our Series A preferred stock.

In addition, whether or not all accrued and unpaid dividends on the Series G preferred stock for all past dividend periods have been paid in full, we may make dividend payments on our common stock only if (1) our senior guaranteed notes issued on December 31, 2008 are rated investment grade and (2) the payment together with other dividend payments we made since December 31, 2008 is less than 25% of our cumulative consolidated net income from January 1, 2014 to the most recently ended fiscal quarter for which financial statements are available at the time of such dividend payment. Any dividends on the Series G preferred stock, or our Series A preferred stock will be made on a pro rata basis, as provided in the certificate of designations for the Series G preferred stock.

### *Liquidation Rights*

In the event of any liquidation, dissolution or winding-up of our affairs, whether voluntary or involuntary, the holder of the Series G preferred stock shall be entitled to receive for each share of Series G preferred stock held by them, out of our assets or proceeds thereof (whether capital or surplus) available for distribution to our stockholders, subject to the rights of any of our creditors, before any distribution of such assets or proceeds is made to or set aside for the holders of our common stock and any of our other stock ranking junior to the Series G preferred stock as to such distribution, payment in full in an amount equal to the sum of (i) the liquidation amount and (ii) the amount of any accrued and unpaid dividends to the date of payment.

### *Redemptions*

At our option and subject to any required regulatory approvals, we may redeem the Series G preferred stock, in whole or in part, at any time or from time to time, at a redemption price equal to the liquidation amount, plus the amount of any accrued and unpaid dividends thereon through the date of redemption.

Further, so long as any Series G preferred stock remains outstanding, if any shares of Parity Stock are redeemed, then shares of the Series G preferred stock shall also be redeemed on a pro rata basis based on the aggregate liquidation preference of the Series G preferred stock and such Parity Stock.

### *No Conversion Rights*

Holders of the Series G preferred stock have no rights to exchange or convert their shares for or into any of our other capital stock or any other securities.

### *Voting Rights*

The vote or consent of the holders of at least a majority of the outstanding shares of Series G preferred stock is necessary for any alteration, repeal or amendment, whether by merger, consolidation, combination, reclassification or otherwise, of any provisions of our certificate of incorporation or the certificate of designations if such action would amend, alter or affect the powers, preferences or rights of, or limitations relating to, the Series G preferred stock in any manner materially adverse to the holders of the Series G preferred stock,

---

## **Table of Contents**

including, the creation of, increase in the authorized number of, or issuance of, any capital stock that ranks senior to the Series G preferred stock as to distribution rights or rights upon a sale of us or our liquidation, winding-up or dissolution.

### *No Sinking Fund*

The Series G preferred stock do not have the benefit of any mandatory redemption, sinking fund or other similar provisions. Holders of Series G preferred stock have no right to require redemption or repurchase of any shares of Series G preferred stock.

### **Anti-Takeover Effects of Delaware Law**

Following consummation of this offering, we will be subject to the business combination provisions of Section 203 of the DGCL. In general, such provisions prohibit a publicly held Delaware corporation from engaging in various business combination transactions with any interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless

the transaction is approved by the board of directors prior to the date the interested stockholder obtained such status;

upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or

on or subsequent to such date the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders (and not by written consent) by the affirmative vote of at least  $66\frac{2}{3}\%$  of the outstanding voting stock which is not owned by the interested stockholder.

A business combination is defined to include mergers, asset sales and other transactions resulting in direct or indirect financial benefit to a stockholder. In general, an interested stockholder is a person who, together with affiliates and associates, owns (or within three years, did own) 15% or more of a corporation's voting stock (subject to certain exclusions).

The statute could prohibit or delay mergers or other takeover or change in control attempts with respect to us and, accordingly, may discourage attempts to acquire us even though such a transaction may offer our stockholders the opportunity to sell their stock at a price above the prevailing market price.

### **Certain Provisions of our Certificate of Incorporation and Bylaws**

#### *Amendments to Our Certificate of Incorporation and Bylaws*

The Board of Directors may change or repeal any provision contained in our Certificate of Incorporation and may insert additional provisions to the Certificate of Incorporation, subject to and in the manner prescribed by applicable law. Under Delaware law, the amendment of a corporation's certificate of incorporation requires the affirmative vote of a majority of the outstanding shares entitled to vote thereon and a majority of the outstanding stock of each class entitled to vote thereon. Under Delaware law, the holders of the outstanding shares of a class of our capital stock shall be entitled to vote as a class upon a proposed amendment, whether or not entitled to vote thereon by the certificate of incorporation, if the amendment would:

Increase or decrease the aggregate number of authorized shares of such class;

## **Table of Contents**

Increase or decrease the par value of the shares of such class; or

Alter or change the powers, preferences, or special rights of the shares of such class so as to affect them adversely.

If any proposed amendment would alter or change the powers, preferences, or special rights of one or more series of any class of our capital stock so as to affect them adversely, but shall not so affect the entire class, then only the shares of the series so affected by the amendment shall be considered a separate class for the purposes of this provision.

The Board of Directors may change or repeal our Bylaws, or adopt additional bylaws. Common stockholders holding at least 75% of the outstanding common stock may change or repeal our Bylaws or adopt additional bylaws at any annual or special meeting of the common stockholders.

### *Vacancies in the Board of Directors*

Our Bylaws provide that any vacancy occurring in our Board of Directors created by reason of the death, removal for cause, or resignation of a director, or by increase in the number of directors, may be filled by a majority of the remaining members of our Board of Directors then in office, even if such majority is less than a quorum, or such stockholder who has the right to nominate the director with respect to whom such vacancy exists, if applicable. Each director shall hold office until his or her successor is duly elected and qualified or until his or her earlier death, resignation, or removal for cause.

### *Special Meetings of Stockholders*

Under our Bylaws, special meetings of stockholders may be called by the Board of Directors or the chief executive officer.

### *Requirements for Notice of Stockholder Director Nominations and Stockholder Business*

If a stockholder wishes to bring any business before an annual or special meeting or nominate a person for election to our Board of Directors, our Bylaws contain certain procedures that must be followed for the advance timing required for delivery of stockholder notice of such business and the information that such notice must contain.

The information that may be required in a stockholder notice includes general information regarding the stockholder, a description of the proposed business, and, with respect to nominations for the Board of Directors, certain specified information regarding the nominee(s). In addition to the information required in a stockholder notice described above, our Bylaws require a representation that the stockholder is a holder of our voting stock and intends to appear in person or by proxy at the meeting to make the nomination or bring up the matter specified in the notice.

### *Stockholder Action by Written Consent without a Meeting*

Our Certificate of Incorporation provides that no action that is required or permitted to be taken by our stockholders at any annual or special meeting of stockholders may be taken by written consent of stockholders without a meeting.

### *Exclusive Forum*

Our Certificate of Incorporation provides that the Court of Chancery of the State of Delaware shall be the exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or (iv) any action asserting a claim governed by the internal affairs doctrine.

**Table of Contents**

**Listing**

The company has applied to list the common stock on the NYSE under the symbol `ALLY` .

**Transfer Agent and Registrar**

The Transfer Agent and Registrar for the common stock is Computershare Limited.

---

**Table of Contents**

**U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS**

The following is a general discussion of the material U.S. federal income and estate tax consequences of the ownership and disposition of common stock by a non-U.S. holder. A non-U.S. holder is a beneficial owner of a share of our common stock that is, for U.S. federal income tax purposes:

a non-resident alien individual, other than a former citizen or resident of the United States subject to U.S. tax as an expatriate,

a foreign corporation, or

a foreign estate or trust.

If a partnership or other pass-through entity (including an entity or arrangement treated as a partnership or other type of pass-through entity for U.S. federal income tax purposes) owns our common stock, the tax treatment of a partner or beneficial owner of the entity may depend upon the status of the owner, the activities of the entity and certain determinations made at the partner or beneficial owner level. Partners and beneficial owners in partnerships or other pass-through entities that own our common stock should consult their own tax advisors as to the particular U.S. federal income and estate tax consequences applicable to them.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), and administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this prospectus may affect the tax consequences described herein (possibly with retroactive effect). This discussion does not address all aspects of U.S. federal income and estate taxation that may be relevant to non-U.S. holders in light of their particular circumstances and does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. Prospective holders are urged to consult their tax advisors with respect to the particular tax consequences to them of owning and disposing of our common stock, including the consequences under the laws of any state, local or foreign jurisdiction.

**Dividends**

As discussed under Dividend Policy above, we do not currently expect to pay dividends. In the event that we do pay dividends out of our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), such dividends paid to a non-U.S. holder generally will be subject to U.S. federal withholding tax at a 30% rate, or a reduced rate specified by an applicable income tax treaty. In order to obtain a reduced rate of withholding under an applicable income tax treaty, a non-U.S. holder generally will be required to provide an Internal Revenue Service (IRS) Form W-8BEN certifying its entitlement to benefits under the treaty.

No amounts in respect of U.S. federal withholding tax will be withheld from dividends paid to a non-U.S. holder if the holder provides an IRS Form W-8ECI certifying that the dividends are effectively connected with the non-U.S. holder's conduct of a trade or business within the United States. Instead, the effectively connected dividends will be subject to regular U.S. income tax as if the non-U.S. holder were a U.S. resident, subject to an applicable income tax treaty providing otherwise. A non-U.S. holder that is a corporation receiving effectively connected dividends may also be subject to an additional branch profits tax imposed at a rate of 30% (or a lower treaty rate) on its effectively connected earnings and profits (subject to certain adjustments).



---

## **Table of Contents**

### **Gain on Disposition of Common Stock**

A non-U.S. holder generally will not be subject to U.S. federal income tax on gain realized on a sale or other disposition of common stock unless:

the gain is effectively connected with a trade or business of the non-U.S. holder in the United States, subject to an applicable income tax treaty providing otherwise, in which case the gain will be subject to U.S. federal income tax generally in the same manner as effectively connected dividend income as described above;

the non-U.S. holder is an individual present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are met, in which case the gain (net of certain U.S.-source losses) generally will be subject to U.S. federal income tax at a rate of 30% (or a lower treaty rate); or

we are or have been a United States real property holding corporation (as described below), at any time within the five-year period preceding the disposition or the non-U.S. holder's holding period, whichever period is shorter, and either (i) our common stock is not regularly traded on an established securities market prior to the beginning of the calendar year in which the sale or disposition occurs or (ii) the non-U.S. holder has owned or is deemed to have owned, at any time within the five-year period preceding the disposition or the non-U.S. holder's holding period, whichever period is shorter, more than 5% of our common stock.

We will be a United States real property holding corporation at any time that the fair market value of our United States real property interests, as defined in the Code and applicable Treasury regulations, equals or exceeds 50% of the aggregate fair market value of our worldwide real property interests and our other assets used or held for use in a trade or business. We believe that we are not, and do not anticipate becoming in the foreseeable future, a United States real property holding corporation.

### **Information Reporting Requirements and Backup Withholding**

Information returns will be filed with the IRS in connection with payments of dividends and the proceeds from a sale or other disposition of common stock. A non-U.S. holder may have to comply with certification procedures to establish that it is not a United States person in order to avoid information reporting and backup withholding requirements. The certification procedures required to claim a reduced rate of withholding under a treaty will satisfy the certification requirements necessary to avoid backup withholding as well. The amount of any backup withholding from a payment to a non-U.S. holder will be allowed as a credit against the non-U.S. holder's U.S. federal income tax liability and may entitle the non-U.S. holder to a refund, provided that the required information is furnished to the IRS in a timely manner.

### **FATCA Withholding Taxes**

Payments to foreign entities, after December 31, 2012, of dividends on and the gross proceeds of dispositions of common stock of a U.S. issuer will be subject to a withholding tax (separate and apart from, but without duplication of, the withholding tax described above) at a rate of 30%, unless various U.S. information reporting and due diligence requirements (generally relating to ownership by U.S. persons of interests in or accounts with those entities) have been satisfied. The IRS has announced that regulations implementing this withholding tax will defer the withholding obligation until July 1, 2014 for payments of dividends on common stock of a U.S. issuer and until January 1, 2017 for gross proceeds from dispositions of common stock of a U.S. issuer. Non-U.S. holders should consult their tax advisors regarding the possible implications of this withholding tax on their investment in our common stock.

**Table of Contents**

**Federal Estate Tax**

Individual non-U.S. holders (as specifically defined for U.S. federal estate tax purposes) and entities the property of which is potentially includible in such an individual's gross estate for U.S. federal estate tax purposes (for example, a trust funded by such an individual and with respect to which the individual has retained certain interests or powers) should note that the common stock will be treated as U.S. situs property subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

---

**Table of Contents**

**SHARES ELIGIBLE FOR FUTURE SALE**

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market could adversely affect market prices prevailing from time to time. Furthermore, because only a limited number of shares will be available for sale shortly after this offering due to existing contractual and legal restrictions on resale as described below, there may be sales of substantial amounts of our common stock in the public market after the restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future.

Upon completion of this offering, we will have \_\_\_\_\_ shares of common stock outstanding assuming (i) the exercise of the underwriters over-allotment option and (ii) no exercise of any options and warrants outstanding as of December 31, 2013. Of these shares, the \_\_\_\_\_ shares, or \_\_\_\_\_ shares if the underwriters exercise their over-allotment option in full, sold in this offering will be freely transferable without restriction or registration under the Securities Act, except for any shares purchased by one of our existing affiliates, as that term is defined in Rule 144 under the Securities Act. The remaining \_\_\_\_\_ shares of common stock existing are restricted shares as defined in Rule 144. Restricted shares may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144 or 701 of the Securities Act.

In addition, at our request, the underwriters have reserved up to approximately 5% of the shares of common stock offered for sale pursuant to this prospectus for sale to our employees, directors and some of our dealers in a directed shares program. Any reserved shares not purchased by these individuals will be offered by the underwriters to the general public on the same basis as the other shares of common stock offered by this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of directed shares.

**Rule 144**

In general, under Rule 144, an affiliate who has beneficially owned restricted shares of our common stock for at least six months would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the number of shares of common stock then outstanding, which will equal \_\_\_\_\_ shares immediately after this offering; assuming no exercise of the underwriters over-allotment option; or the average weekly reported volume of trading of our common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale. Sales by affiliates under Rule 144 are also limited by manner of sale provisions and notice requirements and the availability of current public information about us.

Following this offering, a person that is not an affiliate of ours at the time of, or at any time during the three months preceding, a sale and who has beneficially owned restricted shares of our common stock for at least six months, may sell shares without complying with the volume limitation, manner of sale or notice provisions described above, and any such person who has beneficially owned restricted shares of our common stock for at least one year may sell shares without complying with the abovementioned restrictions and the current public information requirement.

We are unable to estimate the number of shares that will be sold under Rule 144 since this will depend on the market price for our common stock, the personal circumstances of the stockholder and other factors.

**Rule 701**

In general, under Rule 701, any of our employees, directors, officers, consultants or advisors who purchases shares from us in connection with a compensatory stock or option plan or other written agreement before the effective date of this offering is entitled to resell such shares after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period requirements or other restrictions contained in Rule 701.

## **Table of Contents**

The Securities and Exchange Commission has indicated that Rule 701 will apply to typical stock options granted by an issuer before it becomes subject to the reporting requirements of the Securities Exchange Act of 1934, along with the shares acquired upon exercise of such options, including exercises after the date of this prospectus. Securities issued in reliance on Rule 701 are restricted securities and, subject to the contractual restrictions described above, beginning the date after this prospectus, may be sold by persons other than affiliates, as defined in Rule 144, subject only to the manner of sale provisions of Rule 144 and by affiliates under Rule 144 without compliance with its one-year minimum holding period requirement.

## **Registration Rights**

Upon completion of this offering, the holders of \_\_\_\_\_ shares of common stock will be entitled to various rights with respect to the registration of these securities under the Securities Act. Registration of these securities under the Securities Act would result in these securities becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration, except for securities purchased by affiliates.

## **Lock-up Agreements**

We and all of our directors and executive officers have agreed, subject to limited exceptions, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Exchange Act relating to, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of common stock or any securities convertible into or exercisable or exchangeable for common stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise for a period of 180 days after the date of this prospectus, without the prior written consent of Citigroup Global Markets Inc., Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Barclays Capital Inc. See Underwriting.

**Table of Contents**

**UNDERWRITING**

Citigroup Global Markets Inc., Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Barclays Capital Inc. are acting as joint global coordinators and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus, each underwriter named below has severally agreed to purchase, and the selling stockholder has agreed to sell to that underwriter, the number of common shares (the shares) set forth opposite the underwriter's name.

Underwriter	Number of Shares
Citigroup Global Markets Inc.	
Goldman, Sachs & Co.	
Morgan Stanley & Co. LLC	
Barclays Capital Inc.	
Deutsche Bank Securities Inc.	
Total	

We may add additional underwriters to the table above. Any such underwriters would be selected by us taking into account various criteria, including among other things their marketing and distribution capability, ownership and management diversity, and automotive finance industry expertise.

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the over-allotment option described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any common shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed \$ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms. The offering of the shares by the underwriters is subject to the underwriters' right to reject any order in whole or in part.

If the underwriters sell more shares than the total number set forth in the table above, the selling stockholder has granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to additional common shares at the public offering price less the underwriting discount. The underwriters may exercise the option solely for the purpose of covering over-allotments, if any, in connection with this offering. To the extent the option is exercised, each underwriter must purchase a number of additional common shares approximately proportionate to that underwriter's initial purchase commitment in such shares. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We and all of our executive officers and directors have agreed that, subject to limited exceptions, for a period of 180 days from the date of this prospectus, we and they will not, without the prior written consent of Citigroup Global Markets Inc., Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Barclays Capital Inc., (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Exchange Act relating to, any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences

**Table of Contents**

of ownership of common stock or any securities convertible into or exercisable or exchangeable for common stock, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise. Citigroup Global Markets Inc., Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Barclays Capital Inc. in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice. Notwithstanding the foregoing, if (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs; or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day restricted period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

In addition, at our request, the underwriters have reserved up to approximately 5% of the shares of common stock offered for sale pursuant to this prospectus for sale to our employees, directors and some of our dealers in a directed shares program. Any reserved shares not purchased by these individuals will be offered by the underwriters to the general public on the same basis as the other shares of common stock offered by this prospectus. We have agreed to indemnify the underwriters against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of directed shares.

Prior to this offering, there has been no public market for our shares. Consequently, the initial public offering price for the shares was determined by negotiations among us, the selling stockholder and the representatives. Among the factors considered in determining the initial public offering price were our results of operations, our current financial condition, our future prospects, our markets, the economic conditions in and future prospects for the industry in which we compete, our management, and currently prevailing general conditions in the equity securities markets, including current market valuations of publicly traded companies considered comparable to our company. We cannot assure you, however, that the price at which the shares will sell in the public market after this offering will not be lower than the initial public offering price or that an active trading market in our shares will develop and continue after this offering.

We have applied to list our common shares on the NYSE under the symbol **ALLY**.

The following table shows the per share and total public offering price and proceeds to the selling stockholder and the underwriting discounts and commissions payable to the underwriters in connection with this offering. Ally has agreed to pay all underwriting discounts and commissions, transfer taxes and transaction fees, if any, applicable to the sale of the common stock and the fees and disbursement of counsel for the selling security holder incurred in connection with the sale. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option.

	<b>Per Share</b>	<b>Total</b>	
		<b>No Exercise</b>	<b>Full Exercise</b>
Public offering price and proceeds to selling stockholder	\$	\$	\$
Underwriting discounts and commissions	\$	\$	\$

We estimate that our total expenses for this offering will be approximately \$      million.

The underwriters have informed us that they do not intend to confirm sales to discretionary accounts that exceed 5% of the total number of shares offered by them.

## **Table of Contents**

In connection with the offering, the underwriters may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the over-allotment option, and stabilizing purchases.

Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering.

Covered short sales are sales of shares in an amount up to the number of shares represented by the underwriters over-allotment option.

Naked short sales are sales of shares in an amount in excess of the number of shares represented by the underwriters over-allotment option.

Covering transactions involve purchases of shares either pursuant to the over-allotment option or in the open market after the distribution has been completed in order to cover short positions.

To close a naked short position, the underwriters must purchase shares in the open market after the distribution has been completed. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

To close a covered short position, the underwriters must purchase shares in the open market after the distribution has been completed or must exercise the over-allotment option. In determining the source of shares to close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum. Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NYSE, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, lending, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, currently perform, and may in the future perform, various financial advisory and investment banking services for us, for which they have received customary compensation and may provide such services and receive customary compensation in the future. Certain of the relationships involve transactions that are material to us or our affiliates and for which the underwriters and/or their respective affiliates have received significant fees. In connection with our issuance of stock in a private placement transaction, Citigroup Global Markets Inc. acted as placement agent for Treasury and received customary fees. In addition, the underwriters and/or their affiliates serve as agents and lenders under certain of our existing credit facilities.

In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their





---

## **Table of Contents**

customers and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

### **Notice to Prospective Investors in the European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the securities which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the securities shall require the issuer or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of securities to the public in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

### **Notice to Prospective Investors in the United Kingdom**

Each underwriter has also represented and agreed that:

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the securities other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the securities would otherwise constitute a contravention of Section 19 of the FSMA by the issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the securities in circumstances in which Section 21(1) of the FSMA does not apply to the issuer; and



## **Table of Contents**

- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

### **Notice to Prospective Investors in France**

Neither this prospectus nor any other offering material relating to the shares described in this prospectus has been submitted to the clearance procedures of the *Autorité des Marchés Financiers* or of the competent authority of another member state of the European Economic Area and notified to the *Autorité des Marchés Financiers*. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the shares has been or will be:

released, issued, distributed or caused to be released, issued or distributed to the public in France; or

used in connection with any offer for subscription or sale of the shares to the public in France.

Such offers, sales and distributions will be made in France only:

to qualified investors (*investisseurs qualifiés*) and/or to a restricted circle of investors (*cercle restreint d'investisseurs*), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier*;

to investment services providers authorized to engage in portfolio management on behalf of third parties; or

in a transaction that, in accordance with article L.411-2-II-1°-or-2°-or 3° of the French *Code monétaire et financier* and article 211-2 of the General Regulations (*Règlement Général*) of the *Autorité des Marchés Financiers*, does not constitute a public offer (*appel public à l'épargne*).

The shares may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French *Code monétaire et financier*.

### **Notice to Prospective Investors in Hong Kong**

The shares may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a prospectus within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the shares may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### **Notice to Prospective Investors in Japan**

The shares offered in this prospectus have not been registered under the Securities and Exchange Law of Japan. The shares have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan, except (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.



## **Table of Contents**

### **Notice to Prospective Investors in Singapore**

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,  
shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 275 of the SFA except:

to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

where no consideration is or will be given for the transfer; or

where the transfer is by operation of law.

**Table of Contents**

**VALIDITY OF COMMON STOCK**

The validity of the issuance of the shares of common stock offered hereby will be passed upon for us by Davis Polk & Wardwell LLP, New York, New York and by Cahill Gordon & Reindel LLP, New York, New York, for the underwriters. Sullivan & Cromwell LLP also has advised the underwriters with respect to certain matters. Sullivan & Cromwell LLP represents and has in the past represented the Company in certain matters.

**EXPERTS**

The consolidated financial statements of Ally, as of December 31, 2013 and 2012, and for each of the three years in the period ended December 31, 2013, included in this preliminary prospectus, and the effectiveness of Ally's internal control over financial reporting, have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are included herein. Such consolidated financial statements have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC, Washington, D.C. 20549, a registration statement on Form S-1 under the Securities Act with respect to the common stock offered hereby. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. For further information with respect to the company and its common stock, reference is made to the registration statement and the exhibits and any schedules filed therewith. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if such contract or document is filed as an exhibit, reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference.

We file annual, quarterly, current reports, and other information with the SEC. The information we file with the SEC is not part of this prospectus or the registration statement of which this prospectus is a part. Our filings with the SEC, including a copy of the registration statement and the exhibits and schedules thereto, may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that site is [www.sec.gov](http://www.sec.gov).

**Table of Contents**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

**Audited Consolidated Financial Statements**

<u>Report of Independent Registered Public Accounting Firm on Financial Statements</u>	F-2
<u>Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting</u>	F-3
<u>Consolidated Statements of Income for the years ended December 31, 2013, 2012 and 2011</u>	F-4
<u>Consolidated Statement of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011</u>	F-6
<u>Consolidated Balance Sheets at December 31, 2013 and 2012</u>	F-7
<u>Consolidated Statement of Changes in Equity for the years ended December 31, 2013, 2012 and 2011</u>	F-9
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011</u>	F-10
<u>Notes to Consolidated Financial Statements</u>	F-12

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Ally Financial Inc.:

We have audited the accompanying Consolidated Balance Sheet of Ally Financial Inc. and subsidiaries (the Company) as of December 31, 2013 and 2012, and the related Consolidated Statements of Income, Comprehensive Income, Changes in Equity, and Cash Flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control - Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2014, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP  
Deloitte & Touche LLP

Detroit, Michigan  
March 3, 2014



---

**Table of Contents**

**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Shareholders of Ally Financial Inc.:

We have audited the internal control over financial reporting of Ally Financial Inc. and subsidiaries (the Company) as of December 31, 2013, based on the criteria established in *Internal Control – Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, as stated in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in *Internal Control – Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013, of the Company and our report dated March 3, 2014, expressed an unqualified opinion on those consolidated financial statements.

/s/ DELOITTE & TOUCHE LLP  
Deloitte & Touche LLP

Detroit, Michigan  
March 3, 2014

**Table of Contents****Consolidated Statement of Income**

Year ended December 31, (\$ in millions)	2013	2012	2011
<b>Financing revenue and other interest income</b>			
Interest and fees on finance receivables and loans	\$ 4,529	\$ 4,539	\$ 4,189
Interest on loans held-for-sale	20	98	180
Interest on trading assets		10	8
Interest and dividends on available-for-sale investment securities	325	292	350
Interest-bearing cash	10	24	15
Operating leases	3,209	2,379	1,929
<b>Total financing revenue and other interest income</b>	<b>8,093</b>	<b>7,342</b>	<b>6,671</b>
<b>Interest expense</b>			
Interest on deposits	654	645	615
Interest on short-term borrowings	63	71	61
Interest on long-term debt	2,602	3,336	3,930
<b>Total interest expense</b>	<b>3,319</b>	<b>4,052</b>	<b>4,606</b>
Depreciation expense on operating lease assets	1,995	1,399	941
<b>Net financing revenue</b>	<b>2,779</b>	<b>1,891</b>	<b>1,124</b>
<b>Other revenue</b>			
Servicing fees	126	409	525
Servicing asset valuation and hedge activities, net	(213)	(4)	(434)
<b>Total servicing (loss) income, net</b>	<b>(87)</b>	<b>405</b>	<b>91</b>
Insurance premiums and service revenue earned	1,012	1,055	1,153
Gain on mortgage and automotive loans, net	55	379	229
Loss on extinguishment of debt	(59)	(148)	(64)
Other gain on investments, net	180	146	258
Other income, net of losses	383	737	621
<b>Total other revenue</b>	<b>1,484</b>	<b>2,574</b>	<b>2,288</b>
<b>Total net revenue</b>	<b>4,263</b>	<b>4,465</b>	<b>3,412</b>
<b>Provision for loan losses</b>	<b>501</b>	<b>329</b>	<b>161</b>
<b>Noninterest expense</b>			
Compensation and benefits expense	1,019	1,106	993
Insurance losses and loss adjustment expenses	405	454	452
Other operating expenses	1,981	2,062	1,983
<b>Total noninterest expense</b>	<b>3,405</b>	<b>3,622</b>	<b>3,428</b>
<b>Income (loss) from continuing operations before income tax expense</b>	<b>357</b>	<b>514</b>	<b>(177)</b>
Income tax (benefit) expense from continuing operations	(59)	(856)	42
<b>Net income (loss) from continuing operations</b>	<b>416</b>	<b>1,370</b>	<b>(219)</b>
(Loss) income from discontinued operations, net of tax	(55)	(174)	62
<b>Net income (loss)</b>	<b>\$ 361</b>	<b>\$ 1,196</b>	<b>\$ (157)</b>

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.



**Table of Contents****Consolidated Statement of Income**

Year ended December 31, ( <i>\$ in millions except per share data</i> )	2013	2012	2011
<b>Net (loss) income attributable to common shareholders</b>			
Net income (loss) from continuing operations	\$ 416	\$ 1,370	\$ (219)
Preferred stock dividends U.S. Department of Treasury	(543)	(535)	(534)
Impact of repurchase of mandatorily convertible preferred stock held by U.S. Department of Treasury and elimination of share adjustment right (a)	(240)		
Preferred stock dividends	(267)	(267)	(260)
Impact of preferred stock conversion or amendment			32
<b>Net (loss) income from continuing operations attributable to common shareholders (b)</b>	<b>(634)</b>	568	(981)
(Loss) income from discontinued operations, net of tax	(55)	(174)	62
<b>Net (loss) income attributable to common shareholders</b>	<b>\$ (689)</b>	\$ 394	\$ (919)
<b>Basic weighted-average common shares outstanding</b>	<b>1,355,375</b>	1,330,970	1,330,970
<b>Diluted weighted-average common shares outstanding (b)</b>	<b>1,355,375</b>	1,330,970	1,330,970
<b>Basic earnings per common share</b>			
Net (loss) income from continuing operations	\$ (468)	\$ 427	\$ (738)
(Loss) income from discontinued operations, net of tax	(41)	(131)	47
Net (loss) income	\$ (509)	\$ 296	\$ (691)
<b>Diluted earnings per common share (b)</b>			
Net (loss) income from continuing operations	\$ (468)	\$ 427	\$ (738)
(Loss) income from discontinued operations, net of tax	(41)	(131)	47
Net (loss) income	\$ (509)	\$ 296	\$ (691)

(a) Refer to Note 17 to the Consolidated Financial Statements for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2013, and 2011, respectively, net (loss) income from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****Consolidated Statement of Comprehensive Income**

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012	2011
<b>Net income (loss)</b>	<b>\$ 361</b>	<b>\$ 1,196</b>	<b>\$ (157)</b>
<b>Other comprehensive (loss) income, net of tax</b>			
Unrealized (losses) gains on investment securities			
Net unrealized (losses) gains arising during the period	(159)	331	196
Less: Net realized gains reclassified to net income	186	141	284
Net change	(345)	190	(88)
Translation adjustments and net investment hedges			
Translation adjustments	(509)	184	(237)
Hedges	206	(168)	173
Net change	(303)	16	(64)
Cash flow hedges			
Net unrealized losses arising during the period	(1)	(4)	
Less: Net realized losses reclassified to net income	(4)		
Net change	3	(4)	
Defined benefit pension plans			
Net gains (losses) arising during the period	18	(36)	(27)
Less: Net losses reclassified to net income	(40)	(58)	(7)
Net change	58	22	(20)
<b>Other comprehensive (loss) income, net of tax</b>	<b>(587)</b>	<b>224</b>	<b>(172)</b>
<b>Comprehensive (loss) income</b>	<b>\$ (226)</b>	<b>\$ 1,420</b>	<b>\$ (329)</b>

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****Consolidated Balance Sheet**

December 31, ( <i>\$ in millions</i> )	2013	2012
<b>Assets</b>		
Cash and cash equivalents		
Noninterest-bearing	\$ 1,315	\$ 1,073
Interest-bearing	4,216	6,440
Total cash and cash equivalents	5,531	7,513
Investment securities	17,083	14,178
Loans held-for-sale, net of unearned income (\$16 and \$2,490 fair value-elected)	35	2,576
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income (\$1 and \$ fair value-elected)	100,328	99,055
Allowance for loan losses	(1,208)	(1,170)
Total finance receivables and loans, net	99,120	97,885
Investment in operating leases, net	17,680	13,550
Mortgage servicing rights		952
Premiums receivable and other insurance assets	1,613	1,609
Other assets	9,589	11,908
Assets of operations held-for-sale	516	32,176
Total assets	\$ 151,167	\$ 182,347
<b>Liabilities</b>		
Deposit liabilities		
Noninterest-bearing	\$ 60	\$ 1,977
Interest-bearing	53,290	45,938
Total deposit liabilities	53,350	47,915
Short-term borrowings	8,545	7,461
Long-term debt	69,465	74,561
Interest payable	888	932
Unearned insurance premiums and service revenue	2,314	2,296
Accrued expenses and other liabilities	2,397	6,585
Liabilities of operations held-for-sale		22,699
Total liabilities	136,959	162,449
<b>Equity</b>		
Common stock and paid-in capital	20,939	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury		5,685
Preferred stock	1,255	1,255
Accumulated deficit	(7,710)	(7,021)
Accumulated other comprehensive (loss) income	(276)	311
Total equity	14,208	19,898
Total liabilities and equity	\$ 151,167	\$ 182,347

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****Consolidated Balance Sheet**

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

December 31, ( <i>\$ in millions</i> )	2013	2012
<b>Assets</b>		
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	\$ 32,265	\$ 31,510
Allowance for loan losses	(174)	(144)
Total finance receivables and loans, net	32,091	31,366
Investment in operating leases, net	4,620	6,060
Other assets	3,436	2,868
Assets of operations held-for-sale		12,139
Total assets	\$ 40,147	\$ 52,433
<b>Liabilities</b>		
Short-term borrowings	\$ 250	\$ 400
Long-term debt	24,147	26,461
Interest payable		1
Accrued expenses and other liabilities	43	16
Liabilities of operations held-for-sale		9,686
Total liabilities	\$ 24,440	\$ 36,564

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****Consolidated Statement of Changes in Equity**

<i>(\$ in millions)</i>	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2011	\$ 19,668	\$ 5,685	\$ 1,287	\$ (6,501)	\$ 259	\$ 20,398
Net loss				(157)		(157)
Preferred stock dividends U.S. Department of Treasury				(534)		(534)
Preferred stock dividends				(260)		(260)
Series A preferred stock amendment			(32)	32		
Other comprehensive loss					(172)	(172)
Other (a)				5		5
Balance at December 31, 2011	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,415)	\$ 87	\$ 19,280
Net income				1,196		1,196
Preferred stock dividends U.S. Department of Treasury				(535)		(535)
Preferred stock dividends				(267)		(267)
Other comprehensive income					224	224
Balance at December 31, 2012	\$ 19,668	\$ 5,685	\$ 1,255	\$ (7,021)	\$ 311	\$ 19,898
Net income				361		361
Preferred stock dividends U.S. Department of Treasury (b)				(543)		(543)
Preferred stock dividends				(267)		(267)
Other comprehensive loss					(587)	(587)
Increase in paid-in capital	1					1
Issuance of common stock	1,270					1,270
Repurchase of mandatorily convertible preferred stock held by U.S. Department of Treasury and elimination of share adjustment right (c)		(5,685)		(240)		(5,925)
Balance at December 31, 2013	\$ 20,939	\$	\$ 1,255	\$ (7,710)	\$ (276)	\$ 14,208

(a) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009, through June 30, 2009.

(b) Includes \$8 million of preferred stock dividends paid to the U.S. Department of Treasury related to the period from November 15, 2013 through November 20, 2013.



Edgar Filing: Ally Financial Inc. - Form S-1/A

- (c) Refer to Note 17 to the Consolidated Financial Statements for further detail.  
The Notes to the Consolidated Financial Statements are an integral part of these statements.

F-9

**Table of Contents****Consolidated Statement of Cash Flows**

Year ended December 31, (\$ in millions)	2013	2012	2011
<b>Operating activities</b>			
Net income (loss)	\$ 361	\$ 1,196	\$ (157)
Reconciliation of net income (loss) to net cash provided by operating activities			
Depreciation and amortization	2,864	2,381	2,713
Changes in fair value of mortgage servicing rights	101	677	1,606
Provision for loan losses	570	405	217
Gain on sale of loans, net	(55)	(527)	(459)
Net gain on investment securities	(182)	(177)	(294)
Loss on extinguishment of debt	59	148	64
Originations and purchases of loans held-for-sale	(6,235)	(33,075)	(60,270)
Proceeds from sales and repayments of loans held-for-sale	8,696	34,073	61,187
Impairment and accruals related to Residential Capital, LLC	(600)	1,192	
Gain on sale of subsidiaries, net	(666)	(28)	
Net change in			
Trading assets		595	(483)
Deferred income taxes	(671)	(1,491)	(198)
Interest payable	(39)	(311)	(98)
Other assets	2,592	802	(311)
Other liabilities	(3,860)	(595)	1,390
Other, net	(434)	(216)	586
<b>Net cash provided by operating activities</b>	<b>2,501</b>	<b>5,049</b>	<b>5,493</b>
<b>Investing activities</b>			
Purchases of available-for-sale securities	(12,304)	(12,816)	(19,377)
Proceeds from sales of available-for-sale securities	3,627	7,662	14,232
Proceeds from maturities and repayment of available-for-sale securities	5,509	5,673	4,965
Net increase in finance receivables and loans	(2,479)	(11,943)	(16,998)
Proceeds from sales of finance receivables and loans		2,332	2,868
Purchases of operating lease assets	(9,196)	(7,444)	(6,528)
Disposals of operating lease assets	2,964	1,745	5,517
Sale of mortgage servicing rights	911		
Proceeds from sale of business units, net (a)	7,444	516	50
Net cash effect from deconsolidation of Residential Capital, LLC		(539)	
Net change in restricted cash	(70)	(1,698)	346
Other, net	51	(43)	797
<b>Net cash used in investing activities</b>	<b>(3,543)</b>	<b>(16,555)</b>	<b>(14,128)</b>

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

**Table of Contents****Consolidated Statement of Cash Flows**

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012	2011
<b>Financing activities</b>			
Net change in short-term borrowings	1,591	2,694	514
Net increase in deposits	5,375	6,653	6,074
Proceeds from issuance of long-term debt	27,312	39,401	44,754
Repayments of long-term debt	(31,892)	(39,909)	(40,473)
Proceeds from issuance of common stock	1,270		
Repurchase of mandatorily convertible preferred stock held by U.S. Department of Treasury and elimination of share adjustment right	(5,925)		
Dividends paid	(810)	(802)	(819)
Net cash (used in) provided by financing activities	(3,079)	8,037	10,050
Effect of exchange-rate changes on cash and cash equivalents	45	(58)	49
Net (decrease) increase in cash and cash equivalents	(4,076)	(3,527)	1,464
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	2,094	(1,995)	(99)
Cash and cash equivalents at beginning of year	7,513	13,035	11,670
Cash and cash equivalents at end of year	\$ 5,531	\$ 7,513	\$ 13,035
<b>Supplemental disclosures</b>			
Cash paid for			
Interest	\$ 3,827	\$ 5,311	\$ 5,630
Income taxes	75	404	507
Noncash items			
Transfer of mortgage servicing rights into trading securities through certification			266
Other disclosures			
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	51	127	241

(a) The amounts are net of cash and cash equivalents of \$1.6 billion at December 31, 2013, \$147 million at December 31, 2012, and \$88 million at December 31, 2011 of business units at the time of disposition.

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

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial 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 of experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended (the BHC Act). Additionally, our election to become a financial holding company (FHC) under the BHC Act was approved by the Board of Governors of the Federal Reserve System (FRB), and became effective on December 20, 2013. 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.

**Residential Capital, LLC**

Our mortgage operations were historically a significant portion of our operations and were conducted primarily through the Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). As a result of the bankruptcy filing, effective May 14, 2012, we deconsolidated ResCap from our financial statements and recorded a charge of \$442 million for the impairment of Ally's investment in ResCap. During the first quarter of 2013, we discontinued performing certain mortgage activities, which were required as part of the bankruptcy process until the sale of certain assets occurred. As a result of us discontinuing these activities, the operations of ResCap were classified as discontinued.

On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases, and certain creditors. The PSA, which was approved by the Bankruptcy Court on June 26, 2013, required the parties to support a Chapter 11 plan in the Debtors' Chapter 11 cases (the Plan) that, among other things, settled and provided AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that resided with the Debtors, as well as full releases for all pending and potential claims related to the Debtors that have been or could be brought against AFI by third parties.

On July 3, 2013, the Debtors filed the Plan and related disclosure statement (the Disclosure Statement), with the Bankruptcy Court. The Bankruptcy Court entered an order approving the Disclosure Statement on August 23, 2013. The Plan provided, among other things, that on the effective date of the Plan, AFI would contribute to the Debtors' estates \$1.95 billion in cash or cash equivalents, and will further contribute \$150 million received by AFI for claims it pursues against its insurance carriers related to the claims released in connection with the Plan, with such amount guaranteed by AFI to be paid no later than September 30, 2014. The Bankruptcy Court entered an order confirming the Plan on December 11, 2013, which became effective on December 17, 2013. The confirmed Plan excludes from the third party releases the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Housing Finance Agency (the FHFA) as conservator for Fannie Mae and Freddie Mac, with respect to certain ordinary-course claims against Ally Bank as a former mortgage seller and servicer, as well as the Department of Justice and state attorneys general with respect to certain types of claims. Further, AFI has agreed to settlements with each of the FHFA and the FDIC, as receiver for certain failed banks, pursuant to which, among other things, in exchange for a monetary payment, the FHFA's and FDIC's previously pending lawsuits against AFI were dismissed.

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Consolidation and Basis of Presentation**

The Consolidated Financial Statements include our accounts and accounts of our majority-owned subsidiaries, after eliminating intercompany balances and transactions, and include all variable interest entities (VIEs) in which we are the primary beneficiary. Refer to Note 9 for further details on our VIEs. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities.

We operate our international subsidiaries in a similar manner as we operate in the United States of America (U.S. or United States), subject to local laws or other circumstances that may cause us to modify our procedures accordingly. The financial statements of subsidiaries that operate outside of the United States generally are measured using the local currency as the functional currency. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income. Income and expense items are translated at average exchange rates prevailing during the reporting period.

**Use of Estimates and Assumptions**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period and related disclosures. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

**Significant Accounting Policies**

**Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and certain highly liquid investment securities with maturities of three months or less from the date of purchase. Cash and cash equivalents that have restrictions on our ability to withdraw the funds are included in other assets on our Consolidated Balance Sheet. The book value of cash equivalents approximates fair value because of the short maturities of these instruments.

**Securities**

Our portfolio of securities includes government securities, corporate bonds, asset- and mortgage-backed securities (MBS), interests in securitization trusts, equity securities, and other investments. Securities are classified based on management's intent. Our securities are primarily classified as available-for-sale and carried at fair value with unrealized gains and losses included in accumulated other comprehensive income or loss, on an after-tax basis. Premiums and discounts on debt securities are amortized as an adjustment to investment yield generally over the stated maturity of the security. We employ a systematic methodology that considers available evidence in evaluating potential other-than-temporary impairment of our investments classified as available-for-sale. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value. We also evaluate the financial health of and business outlook for the issuer, the performance of the underlying assets for interests in securitized assets, and our intent and ability to hold the investment.

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Once a decline in fair value of a debt security is determined to be other-than-temporary, an impairment charge for the credit component is recorded to other gain (loss) on investments, net, in our Consolidated Statement of Income, and a new cost basis in the investment is established. Noncredit component losses of a debt security are recorded in other comprehensive income (loss) when we do not intend to sell the security or it is not more likely than not that we will have to sell the security prior to the security's anticipated recovery. Subsequent increases and decreases to the fair value of available-for-sale securities are included in other comprehensive income (loss), so long as they are not attributable to another other-than-temporary impairment.

Realized gains and losses on investment securities are reported in other gain (loss) on investments, net, and are determined using the specific identification method.

For information on investment securities refer to Note 6.

**Finance Receivables and Loans**

Finance receivables and loans are reported at the principal amount outstanding, net of unearned income, premiums and discounts, and allowances. Unearned income, which includes unearned rate support received from an automotive manufacturer on certain automotive loans and deferred origination fees reduced by origination costs, is amortized over the contractual life of the related finance receivable or loan using the effective interest method. We make incentive payments for consumer automobile loan originations to automotive dealers under our Ally Dealer Rewards Program and account for these payments as direct loan origination costs. Loan commitment fees are generally deferred and amortized over the commitment period. For information on finance receivables and loans, refer to Note 7.

We classify finance receivables and loans between loans held-for-sale and loans held-for-investment based on management's assessment of our intent and ability to hold loans for the foreseeable future or until maturity. Management's intent and ability with respect to certain loans may change from time to time depending on a number of factors including economic, liquidity, and capital conditions. Management's view of the foreseeable future is based on the longest reasonably reliable net income, liquidity, and capital forecast period.

Our portfolio segments are based on the level at which we develop and document our methodology for determining the allowance for loan losses. Additionally, the classes of finance receivables are based on several factors including the method for monitoring and assessing credit risk, the method of measuring carrying value, and the risk characteristics of the finance receivable. Based on an evaluation of our process for developing the allowance for loan losses including the nature and extent of exposure to credit risk arising from finance receivables, we have determined our portfolio segments to be consumer automobile, consumer mortgage, and commercial.

**Consumer automobile** Consists of retail automobile financing for new and used vehicles.

**Consumer mortgage** Consists of first mortgage, subordinate-lien mortgages and home equity loans.

**Commercial** Consists of the following classes of finance receivables.

**Commercial and Industrial**

**Automobile** Consists of financing operations to fund dealer purchases of new and used vehicles through wholesale or floorplan financing. Additional commercial offerings include automotive dealer term loans, revolving lines of credit, and

dealer fleet financing.

*Mortgage* Consists primarily of warehouse lending.

F-14

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

*Other* Consists of senior secured commercial lending.

*Commercial Real Estate Automobile* Consists of term loans to finance dealership land and buildings.

***Nonaccrual Loans***

Revenue recognition is suspended when any finance receivables and loans are placed on nonaccrual status. Generally, all classes of finance receivables and loans are placed on nonaccrual status when principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Exceptions include commercial real estate loans that are placed on nonaccrual status when delinquent for 60 days. These loans are reported as nonperforming loans in Note 7. Revenue accrued, but not collected, at the date finance receivables and loans are placed on nonaccrual status is reversed and subsequently recognized only to the extent it is received in cash or until it qualifies for return to accrual status. However, where there is doubt regarding the ultimate collectability of loan principal, all cash received is applied to reduce the carrying value of such loans. Finance receivables and loans are restored to accrual status only when contractually current and the collection of future payments is reasonably assured.

Generally, we recognize all classes of loans as past due when they are 30 days delinquent on making a contractually required payment.

***Impaired Loans***

All classes of loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due (both principal and interest) according to the terms of the loan agreement.

For all classes of consumer loans, impaired loans are loans that have been modified in troubled debt restructurings (TDRs).

All classes of commercial loans are considered impaired on an individual basis and reported as impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement.

With exception to certain consumer TDRs that have been returned to accruing status, for all classes of impaired loans, income recognition is consistent with that of nonaccrual loans discussed above. For collateral dependent loans, if the recorded investment in impaired loans exceeds the fair value of the collateral, a charge-off is recorded consistent with the TDR discussion below.

***Troubled Debt Restructurings (TDRs)***

When the terms of finance receivables or loans are modified, consideration must be given as to whether or not the modification results in a TDR. A modification is considered to be a TDR when both a) the borrower is experiencing financial difficulty and b) we grant a concession to the borrower. These considerations require significant judgment and vary by portfolio segment. In all cases, the cumulative impacts of all modifications are considered at the time of the most recent modification.

For all classes of consumer loans, various qualitative factors are utilized for assessing the financial difficulty of the borrower. These include, but are not limited to, the borrowers default status on any of its debts, bankruptcy and recent changes in financial circumstances (loss of job, etc.). A concession has been granted when as a result



---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

of the modification we do not expect to collect all amounts due, including interest accrued at the original contract rate. Types of modifications that may be considered concessions include, but are not limited to, extensions of terms at a rate that does not constitute a market rate, a reduction, deferral or forgiveness of principal or interest owed and loans that have been discharged in a Chapter 7 Bankruptcy and have not been reaffirmed by the borrower.

In addition to the modifications noted above, in our consumer automobile class of loans we also provide extensions or deferrals of payments to borrowers who we deem to be experiencing only temporary financial difficulty. In these cases, there are limits within our operational policies to minimize the number of times a loan can be extended, as well as limits to the length of each extension, including a cumulative cap over the life of the loan. Before offering an extension or deferral, we evaluate the capacity of the customer to make the scheduled payments after the deferral period. During the deferral period, we continue to accrue and collect interest on the loan as part of the deferral agreement. We grant these extensions or deferrals when we expect to collect all amounts due including interest accrued at the original contract rate.

A restructuring that results in only a delay in payment that is deemed to be insignificant is not a concession and the modification is not considered to be a TDR. In order to assess whether a restructuring that results in a delay in payment is insignificant, we consider the amount of the restructured payments subject to delay in conjunction with the unpaid principal balance or the collateral value of the loan, whether or not the delay is significant with respect to the frequency of payments under the original contract, or the loan's original expected duration. In the cases where payment extensions on our automobile loan portfolio cumulatively extend beyond 90 days and are more than 10% of the original contractual term or any cumulative extension beyond 180 days, we deem the delay in payment to be more than insignificant, and as such, classify these types of modifications as TDRs. Otherwise, we believe that the modifications do not represent a concessionary modification and accordingly, they are not classified as TDRs.

For all classes of commercial loans, similar qualitative factors are considered when assessing the financial difficulty of the borrower. In addition to the factors noted above, consideration is also given to the borrower's forecasted ability to service the debt in accordance with the contractual terms, possible regulatory actions and other potential business disruptions (e.g., the loss of a significant customer or other revenue stream). Consideration of a concession is also similar for commercial loans. In addition to the factors noted above, consideration is also given to whether additional guarantees or collateral have been provided.

For all loans, TDR classification typically results from our loss mitigation activities. For loans held-for-investment that are not carried at fair value and are TDRs, impairment is typically measured based on the differences between the net carrying value of the loan and the present value of the expected future cash flows of the loan. The loan may also be measured for impairment based on the fair value of the underlying collateral less costs to sell for loans that are collateral dependent. We recognize impairment by either establishing a valuation allowance or recording a charge-off.

The financial impacts of modifications that meet the definition of a TDR are reported in the period in which they are identified as TDRs. Additionally, if a loan that is classified as a TDR redefaults within twelve months of the modification, we are required to disclose the instances of redefault. For the purpose of this disclosure, we have determined that a loan is considered to have redefaulted when the loan meets the requirements for evaluation under our charge-off policy except for commercial loans where redefault is defined as 90 days past due.

Our policy is to generally place all TDRs on nonaccrual status until the loan has been brought fully current, the collection of contractual principal and interest is reasonably assured, and six consecutive months of repayment

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

performance is achieved. In certain cases, if a borrower has been current up to the time of the modification and repayment of the debt subsequent to the modification is reasonably assured, we may choose to continue to accrue interest on the loan.

***Charge-offs***

As a general rule, consumer automobile loans are written down to estimated collateral value, less costs to sell, once a loan becomes 120 days past due. In our consumer mortgage segment, first-lien mortgages and a subset of our home equity portfolio that are secured by real estate in a first-lien position are written down to the estimated fair value of the collateral, less costs to sell, once a mortgage loan becomes 180 days past due. Consumer mortgage loans that represent second-lien positions are charged off at 180 days past due. Consumer mortgage loans within our second-lien portfolio in bankruptcy that are 60 days past due are fully charged off within 60 days of receipt of notification of filing from the bankruptcy court. Consumer automobile and first-lien consumer mortgage loans in bankruptcy that are 60 days past due are written down to the estimated fair value of the collateral, less costs to sell, within 60 days of receipt of notification of discharge from the bankruptcy court. Regardless of other timelines noted within this policy, loans are considered collateral dependent once foreclosure or repossession proceedings begin and are charged off to the estimated fair value of the underlying collateral, less costs to sell at that time.

Commercial loans are individually evaluated and where collectability of the recorded balance is in doubt are written down to the estimated fair value of the collateral less costs to sell. Generally, all commercial loans are charged off when it becomes unlikely that the borrower is willing or able to repay the remaining balance of the loan and any underlying collateral is not sufficient to recover the outstanding principal. Collateral dependent loans are charged-off to the fair market value of collateral less costs to sell and non-collateral dependent loans are fully written-off.

**Allowance for Loan Losses**

The allowance for loan losses (the allowance) is management's estimate of incurred losses in the lending portfolios. We determine the amount of the allowance required for each of our portfolio segments based on its relative risk characteristics. The evaluation of these factors for both consumer and commercial finance receivables and loans involves quantitative analysis combined with sound management judgment. Additions to the allowance are charged to current period earnings through the provision for loan losses; amounts determined to be uncollectible are charged directly against the allowance, net of amounts recovered on previously charged-off accounts.

The allowance is comprised of two components: specific reserves established for individual loans evaluated as impaired and portfolio-level reserves established for large groups of typically smaller balance homogeneous loans that are collectively evaluated for impairment. We evaluate the adequacy of the allowance based on the combined total of these two components. Determining the appropriateness of the allowance is complex and requires judgment by management about the effect of matters that are inherently uncertain. It is possible that others, given the same information, may at any point in time reach different reasonable conclusions.

Measurement of impairment for specific reserves is generally determined on a loan-by-loan basis. Loans determined to be specifically impaired are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, an observable market price, or the estimated fair value of the collateral less estimated costs to sell, whichever is determined to be the most appropriate. When these measurement values are lower than the carrying value of that loan, impairment is recognized. Loans that are not identified as individually impaired are pooled with other loans with similar risk characteristics for evaluation of impairment for the portfolio-level allowance.

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

For the purpose of calculating portfolio-level reserves, we have grouped our loans into three portfolio segments: consumer automobile, consumer mortgage, and commercial. The allowance consists of the combination of a quantitative assessment component based on statistical models, a retrospective evaluation of actual loss information to loss forecasts, and includes a qualitative component based on management judgment. Management takes into consideration relevant qualitative factors, including external and internal trends such as the impacts of changes in underwriting standards, collections and account management effectiveness, geographic concentrations, and economic events, among other factors, that have occurred but are not yet reflected in the quantitative assessment component. Qualitative adjustments are documented, reviewed, and approved through our established risk governance processes. Refer to Note 7 for information on the allowance for loan losses.

***Consumer Loans***

Our consumer automobile and consumer mortgage portfolio segments are reviewed for impairment based on an analysis of loans that are grouped into common risk categories (i.e., past due status, loan or lease type, collateral type, borrower, industry or geographic concentrations). We perform periodic and systematic detailed reviews of our lending portfolios to identify inherent risks and to assess the overall collectability of those portfolios. Loss models are utilized for these portfolios, which consider a variety of credit quality indicators including, but not limited to, historical loss experience, current economic conditions, anticipated repossessions or foreclosures based on portfolio trends, delinquencies and credit scores, and expected loss factors by loan type.

***Consumer Automobile Portfolio Segment***

The allowance for loan losses within the consumer automobile portfolio segment is calculated using proprietary statistical models and other risk indicators applied to pools of loans with similar risk characteristics, including credit bureau score and loan-to-value ratios to arrive at an estimate of incurred losses in the portfolio. These statistical loss forecasting models are utilized to estimate incurred losses and consider a variety of factors including, but not limited to, historical loss experience, estimated defaults based on portfolio trends, delinquencies, and general economic and business trends. These statistical models predict forecasted losses inherent in the portfolio based on both vintage and migration analyses.

The forecasted losses consider historical factors such as frequency (the number of contracts that we expect to default) and loss severity (the expected loss on a per vehicle basis). The loss severity within the consumer automobile portfolio segment is impacted by the market values of vehicles that are repossessed. Vehicle market values are affected by numerous factors including vehicles supply, the condition of the vehicle upon repossession, the overall price and volatility of gasoline or diesel fuel, consumer preference related to specific vehicle segments, and other factors. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The quantitative assessment component is supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred but are not yet reflected in the forecasted losses and may affect the performance of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our consumer automobile portfolio segment did not change during 2013.

***Consumer Mortgage Portfolio Segment***

The allowance for loan losses within the consumer mortgage portfolio segment is calculated by using proprietary statistical models based on pools of loans with similar risk characteristics, including credit score,

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

loan-to-value, loan age, documentation type, product type, and loan purpose, to arrive at an estimate of incurred losses in the portfolio. These statistical loss forecasting models are utilized to estimate incurred losses and consider a variety of factors including, but not limited to, historical loss experience, estimated foreclosures or defaults based on portfolio trends, delinquencies, and general economic and business trends.

The forecasted losses are statistically derived based on a suite of behavioral based transition models. This transition framework predicts various stages of delinquency, default, and voluntary prepayment over the course of the life of the loan. The transition probability is a function of the loan and borrower characteristics and economic variables and considers historical factors such as frequency (the number of contracts that we expect to default) and loss severity (the expected loss on a per loan basis). When a default event is predicted, a severity model is applied to estimate future loan losses. Loss severity within the consumer mortgage portfolio segment is impacted by the market values of foreclosed properties, which is affected by numerous factors, including geographic considerations and the condition of the foreclosed property. The historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment.

The quantitative assessment component is supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred but are not yet reflected in the forecasted losses and may affect the credit quality of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our consumer mortgage portfolio segment did not change during 2013.

***Commercial Loans***

The allowance for loan losses within the commercial portfolio is comprised of reserves established for specific loans evaluated as impaired and portfolio-level reserves based on nonimpaired loans grouped into pools based on similar risk characteristics and collectively evaluated.

A commercial loan is considered impaired when it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement based on current information and events. These loans are primarily evaluated individually and are risk-rated based on borrower, collateral, and industry-specific information that management believes is relevant in determining the occurrence of a loss event and measuring impairment. Management establishes specific allowances for commercial loans determined to be individually impaired based on the present value of expected future cash flows, discounted at the loan's effective interest rate, observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell or realize the value of the collateral on a discounted basis are included in the impairment measurement, when appropriate.

Loans not identified as impaired are grouped into pools based on similar risk characteristics and collectively evaluated. Our risk rating models use historical loss experience, concentrations, current economic conditions, and performance trends. The commercial historical loss experience is updated quarterly to incorporate the most recent data reflective of the current economic environment. The determination of the allowance is influenced by numerous assumptions and many factors that may materially affect estimates of loss, including volatility of loss given default, probability of default, and rating migration. In assessing the risk rating of a particular loan, several factors are considered including an evaluation of historical and current information involving subjective assessments and interpretations. In addition, the allowance related to the commercial portfolio segment is influenced by estimated recoveries from automotive manufacturers relative to guarantees or agreements with them to repurchase vehicles used as collateral to secure the loans.

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

The quantitative assessment component may be supplemented with qualitative reserves based on management's determination that such adjustments provide a better estimate of credit losses. This qualitative assessment takes into consideration relevant internal and external factors that have occurred and may affect the credit quality of the portfolio.

Our methodology and policies with respect to the allowance for loan losses for our commercial portfolio segment did not change during 2013.

**Securitizations and Variable Interest Entities**

We securitize, sell, and service consumer automobile loans, operating leases, and wholesale loans. Securitization transactions typically involve the use of variable interest entities and are accounted for either as sales or secured financings. We may retain economic interests in the securitized and sold assets, which are generally retained in the form of senior or subordinated interests, interest- or principal-only strips, cash reserve accounts, residual interests, and servicing rights.

In order to conclude whether or not a variable interest entity is required to be consolidated, careful consideration and judgment must be given to our continuing involvement with the variable interest entity. In circumstances where we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, we would conclude that we would consolidate the entity, which would also preclude us from recording an accounting sale on the transaction. In the case of a consolidated variable interest entity, the accounting is consistent with a secured financing, (i.e., we continue to carry the loans and we record the related securitized debt on our balance sheet).

In transactions where either one or both of the power or economic criteria mentioned above are not met, we then must determine whether or not we achieve a sale for accounting purposes. In order to achieve a sale for accounting purposes, the assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond our control. If we were to fail any of the three criteria for sale accounting, the accounting would be consistent with the preceding paragraph (i.e., a secured borrowing). Refer to Note 9 for discussion on variable interest entities.

Gains or losses on off-balance sheet securitizations take into consideration the fair value of the retained interests including the value of certain servicing assets or liabilities, if any, which are initially recorded at fair value at the date of sale. The estimate of the fair value of the retained interests and servicing requires us to exercise significant judgment about the timing and amount of future cash flows from the interests. Refer to Note 24 for a discussion of fair value estimates.

Gains or losses on off-balance sheet securitizations and sales are reported in gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income for consumer automobile loans, and wholesale loans. Declines in the fair value of retained interests below the carrying amount are reflected in other comprehensive income, or as other gain on investments, net, in our Consolidated Statement of Income if such declines are determined to be other-than-temporary or if the interests are classified as trading. Retained interests, as well as any purchased securities, are generally included in available-for-sale investment securities, trading investment securities, or other assets. Designation as available-for-sale or trading depends on management's intent. Securities that are noncertificated and cash reserve accounts related to securitizations are included in other assets on our Consolidated Balance Sheet.

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

We retain servicing responsibilities for all of our consumer automobile loan, operating lease, and wholesale loan securitizations. We may receive servicing fees based on the securitized loan balances and certain ancillary fees, all of which are reported in servicing fees in the Consolidated Statement of Income.

Whether on- or off-balance sheet, the investors in the securitization trusts generally have no recourse to our assets outside of customary market representation and warranty repurchase provisions.

**Mortgage Servicing Rights**

We capitalized the value expected to be realized from performing specified mortgage servicing activities for others as mortgage servicing rights (MSRs) when the expected future cash flows from servicing were projected to be more than adequate compensation for such activities. These capitalized servicing rights were purchased or retained upon sale or securitization of mortgage loans. MSRs were not recorded on securitizations accounted for as secured financings.

We measured all mortgage servicing assets and liabilities at fair value. We defined our servicing rights based on both the availability of market inputs and the manner in which we managed the risks of our servicing assets and liabilities. We leveraged all available relevant market data to determine the fair value of our recognized servicing assets and liabilities. We sold our remaining MSRs during the year ended December 31, 2013. Refer to Note 10 for further details.

**Reposessed and Foreclosed Assets**

Assets are classified as reposessed and foreclosed and included in other assets when physical possession of the collateral is taken regardless of whether foreclosure proceedings have taken place. Reposessed and foreclosed assets are carried at the lower of the outstanding balance at the time of repossession or foreclosure or the fair value of the asset less estimated costs to sell. Losses on the revaluation of reposessed and foreclosed assets are charged to the allowance for loan losses at the time of repossession. Declines in value after repossession are charged to other operating expenses for loans and depreciation expense for operating lease assets as incurred.

**Investment in Operating Leases**

Investment in operating leases represents the automobiles that are underlying the automotive lease contracts and is reported at cost, less accumulated depreciation and net of impairment charges and origination fees or costs. Depreciation of vehicles is generally provided on a straight-line basis to an estimated residual value over the lease term. Manufacturer support payments that we receive are treated as a reduction to the cost-basis in the underlying lease asset, which has the effect of reducing depreciation expense over the life of the contract. We periodically evaluate our depreciation rate for leased vehicles based on projected residual values. Income from operating lease assets that includes lease origination fees, net of lease origination costs, is recognized as operating lease revenue on a straight-line basis over the scheduled lease term.

We have significant investments in the residual values of the assets in our operating lease portfolio. The residual values represent an estimate of the values of the assets at the end of the lease contracts. At contract inception, we determine the projected residual value based on an internal evaluation of the expected future value. This evaluation is based on a proprietary model, which includes variables such as age, mileage, seasonality, segment factors, vehicle type, economic indicators and production cycle. This internally generated data is compared against third party, independent data for reasonableness and analysis. Realization of the residual values

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and may make adjustments to the depreciation rates to the extent the expected value of the vehicle (including any residual support payments) at lease termination changes. In addition to estimating the residual value at lease termination, we also evaluate the current value of the operating lease asset and test for impairment to the extent necessary based on market considerations and portfolio characteristics. Impairment is determined to exist if the undiscounted expected future cash flows are lower than the carrying value of the asset. If our operating lease assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. The accrual of revenue on operating leases is generally discontinued at the time an account is determined to be uncollectible, at the earliest of time of repossession, within 60 days of bankruptcy notification and greater than 60 days past due, or greater than 120 days past due.

When a lease vehicle is returned to us, the asset is reclassified from investment in operating leases, net, to other assets and recorded at the lower-of-cost or estimated fair value, less costs to sell, on our Consolidated Balance Sheet.

**Impairment of Long-lived Assets**

The carrying value of long-lived assets (including property and equipment) are evaluated for impairment whenever events or changes in circumstances indicate that their carrying values may not be recoverable from the estimated undiscounted future cash flows expected to result from their use and eventual disposition. Recoverability of assets to be held and used is measured by a comparison of their carrying amount to future net undiscounted cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. No material impairment was recognized in 2013, 2012, or 2011.

An impairment test on an asset group to be sold or otherwise disposed of is performed upon occurrence of a triggering event or when certain criteria are met (e.g., the asset is planned to be disposed of within twelve months, appropriate levels of authority have approved the sale, there is an active program to locate a buyer, etc.), which cause the disposal group to be classified as held-for-sale. Long-lived assets held-for-sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell. If the carrying value of the assets held-for-sale exceeds the fair value less cost to sell, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets less cost to sell. During 2013, 2012, and 2011, impairment losses were recognized on asset groups that were classified as held-for-sale or disposed of by sale. Refer to Note 2 for a discussion of discontinued and held-for-sale operations.

**Property and Equipment**

Property and equipment stated at cost, net of accumulated depreciation and amortization, are reported in other assets on our Consolidated Balance Sheet. Included in property and equipment are certain buildings, furniture and fixtures, leasehold improvements, company vehicles, IT hardware and software, and capitalized software costs. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, which generally ranges from three to thirty years. Capitalized software is generally amortized on a straight-line basis over its useful life, which generally ranges from three to five years. Capitalized software that is not expected to provide substantive service potential or for which development costs significantly exceed the amount originally expected is considered impaired and written down to fair value. Software expenditures that are considered general, administrative, or of a maintenance nature are expensed as incurred.

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Unearned Insurance Premiums and Service Revenue**

Insurance premiums, net of premiums ceded to reinsurers, and service revenue are earned over the terms of the policies. The portion of premiums and service revenue written applicable to the unexpired terms of the policies is recorded as unearned insurance premiums or unearned service revenue. For extended service and maintenance contracts, premiums and service revenues are earned on a basis proportionate to the anticipated cost emergence. For other short duration contracts, premiums and unearned service revenue are earned on a pro rata basis. For further information, refer to Note 3.

**Deferred Policy Acquisition Costs**

Commissions, including compensation paid to sellers of vehicle service contracts and other costs of acquiring insurance that are primarily related to and vary with the production of business, are deferred and recorded in other assets. Deferred policy acquisition costs are amortized over the terms of the related policies and service contracts on the same basis as premiums and revenue are earned except for direct response advertising costs, which are amortized over their expected future benefit. We group costs incurred for acquiring like contracts and consider anticipated investment income in determining the recoverability of these costs.

**Reserves for Insurance Losses and Loss Adjustment Expenses**

Reserves for insurance losses and loss adjustment expenses are reported in accrued expenses and other liabilities. They are established for the unpaid cost of insured events that have occurred as of a point in time. More specifically, the reserves for insurance losses and loss adjustment expenses represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. Estimates for salvage and subrogation recoverable are recognized at the time losses are incurred and netted against provision for insurance losses and loss adjustment expenses. Reserves are established for each business at the lowest meaningful level of homogeneous data. Since the reserves are based on estimates, the ultimate liability may vary from such estimates. The estimates are regularly reviewed and adjustments, which can potentially be significant, are included in earnings in the period in which they are deemed necessary.

**Legal and Regulatory Reserves**

Reserves for legal and regulatory matters are established when those matters present loss contingencies that are both probable and estimable, with a corresponding amount recorded to other noninterest expense. In cases where we have an accrual for losses, it is our policy to include an estimate for probable and estimable legal expenses related to the case. If, at the time of evaluation, the loss contingency related to a legal or regulatory matter is not both probable and estimable, we do not establish an accrued liability. We continue to monitor legal and regulatory matters for further developments that could affect the requirement to establish a liability or that may impact the amount of a previously established liability. There may be exposure to loss in excess of any amounts recognized. For certain other matters where the risk of loss is determined to be reasonably possible, estimable, and material to the financial statements, disclosure regarding details of the matter and an estimated range of loss is required. The estimated range of possible loss does not represent our maximum loss exposure. Financial statement disclosure is also required for matters that are deemed probable or reasonably possible, material to the financial statements, but for which an estimated range of loss is not possible to determine. While we believe our reserves are adequate, the outcome of legal and regulatory proceedings is extremely difficult to predict and we may settle claims or be subject to judgments for amounts that differ from our estimates. For information regarding the nature of all material contingencies, refer to Note 29.



---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Loan Repurchase and Obligations Related to Loan Sales**

Our mortgage operations has sold consumer loans through securitization transactions involving the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs) and via whole-loan transactions directly to third party investors. In connection with these activities we provide to the GSEs and third party investors various representations and warranties related to the loans sold. These representations and warranties generally relate to, among other things, the ownership of the loan, the validity of the lien securing the loan, the loan's compliance with the criteria for inclusion in the transaction, including compliance with underwriting standards or loan criteria established by the buyer, ability to deliver required documentation and compliance with applicable laws. Generally, the representations and warranties described in Note 29 may be enforced at any time over the life of the loan.

Upon a breach of a representation, we correct the breach in a manner conforming to the provisions of the sale agreement. This may require us either to repurchase the loan or to indemnify (make-whole) a party for incurred losses or provide other recourse to a GSE or investor. Repurchase demands and claims for indemnification payments are reviewed on a loan-by-loan basis to validate if there has been a breach requiring repurchase or a make-whole payment. We actively contest claims to the extent we do not consider them valid. In cases where we repurchase loans, we bear the credit loss on the loans. Repurchased loans are classified as held-for-sale and initially recorded at fair value and subsequently at the lower of cost or market. We seek to manage the risk of repurchase and associated credit exposure through our underwriting and quality assurance practices and by servicing mortgage loans to meet investor standards.

The reserve for representation and warranty obligations reflects management's best estimate of probable lifetime loss. We consider historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue with counterparties.

At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in other liabilities on our Consolidated Balance Sheet, and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the reserve when additional relevant information becomes available. Changes in the liability are recorded as other operating expenses in our Consolidated Statement of Income.

**Earnings per Common Share**

We compute basic earnings (loss) per common share by dividing net income (loss) from continuing operations attributable to common shareholders after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period. We compute diluted earnings (loss) per common share by dividing net income (loss) from continuing operations after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period plus the dilution resulting from the conversion of convertible preferred stock, if applicable.

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Derivative Instruments and Hedging Activities**

We primarily use derivative instruments for risk management purposes. Some of our derivative instruments are designated in qualifying hedge accounting relationships; other derivative instruments do not qualify for hedge accounting or are not elected to be designated in a qualifying hedging relationship. In accordance with applicable accounting standards, all derivative financial instruments, whether designated for hedge accounting or not, are required to be recorded on the balance sheet as assets or liabilities and measured at fair value. Additionally, we report derivative financial instruments on the Consolidated Balance Sheet primarily on a gross basis. For additional information on derivative instruments and hedging activities, refer to Note 21.

At inception of a hedge accounting relationship, we designate each qualifying derivative financial instrument as a hedge of the fair value of a specifically identified asset or liability (fair value hedge); as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge); or as a hedge of the foreign-currency exposure of a net investment in a foreign operation. We formally document all relationships between hedging instruments and hedged items and risk management objectives for undertaking various hedge transactions. Both at the hedge's inception and on an ongoing basis, we formally assess whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in the current period earnings. For qualifying cash flow hedges, the effective portion of the change in the fair value of the derivative financial instruments is recorded in accumulated other comprehensive income, and recognized in the income statement when the hedged cash flows affect earnings. For a derivative designated as hedging the foreign-currency exposure of a net investment in a foreign operation, the gain or loss is reported in accumulated other comprehensive income as part of the cumulative translation adjustment. The ineffective portions of fair value, cash flow, and net investment hedges are immediately recognized in earnings, along with the portion of the change in fair value that is excluded from the assessment of hedge effectiveness, if any.

The hedge accounting treatment described herein is no longer applied if a derivative financial instrument is terminated or the hedge designation is removed or is assessed to be no longer highly effective. For these terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the asset or liability and are recognized into income over the remaining life of the asset or liability. For terminated cash flow hedges, unless it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument previously recognized remain in accumulated other comprehensive income, and are reclassified into earnings in the same period that the hedged cash flows affect earnings. The previously recognized net derivative gain or loss for a net investment hedge continues to remain in accumulated other comprehensive income until earnings are impacted by sale or liquidation of the associated foreign operation. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

Changes in the fair value of derivative financial instruments held for risk management purposes that are not designated for hedge accounting under GAAP are reported in current period earnings.

**Income Taxes**

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes in the United States and numerous foreign jurisdictions. Significant judgments and estimates are required in determining the consolidated income tax expense.

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for the results of discontinued operations and changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. For additional information regarding our provision for income taxes, refer to Note 22.

We recognize the financial statement effects of uncertain income tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Also, we recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively.

**Share-based Compensation**

Under accounting guidance for share-based compensation, compensation cost recognized includes cost for share-based awards. For certain share-based awards compensation cost is ratably charged to expense over the applicable service periods. For other share-based awards, the awards require liability treatment and are remeasured quarterly at fair value, as determined by the Board of Directors, until they are paid, with changes in fair value charged to compensation expense in the period in which the change occurs. Refer to Note 23 for a discussion of our share-based compensation plans.

**Foreign Exchange**

Foreign-denominated assets and liabilities resulting from foreign-currency transactions are valued using period-end foreign-exchange rates and the results of operations and cash flows are determined using approximate weighted average exchange rates for the period. Translation adjustments are related to foreign subsidiaries using local currency as their functional currency and are reported as a separate component of accumulated other comprehensive income. We may elect to enter into foreign-currency derivatives to mitigate our exposure to changes in foreign-exchange rates. Refer to Derivative Instruments and Hedging Activities above for a discussion of our hedging activities of the foreign-currency exposure of a net investment in a foreign operation.

**Recently Adopted Accounting Standards**

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

As of January 1, 2013, we adopted ASU 2011-11, which amends ASC 210, *Balance Sheet*. This ASU contains new disclosure requirements regarding the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. In addition, we adopted ASU 2013-01, which simply clarified the scope of ASU 2011-11. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 and ASU 2013-01 were required to be applied 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.

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Comprehensive Income Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)**

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

**Derivatives and Hedging Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (ASU 2013-10)**

As of July 17, 2013, we adopted ASU 2013-10, which amends ASC 815, *Derivatives and Hedging*. The ASU established the Fed Funds Effective Swap Rate (OIS) as an additional U.S. benchmark interest rate for hedge accounting purposes. Prior to the ASU's addition of the OIS as a benchmark rate, only interest rates on direct Treasury obligations and the LIBOR swap rate were considered to be such benchmarks. Amendments of the update also remove the restriction on using different benchmark rates for similar hedges. The amendments were effective prospectively when entering into new or redesignating existing hedging relationships on or after July 17, 2013. Since the new guidance simply allows for an additional hedge index to be utilized for hedge accounting purposes, the implementation of this guidance has not had a material effect on our consolidated financial condition or results of operations.

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

In February 2013, the Financial Accounting Standards Board (FASB) issued ASU 2013-04. This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. It further requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. ASU 2013-04 will be effective for us on January 1, 2014, with retrospective application required. The adoption of this guidance is not expected to have a material effect on our consolidated financial condition or results of operations.

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

In March 2013, the FASB issued ASU 2013-05. This ASU requires a reporting entity that ceases to have a controlling financial interest, in a subsidiary or group of assets 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,

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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 have sold or exited substantially all of our international businesses, it is not expected to have a material effect on our consolidated financial condition or results of operations.

**Income Taxes Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11)**

In July 2013, the FASB issued ASU 2013-11. This ASU requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The guidance further includes an exception that if a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available to settle any additional income taxes that would result from the disallowance of a tax position at the reporting date or the tax law of the applicable jurisdiction does not require the entity to use them and the entity does not intend to use them, the deferred tax asset for such purpose should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments are effective for us beginning on January 1, 2014. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application are permitted. The adoption of this guidance is not expected to have a material effect to our consolidated financial condition or results of operations.

**Investments Accounting for Investments in Qualified Affordable Housing Projects (ASU 2014-01)**

In January 2014, the FASB issued ASU 2014-01. The amendments in this ASU allow an entity to make an accounting policy election to account for investments in qualified affordable housing projects using a proportional amortization method, if certain conditions are met. Under the election, the entity would amortize the initial cost of the investment in proportion to the tax credits and other benefits received while recognizing the net investment performance in the statement of comprehensive income as a component of income tax expense. The amendments are effective beginning on January 1, 2014. The amendments should be applied retrospectively to all periods presented. Early adoption is permitted. Management is assessing the impact of the adoption of this guidance in order to determine if our affordable housing investments will qualify for the election and whether or not we will choose to exercise the election.

**Receivables Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (ASU 2014-04)**

In January 2014, the FASB issued ASU 2014-04. The amendments in this ASU clarify the timing for which an entity should reclassify a loan that has been foreclosed or where an in substance repossession to real estate owned. The guidance requires such reclassification to occur when the entity obtains legal title upon completion of foreclosure or the borrower conveys all interest in the residential real estate property to the entity to satisfy the loan through completion of a deed in lieu of foreclosure or similar legal agreement. In addition, the ASU clarifies that redemption rights of the borrower should be ignored for purposes of determining whether legal title has transferred. The amendments are effective for us beginning on January 1, 2014.

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

The amendments can be applied using either a modified retrospective or prospective basis. Under the modified retrospective approach, the entity should record a cumulative-effect adjustment to residential consumer mortgage loans and residential real estate owned as of the beginning of the annual period for which the amendments are effective. Early adoption is permitted. Management is assessing the impact of the adoption of this guidance.

**2. Discontinued and Held-for-sale Operations**

**Discontinued Operations**

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

**Select Mortgage Operations**

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

**Select Insurance Operations**

During the second quarter of 2013, we sold our Mexican insurance business, ABA Seguros. During the first quarter of 2013, we completed the sale of our U.K.-based operations that provided vehicle service contracts and insurance products internationally. During the second quarter of 2011, we completed the sale of our U.K. consumer property and casualty insurance business.

**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 international operations and 40% interest in a motor vehicle finance joint venture in China. As of December 31, 2013, our interest in the motor vehicle finance joint venture in China is the only remaining component of the disposal group for which the sale has not been completed. No impairment was recognized to present the operations at the lower-of-cost or fair value. We expect to complete the sale of the joint venture in China during 2014.

During the fourth quarter of 2013, we completed the sale of our Latin American operations in Brazil. During the second quarter of 2013, we completed the sale of our operations in Europe and the majority of Latin America. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium, France and the Netherlands, and Latin America operations in Mexico, Chile, and Colombia. During the first quarter of 2013, we sold our Canadian automotive finance operations, Ally Credit Canada Limited and ResMor Trust. During the first quarter of 2012, we completed the sale of our Venezuela operations. During the first quarter of 2011, we completed the sale of our Ecuador operations.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****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.

Year ended December 31, (\$ in millions)	2013	2012	2011
<b>Select Mortgage operations</b>			
Total net revenue	\$	\$ 439	\$ 562
Pretax loss including direct costs to transact a sale (a)(b)	(1,741)	(1,282)	(811)
Tax (benefit) expense (c)	(592)	(443)	2
<b>Select Insurance operations</b>			
Total net revenue	\$ 190	\$ 625	\$ 710
Pretax income including direct costs to transact a sale (a)	319(d)	86	145
Tax (benefit) expense (c)	(14)	53	39
<b>Select Automotive Finance operations</b>			
Total net revenue	\$ 572	\$ 1,503	\$ 1,690
Pretax income including direct costs to transact a sale (a)	660(e)	786	820
Tax (benefit) expense (c)	(101)	235	92
<b>Select Corporate and Other operations</b>			
Total net revenue	\$	\$ 11	\$ 7
Pretax income		83	44
Tax expense		2	3

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

(b) Includes the results of ResCap. Refer to Note 1 for more information regarding the Debtors' bankruptcy.

(c) Includes certain income tax activity recognized by Corporate and Other.

(d) Includes recognized pretax gain of \$274 million in connection with the sale of our Mexican insurance business, ABA Seguros.

(e) Includes recognized pretax loss of \$488 million in connection with the sale of our European and Latin American automotive finance operations and pretax gain of \$888 million in connection with the sale of our Canadian automotive finance operations, Ally Credit Canada Limited and ResMor Trust.





**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Held-for-sale Operations**

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

<b>December 31, (\$ in millions)</b>	<b>Select Insurance operations (a)</b>	<b>Select Automotive Finance operations (b)</b>	<b>Total held-for-sale operations</b>
<b>2013</b>			
<b>Assets</b>			
Other assets	\$	\$ 516	\$ 516
Total assets	\$	\$ 516	\$ 516
<b>2012</b>			
<b>Assets</b>			
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 of unearned income		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
<b>Liabilities</b>			
Interest-bearing deposit liabilities	\$	\$ 3,907	\$ 3,907
Short-term borrowings		2,800	2,800
Long-term debt		13,514	13,514
Interest payable		177	177
Unearned insurance premiums and service revenue	506		506
Accrued expenses and other liabilities	297	1,498	1,795
Total liabilities	\$ 803	\$ 21,896	\$ 22,699

(a) Includes our U.K.-based operations that provide vehicle service contracts and insurance products, and ABA Seguros.

- (b) Includes our Canadian operations sold to Royal Bank of Canada and international entities being sold to GM Financial.

F-31

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****3. Insurance Premiums and Service Revenue Earned**

The following table is a summary of insurance premiums and service revenue written and earned.

Year ended December 31, ( <i>\$ in millions</i> )	2013		2012		2011	
	Written	Earned	Written	Earned	Written	Earned
Insurance premiums						
Direct	\$ 270	\$ 305	\$ 332	\$ 335	\$ 342	\$ 309
Assumed	61	58	44	49	38	76
Gross insurance premiums	331	363	376	384	380	385
Ceded	(172)	(120)	(141)	(109)	(129)	(126)
Net insurance premiums	159	243	235	275	251	259
Service revenue	838	769	826	780	788	894
Insurance premiums and service revenue written and earned	\$ 997	\$ 1,012	\$ 1,061	\$ 1,055	\$ 1,039	\$ 1,153

**4. Other Income, Net of Losses**

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

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012	2011
Late charges and other administrative fees	\$ 94	\$ 83	\$ 82
Remarketing fees	82	63	96
Mortgage processing fees and other mortgage income	81	475	236
Fair value adjustment on derivatives (a)	24	(30)	(125)
Securitization income	23	45	199
Other, net	79	101	133
Total other income, net of losses	\$ 383	\$ 737	\$ 621

(a) Refer to Note 21 for a description of derivative instruments and hedging activities.

**5. Other Operating Expenses**

Details of other operating expenses were as follows.

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012	2011
Insurance commissions	\$ 370	\$ 382	\$ 431
Technology and communications	346	317	342

Edgar Filing: Ally Financial Inc. - Form S-1/A

Professional services	176	149	171
Lease and loan administration	173	325	201
Advertising and marketing	136	145	150
Regulatory and licensing fees	116	118	124
Provision for legal and regulatory settlements (a)	105	6	2
Mortgage representation and warranty obligation, net	104	171	
Premises and equipment depreciation	81	76	70
Vehicle remarketing and repossession	60	52	84
Occupancy	44	50	47
Other	270	271	361
<b>Total other operating expenses</b>	<b>\$ 1,981</b>	<b>\$ 2,062</b>	<b>\$ 1,983</b>

F-32

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

- (a) Results for the year ended December 31, 2013 include a \$98 million settlement charge related to Consent Orders issued by the Consumer Financial Protection Bureau (CFPB) and the U.S. Department of Justice (DOJ) pertaining to the allegation of disparate impact in the automotive finance business. Refer to Note 29 for additional details.

**6. Investment Securities**

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

December 31, ( <i>\$ in millions</i> )	2013			Fair value	2012			Fair value
	Amortized cost	Gross unrealized gains	losses		Amortized cost	Gross unrealized gains	losses	
<b>Available-for-sale securities</b>								
Debt securities								
U.S. Treasury and federal agencies	\$ 1,495	\$ 1	\$ (69)	\$ 1,427	\$ 2,212	\$ 3	\$ (1)	\$ 2,214
U.S. States and political subdivisions	316		(1)	315				
Foreign government	287	4	(3)	288	295	8		303
Mortgage-backed residential (a)	11,131	49	(398)	10,782	6,779	130	(3)	6,906
Mortgage-backed commercial	39			39				
Asset-backed	2,207	15	(3)	2,219	2,309	32	(1)	2,340
Corporate debt	1,052	23	(6)	1,069	1,209	57	(3)	1,263
Total debt securities	16,527	92	(480)	16,139	12,804	230	(8)	13,026
Equity securities	898	74	(28)	944	1,193	32	(73)	1,152
Total available-for-sale securities (b)	\$ 17,425	\$ 166	\$ (508)	\$ 17,083	\$ 13,997	\$ 262	\$ (81)	\$ 14,178

- (a) Residential mortgage-backed securities include agency-backed bonds totaling \$8,266 million and \$4,983 million at December 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 December 31, 2013, and December 31, 2012, respectively.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

(\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
<b>December 31, 2013</b>										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	\$ 1,427	1.3%	\$ 9	3.0%	\$ 766	1.2%	\$ 652	1.3%	\$	%
U.S. States and political subdivisions	315	3.3	39	1.3	10	0.6	102	2.6	164	4.3
Foreign government	288	2.7	18	2.7	105	2.4	164	2.9	1	2.7
Mortgage-backed residential	10,782	2.7			90	2.1	3	4.2	10,689	2.7
Mortgage-backed commercial	39	1.3							39	1.3
Asset-backed	2,219	2.0	76	2.4	1,483	1.9	491	1.9	169	2.7
Corporate debt	1,069	4.1	24	3.4	547	3.0	430	5.3	68	5.7
Total available-for-sale debt securities	\$ 16,139	2.5	\$ 166	2.3	\$ 3,001	1.9	\$ 1,842	2.5	\$ 11,130	2.7
Amortized cost of available-for-sale debt securities	\$ 16,527		\$ 165		\$ 3,000		\$ 1,882		\$ 11,480	
<b>December 31, 2012</b>										
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 \$2.4 billion and \$3.4 billion at December 31, 2013, and December 31, 2012, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

Year ended December 31, (\$ in millions)	2013	2012	2011
Gross realized gains	\$ 221	\$ 241	\$ 297
Gross realized losses	(21)	(34)	(28)
Other-than-temporary impairment	(20)	(61)	(11)
Other gain on investments, net	\$ 180	\$ 146	\$ 258

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

Year ended December 31, (\$ in millions)	2013	2012	2011
Taxable interest	\$ 297	\$ 262	\$ 325
Taxable dividends	25	30	25
Interest and dividends exempt from U.S. federal income tax	3		
Interest and dividends on available-for-sale securities	\$ 325	\$ 292	\$ 350

Certain available-for-sale securities were sold at a loss in 2013, 2012, and 2011 as a result of market conditions within these respective periods (e.g., a downgrade in the rating of a debt security). The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of December 31, 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 December 31, 2013, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at December 31, 2013. Refer to Note 1 for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

December 31, (\$ in millions)	2013				2012			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
<b>Available-for-sale securities</b>								
Debt securities								
U.S. Treasury and federal agencies	\$ 1,405	\$ (69)	\$	\$	\$ 244	\$ (1)	\$	\$
U.S. States and political subdivisions	212	(1)						
Foreign government	114	(3)			11			
Mortgage-backed	7,503	(388)	100	(10)	493	(2)	23	(1)
Asset-backed	407	(3)	1		143	(1)	1	
Corporate debt	310	(6)	3		120	(2)	15	(1)



Edgar Filing: Ally Financial Inc. - Form S-1/A

Total temporarily impaired debt securities	<b>9,951</b>	<b>(470)</b>	<b>104</b>	<b>(10)</b>	1,011	(6)	39	(2)
Temporarily impaired equity securities	<b>167</b>	<b>(12)</b>	<b>100</b>	<b>(16)</b>	380	(39)	218	(34)
Total temporarily impaired available-for-sale securities	<b>\$ 10,118</b>	<b>\$ (482)</b>	<b>\$ 204</b>	<b>\$ (26)</b>	\$ 1,391	\$ (45)	\$ 257	\$ (36)

F-35

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****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.

<b>December 31, (\$ in millions)</b>	<b>2013</b>	<b>2012</b>
Consumer automobile (a)	\$ 56,417	\$ 53,715
Consumer mortgage (b)(c)	8,444	9,821
Commercial		
Commercial and industrial		
Automobile	30,948	30,270
Mortgage		
Other	1,664	2,697
Commercial real estate - Automobile	2,855	2,552
<b>Total commercial</b>	<b>35,467</b>	<b>35,519</b>
<b>Total finance receivables and loans (d)</b>	<b>\$ 100,328</b>	<b>\$ 99,055</b>

- (a) Includes \$1 million of fair value adjustment for loans in hedge accounting relationships at December 31, 2013. Refer to Note 21 for additional information.
- (b) Includes interest-only mortgage loans of \$1.5 billion and \$2.1 billion at December 31, 2013, and December 31, 2012, respectively, the majority of which are expected to start principal amortization in 2015 or beyond.
- (c) Includes domestic consumer mortgages at a fair value of \$1 million at December 31, 2013, as a result of fair value option election.
- (d) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of \$595 million and \$895 million at December 31, 2013, and December 31, 2012, respectively.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

<i>(\$ in millions)</i>	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	\$ 575	\$ 452	\$ 143	\$ 1,170
Charge-offs	(639)	(93)	(5)	(737)
Recoveries	237	18	10	265
Net charge-offs	(402)	(75)	5	(472)
Provision for loan losses	490	13	(2)	501
Other	10	(1)		9
Allowance at December 31, 2013	\$ 673	\$ 389	\$ 146	\$ 1,208

Allowance for loan losses				
Individually evaluated for impairment	\$ 23	\$ 199	\$ 26	\$ 248
Collectively evaluated for impairment	650	190	120	960
Loans acquired with deteriorated credit quality				
Finance receivables and loans at historical cost				
Ending balance	56,417	8,443	35,467	100,327
Individually evaluated for impairment	281	919	204	1,404
Collectively evaluated for impairment	56,128	7,524	35,263	98,915
Loans acquired with deteriorated credit quality	8			8

<i>(\$ in millions)</i>	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	\$ 766	\$ 516	\$ 221	\$ 1,503
Charge-offs	(616)	(149)	(11)	(776)
Recoveries	247	11	44	302
Net charge-offs	(369)	(138)	33	(474)
Provision for loan losses	257	86	(14)	329
Other (a)	(79)	(12)	(97)	(188)
Allowance at December 31, 2012	\$ 575	\$ 452	\$ 143	\$ 1,170

Allowance for loan losses				
Individually evaluated for impairment	\$ 16	\$ 186	\$ 26	\$ 228
Collectively evaluated for impairment	556	266	117	939
Loans acquired with deteriorated credit quality	3			3
Finance receivables and loans at historical cost				
Ending balance	53,715	9,821	35,519	99,055
Individually evaluated for impairment	260	873	1,538	2,671
Collectively evaluated for impairment	53,425	8,948	33,981	96,354
Loans acquired with deteriorated credit quality	30			30

- (a) Includes provision for loan losses relating to discontinued operations of \$65 million.

F-37

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

December 31, ( <i>\$ in millions</i> )	2013	2012
Consumer automobile	\$	\$ 1,960
Consumer mortgage		40
Commercial	65	96
Total sales and transfers	\$ 65	\$ 2,096

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

December 31, ( <i>\$ in millions</i> )	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
<b>2013</b>						
Consumer automobile	\$ 1,145	\$ 255	\$ 157	\$ 1,557	\$ 54,860	\$ 56,417
Consumer mortgage	82	31	124	237	8,206	8,443
Commercial						
Commercial and industrial						
Automobile			36	36	30,912	30,948
Mortgage						
Other					1,664	1,664
Commercial real estate Automobile			6	6	2,849	2,855
Total commercial			42	42	35,425	35,467
Total consumer and commercial	\$ 1,227	\$ 286	\$ 323	\$ 1,836	\$ 98,491	\$ 100,327
<b>2012</b>						
Consumer automobile	\$ 920	\$ 213	\$ 138	\$ 1,271	\$ 52,444	\$ 53,715
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
Total commercial			25	25	35,494	35,519
Total consumer and commercial	\$ 1,001	\$ 256	\$ 337	\$ 1,594	\$ 97,461	\$ 99,055



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

December 31, ( <i>\$ in millions</i> )	<b>2013</b>	2012
Consumer automobile	<b>\$ 329</b>	\$ 260
Consumer mortgage	<b>192</b>	382
<b>Commercial</b>		
Commercial and industrial		
Automobile	<b>116</b>	146
Mortgage		
Other	<b>74</b>	33
Commercial real estate Automobile	<b>14</b>	37
<b>Total commercial</b>	<b>204</b>	216
<b>Total consumer and commercial finance receivables and loans</b>	<b>\$ 725</b>	\$ 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 for additional information.

December 31, ( <i>\$ in millions</i> )	2013			2012		
	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	<b>\$ 56,088</b>	<b>\$ 329</b>	<b>\$ 56,417</b>	\$ 53,455	\$ 260	\$ 53,715
Consumer mortgage	<b>8,251</b>	<b>192</b>	<b>8,443</b>	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.

December 31, ( <i>\$ in millions</i> )	2013			2012		
	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
<b>Commercial</b>						
Commercial and industrial						
Automobile	<b>\$ 29,194</b>	<b>\$ 1,754</b>	<b>\$ 30,948</b>	\$ 28,978	\$ 1,292	\$ 30,270
Mortgage						
Other	<b>1,388</b>	<b>276</b>	<b>1,664</b>	2,417	280	2,697
Commercial real estate Automobile	<b>2,770</b>	<b>85</b>	<b>2,855</b>	2,440	112	2,552
<b>Total commercial</b>	<b>\$ 33,352</b>	<b>\$ 2,115</b>	<b>\$ 35,467</b>	\$ 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.

F-39



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Impaired Loans and Troubled Debt Restructurings****Impaired Loans**

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1.

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

December 31, (\$ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
<b>2013</b>					
Consumer automobile	\$ 281	\$ 281	\$	\$ 281	\$ 23
Consumer mortgage	924	919	128	791	199
Commercial					
Commercial and industrial					
Automobile	116	116	57	59	7
Mortgage					
Other	74	74		74	16
Commercial real estate Automobile	14	14	9	5	3
Total commercial	204	204	66	138	26
Total consumer and commercial finance receivables and loans	\$ 1,409	\$ 1,404	\$ 194	\$ 1,210	\$ 248
<b>2012</b>					
Consumer automobile	\$ 260	\$ 260	\$ 90	\$ 170	\$ 16
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
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	\$ 1,434	\$ 1,349	\$ 286	\$ 1,063	\$ 228

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

Year ended December 31, ( <i>\$ in millions</i> )	2013		2012		2011	
	Average balance	Interest income	Average balance	Interest income	Average balance	Interest income
Consumer automobile	\$ 278	\$ 18	\$ 131	\$ 12	\$ 35	\$ 2
Consumer mortgage	908	29	693	28	553	22
<b>Commercial</b>						
Commercial and industrial						
Automobile	152	6	178	8	303	19
Mortgage			5		19	6
Other	72	2	32	6	84	1
Commercial real estate						
Automobile	29	1	64	1	126	7
Mortgage			6		40	1
<b>Total commercial</b>	<b>253</b>	<b>9</b>	<b>285</b>	<b>15</b>	<b>572</b>	<b>34</b>
<b>Total consumer and commercial finance receivables and loans</b>	<b>\$ 1,439</b>	<b>\$ 56</b>	<b>\$ 1,109</b>	<b>\$ 55</b>	<b>\$ 1,160</b>	<b>\$ 58</b>

**Troubled Debt Restructurings**

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we may offer several types of assistance to aid our customers, including extension of the loan maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were \$1.3 billion at December 31, 2013, reflecting an increase of \$112 million from December 31, 2012. Refer to Note 1 for additional information.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

Year ended December 31, (\$ in millions)	Number of loans	2013 (a) Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	2012 (a) Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	19,388	\$ 297	\$ 249	36,285	\$ 407	\$ 295
Consumer mortgage	1,092	278	234	2,969	436	350
<b>Commercial</b>						
<b>Commercial and industrial</b>						
Automobile	8	37	37	9	15	15
<b>Mortgage</b>						
Other	4	80	78			
<b>Commercial real estate</b>						
Automobile	5	20	20	8	14	13
<b>Total commercial</b>	<b>17</b>	<b>137</b>	<b>135</b>	<b>17</b>	<b>29</b>	<b>28</b>
<b>Total consumer and commercial finance receivables and loans</b>	<b>20,497</b>	<b>\$ 712</b>	<b>\$ 618</b>	<b>39,271</b>	<b>\$ 872</b>	<b>\$ 673</b>

(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 TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

Year ended December 31, (\$ in millions)	Number of loans	2013 (a) Carrying value before allowance	Charge- off amount	Number of loans	2012 (a) Carrying value before allowance	Charge- off amount
Consumer automobile	6,038	\$ 75	\$ 37	2,290	\$ 26	\$ 12
Consumer mortgage	32	8	1	153	19	3
<b>Commercial</b>						
Commercial and industrial Automobile				4	3	
Commercial real estate Automobile				3	3	
<b>Total commercial</b>				<b>7</b>	<b>6</b>	
	<b>6,070</b>	<b>\$ 83</b>	<b>\$ 38</b>	<b>2,450</b>	<b>\$ 51</b>	<b>\$ 15</b>

Total consumer and commercial finance  
receivables and loans

- (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.

F-42

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

At December 31, 2013, and December 31, 2012, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a TDR were \$26 million and \$25 million, respectively.

**Concentration Risk***Consumer*

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of loans are in Texas and California, which represent an aggregate of 21.1% of our total outstanding consumer finance receivables and loans at December 31, 2013.

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

The following table shows the percentage of total consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses by geographic region.

December 31,	2013 (a)		2012	
	Automobile	1st Mortgage and home equity	Automobile	1st Mortgage and home equity
Texas	13.2%	5.8%	12.9%	5.8%
California	5.8	29.5	5.6	29.2
Florida	7.0	3.6	6.7	3.6
Pennsylvania	5.3	1.7	5.2	1.6
Illinois	4.4	4.4	4.3	4.8
Michigan	4.4	3.9	5.0	4.1
New York	4.3	1.9	4.6	2.0
Georgia	4.0	2.1	3.7	1.9
Ohio	4.0	0.7	4.0	0.8
North Carolina	3.4	1.9	3.3	2.0
Other United States	44.2	44.5	44.7	44.2
Total consumer loans	100.0%	100.0%	100.0%	100.0%

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2013.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Commercial Real Estate**

The commercial real estate portfolio consists of loans issued primarily to automotive dealers. The following table shows the percentage of total commercial real estate finance receivables and loans reported at carrying value before allowance for loan losses by geographic region.

December 31,	2013	2012
Geographic region		
Texas	13.2%	13.0%
Florida	12.6	11.7
Michigan	11.6	12.6
California	9.2	9.3
New York	4.5	4.9
North Carolina	4.1	3.9
Virginia	3.8	3.9
Pennsylvania	3.3	3.3
Georgia	3.1	3.0
Illinois	2.5	1.8
Other United States	32.1	32.6
Total commercial real estate finance receivables and loans	100.0%	100.0%

**Commercial Criticized Exposure**

Finance receivables and loans classified as special mention, substandard, or doubtful are deemed as criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. The following table presents the percentage of total commercial criticized finance receivables and loans reported at carrying value before allowance for loan losses by industry concentrations.

December 31,	2013	2012
Industry		
Automotive	91.4%	85.7%
Electronics	3.4	1.2
Services	2.5	4.9
Other	2.7	8.2
Total commercial criticized finance receivables and loans	100.0%	100.0%

**8. Investment in Operating Leases, Net**

Investments in operating leases were as follows.

December 31, (\$ in millions)	2013	2012
-------------------------------	------	------

Edgar Filing: Ally Financial Inc. - Form S-1/A

Vehicles and other equipment	<b>\$ 21,125</b>	\$ 16,009
Accumulated depreciation	<b>(3,445)</b>	(2,459)
Investment in operating leases, net	<b>\$ 17,680</b>	\$ 13,550

F-44

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012	2011
Depreciation expense on operating lease assets (excluding remarketing gains)	\$ 2,327	\$ 1,515	\$ 1,158
Remarketing gains	(332)	(116)	(217)
Depreciation expense on operating lease assets	\$ 1,995	\$ 1,399	\$ 941

The following table presents the future lease nonresidual rental payments due from customers for equipment on operating leases.

Year ended December 31, ( <i>\$ in millions</i> )	
2014	\$ 2,942
2015	1,890
2016	733
2017	22
2018 and after	
Total	\$ 5,587

**9. Securitizations and Variable Interest Entities****Overview**

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

The SPEs involved in our securitization and other financing transactions are generally considered variable interest entities (VIEs). VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities.

Due to the deconsolidation of ResCap, our mortgage securitization activity and involvement with certain mortgage-related VIEs has substantially decreased. Refer to Note 1 for additional information related to ResCap. We no longer securitize consumer mortgage loans through transactions involving GSEs, or through private-label mortgage securitizations. Accordingly, the discussion below represents our current involvement with variable interest entities as of December 31, 2013, except where otherwise stated or where comparative information is presented.

**Securitizations**

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





---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

In executing a securitization transaction, we typically sell pools of leases and financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the leases and financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates, which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred leases and loans and entitle the investors to specified cash flows generated from the underlying securitized assets. In addition to providing a source of liquidity and cost-efficient funding, securitizing these leases and financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, general collection activity on current and noncurrent accounts, loss mitigation efforts including repossession and sale of collateral, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and master servicing (i.e., servicing the beneficial interests that result from the securitization transactions).

Cash flows from the assets initially transferred into the securitization entity represent the sole source for payment of distributions on the beneficial interests issued by the securitization entity and for payments to the parties that perform services for the securitization entity, such as the servicer or the trustee. In certain securitization transactions, a liquidity facility may exist to provide temporary liquidity to the entity. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods.

We typically hold retained beneficial interests in our securitizations, which may represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals; and other residual interests. Certain of these retained interests provide credit enhancement to the trust as they may absorb credit losses or other cash shortfalls. Additionally, the securitization agreements may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven.

We generally hold certain conditional repurchase options specific to securitizations that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control occur. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have discretion regarding when or if we will exercise these options, but we would do so only when it is in our best interest.

Other than 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

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 29 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during 2013 or 2012.

**Consolidation of Variable Interest Entities**

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

We are generally determined to be the primary beneficiary in VIEs established for our securitization activities when we have a controlling financial interest in the VIE, primarily due to our servicing activities, and we hold a significant beneficial interest in the VIE. The consolidated VIEs included in the Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 24 for discussion of the assets and liabilities for which the fair value option has been elected.

The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. We are generally not determined to be the primary beneficiary in VIEs established for our securitization activities when we either do not hold potentially significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet appropriate sale accounting conditions. For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our 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.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

The pretax gains recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities for consumer mortgage - GSEs were \$112 million, \$629 million, and \$131 million for the years ended December 31, 2013, 2012, and 2011, respectively. There were no pretax gains recognized for consumer automobile for the years ended December 31, 2013 and 2011, and \$6 million for the year ended December 31, 2012.

We have involvement with various other on-balance sheet, immaterial VIEs. Most of these VIEs are used for additional liquidity whereby we sell certain financial assets into the VIE and issue beneficial interests to third parties for cash. We also provide long-term guarantee contracts to investors in certain nonconsolidated affordable housing entities and have extended a line of credit to provide liquidity and minimize our exposure under these contracts. Since we do not have control over the entities or the power to make decisions, we do not consolidate the entities and our involvement is limited to the guarantee and the line of credit.

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

December 31, (\$ in millions)	Consolidated involvement with VIEs (a)	Assets of nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs
<b>2013</b>			
On-balance sheet variable interest entities			
Consumer automobile	\$ 19,072		
Commercial automobile	20,511		
Commercial other	564		
Off-balance sheet variable interest entities			
Consumer automobile		\$ 899	\$ 899(b)
Commercial other	(24)(c)	(d)	40
<b>Total</b>	<b>\$ 40,123</b>	<b>\$ 899</b>	<b>\$ 939</b>
<b>2012</b>			
On-balance sheet variable interest entities			
Consumer automobile	\$ 28,566		
Commercial automobile	23,139		
Commercial other	728		
Off-balance sheet variable interest entities			
Consumer automobile		\$ 1,495	\$ 1,495(b)
Consumer mortgage other		(d)	12(e)
Commercial other	(28)(c)	(d)	85
<b>Total</b>	<b>\$ 52,405</b>	<b>\$ 1,495</b>	<b>\$ 1,592</b>

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

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

of our expected loss.

F-48

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

- (c) Amounts classified as accrued expenses and other liabilities.
- (d) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs.
- (e) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.

**On-balance Sheet Variable Interest Entities**

The consolidated VIEs included in the Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 24 for discussion of the assets and liabilities for which the fair value option has been elected.

December 31, (\$ in millions)	2013	2012
<b>Assets</b>		
Finance receivables and loans, net		
Consumer	\$ 13,291	\$ 13,671
Commercial	18,974	17,839
Allowance for loan losses	(174)	(144)
Total finance receivables and loans, net	32,091	31,366
Investment in operating leases, net	4,620	6,060
Other assets	3,436	2,868
Assets of operations held-for-sale		12,139
<b>Total assets</b>	<b>\$ 40,147</b>	<b>\$ 52,433</b>
<b>Liabilities</b>		
Short-term borrowings	\$ 250	\$ 400
Long-term debt	24,147	26,461
Interest payable		1
Accrued expenses and other liabilities	43	16
Liabilities of operations held-for-sale		9,686
<b>Total liabilities</b>	<b>\$ 24,440</b>	<b>\$ 36,564</b>

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Cash Flows with Off-balance Sheet Variable Interest Entities**

The following table summarizes cash flows received and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding in 2013, 2012, and 2011. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Year ended December 31, ( <i>\$ in millions</i> )	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
<b>2013</b>			
Cash proceeds from transfers completed during the period	\$	\$ 8,676	\$
Servicing fees	13	70	
Representations and warranties obligations		(66)	
Other cash flows		70	
<b>2012</b>			
Cash proceeds from transfers completed during the period	\$ 1,979	\$ 32,796	\$ 5
Cash flows received on retained interests in securitization entities			71
Servicing fees	12	693	63
Purchases of previously transferred financial assets		(876)	(12)
Representations and warranties obligations		(108)	(7)
Other cash flows		(96)	255
<b>2011</b>			
Cash proceeds from transfers completed during the period	\$	\$ 59,815	\$ 722
Cash flows received on retained interests in securitization entities			68
Servicing fees		999	201
Purchases of previously transferred financial assets		(2,537)	(222)
Representations and warranties obligations		(143)	(38)
Other cash flows		(13)	187

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

December 31, (\$ in millions)	Total Amount		Amount 60 days or more past due		Net credit losses	
	2013	2012	2013	2012	2013	2012
<b>On-balance sheet loans</b>						
Consumer automobile	\$ 56,417	\$ 53,715	\$ 412	\$ 351	\$ 402	\$ 369
Consumer mortgage	8,460	12,311	164	241	75	8
Commercial automobile	33,803	32,822	42	24	2	(1)
Commercial mortgage						(1)
Commercial other	1,683	2,783		1	(7)	(31)
<b>Total on-balance sheet loans</b>	<b>100,363</b>	<b>101,631</b>	<b>618</b>	<b>617</b>	<b>472</b>	<b>344</b>
<b>Off-balance sheet securitization entities</b>						
Consumer automobile	899	1,495	3	4	3	2
Consumer mortgage - GSEs (a)		119,384		1,892	n/m	n/m
<b>Total off-balance sheet securitization entities</b>	<b>899</b>	<b>120,879</b>	<b>3</b>	<b>1,896</b>	<b>3</b>	<b>2</b>
<b>Whole-loan transactions (b)</b>	<b>2,848</b>	<b>6,756</b>	<b>69</b>	<b>129</b>	<b>6</b>	<b>16</b>
<b>Total</b>	<b>\$ 104,110</b>	<b>\$ 229,266</b>	<b>\$ 690</b>	<b>\$ 2,642</b>	<b>\$ 481</b>	<b>\$ 362</b>

n/m = not meaningful

(a) Anticipated credit losses are not meaningful due to the GSE guarantees.

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

**10. Servicing Activities****Mortgage Servicing Rights**

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



Edgar Filing: Ally Financial Inc. - Form S-1/A

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012 (a)
Estimated fair value at January 1,	\$ 952	\$ 2,519
Additions	60	240
Sales (b)	(911)	
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(32)	(282)
Other changes in fair value	(69)	(395)
Deconsolidation of ResCap		(1,130)
Estimated fair value at December 31,	\$	\$ 952

F-51

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

(a) Includes activities of our discontinued operations.

(b) Includes the sales of agency MSR to Ocwen Financial Corp. (Ocwen) and Quicken Loans, Inc. (Quicken) on April 1, 2013 and April 16, 2013, respectively.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model included all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily included the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio.

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.

<i>(\$ in millions)</i>	<b>December 31, 2013</b>	December 31, 2012
Weighted average life (in years)	<b>n/a</b>	4.6
Weighted average prepayment speed	<b>n/a</b>	13.5%
Impact on fair value of 10% adverse change	<b>n/a</b>	\$ (77)
Impact on fair value of 20% adverse change	<b>n/a</b>	(144)
Weighted average discount rate	<b>n/a</b>	7.7%
Impact on fair value of 10% adverse change	<b>n/a</b>	\$ (10)
Impact on fair value of 20% adverse change	<b>n/a</b>	(19)

n/a = not applicable

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 servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSRs. We previously economically hedged the impact of these risks with both derivative and nonderivative financial instruments. Refer to Note 21 for additional information regarding the derivative financial instruments used to economically hedge MSRs.



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012	2011
Change in estimated fair value of mortgage servicing rights	\$ (101)	\$ (560)	\$ (793)
Change in fair value of derivative financial instruments	(112)	556	359
<b>Servicing asset valuation and hedge activities, net</b>	<b>\$ (213)</b>	<b>\$ (4)</b>	<b>\$ (434)</b>

**Mortgage Servicing Fees**

The components of mortgage servicing fees were as follows.

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012	2011
Contractual servicing fees, net of guarantee fees and including subservicing	\$ 62	\$ 281	\$ 344
Late fees	2	7	9
Ancillary fees	4	12	12
<b>Total mortgage servicing fees</b>	<b>\$ 68</b>	<b>\$ 300</b>	<b>\$ 365</b>

**Automobile Finance Servicing Activities**

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fee income of \$58 million, \$109 million, and \$160 million during the years ended December 31, 2013, 2012, and 2011, respectively.

**Automobile Finance Serviced Assets**

The total serviced automobile finance loans and leases outstanding were as follows.

December 31, ( <i>\$ in millions</i> )	2013	2012
<b>On-balance sheet automobile finance loans and leases</b>		
Consumer automobile	\$ 56,417	\$ 53,715
Commercial automobile	33,803	32,822
Operating leases	17,680	13,550
Operations held-for-sale		25,979
Other	54	41
<b>Off-balance sheet automobile finance loans</b>		
Loans sold to third-party investors		
Securitizations	887	1,474
Whole-loan	2,748	6,541

Total serviced automobile finance loans and leases	<b>\$ 111,589</b>	\$ 134,122
--	-------------------	------------

F-53

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****11. Premiums Receivable and Other Insurance Assets**

Premiums receivable and other insurance assets consisted of the following.

December 31, ( <i>\$ in millions</i> )	2013	2012
Prepaid reinsurance premiums	\$ 288	\$ 236
Reinsurance recoverable on unpaid losses	182	234
Reinsurance recoverable on paid losses	13	40
Premiums receivable	85	108
Deferred policy acquisition costs	1,045	991
Total premiums receivable and other insurance assets	\$ 1,613	\$ 1,609

**12. Other Assets**

The components of other assets were as follows.

December 31, ( <i>\$ in millions</i> )	2013	2012
Property and equipment at cost	\$ 709	\$ 693
Accumulated depreciation	(474)	(411)
Net property and equipment	235	282
Restricted cash collections for securitization trusts (a)	3,664	2,983
Deferred tax asset	2,040	1,190
Cash reserve deposits held-for-securitization trusts (b)	402	442
Fair value of derivative contracts in receivable position (c)	362	2,298
Nonmarketable equity securities	337	303
Collateral placed with counterparties	328	1,290
Unamortized debt issuance costs	312	425
Other accounts receivable	290	525
Restricted cash and cash equivalents	205	889
Other assets	1,414	1,281
Total other assets	\$ 9,589	\$ 11,908

(a) Represents cash collection 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.

- (c) For additional information on derivative instruments and hedging activities, refer to Note 21.

F-54

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****13. Deposit Liabilities**

Deposit liabilities consisted of the following.

December 31, ( <i>\$ in millions</i> )	2013	2012
Domestic deposits		
Noninterest-bearing deposits	\$ 60	\$ 1,977
Interest-bearing deposits		
Savings and money market checking accounts	21,210	13,871
Certificates of deposit	31,640	31,084
Dealer deposits	440	983
<b>Total deposit liabilities</b>	<b>\$ 53,350</b>	<b>\$ 47,915</b>

Historically, noninterest-bearing deposits primarily represented third-party escrows associated with our mortgage loan-servicing portfolio. See Note 10 for further detail relating to our MSR sales during 2013. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At December 31, 2013, and December 31, 2012, certificates of deposit included \$13.1 billion and \$12.0 billion, respectively, of domestic certificates of deposit in denominations of \$100 thousand or more.

The following table presents the scheduled maturity of total certificates of deposit.

<i>(\$ in millions)</i>	
Due in 2014	\$ 15,483
Due in 2015	8,709
Due in 2016	4,275
Due in 2017	2,142
Due in 2018	1,031
<b>Total certificates of deposit</b>	<b>\$ 31,640</b>

**14. Short-term Borrowings**

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

December 31, ( <i>\$ in millions</i> )	2013			2012		
	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	\$ 3,225	\$	\$ 3,225	\$ 3,094	\$	\$ 3,094
Bank loans and overdrafts				167		167
Federal Home Loan Bank		3,570	3,570		3,800	3,800
Securities sold under agreements to repurchase (b)		1,500	1,500			
Other (c)		250	250		400	400



## Edgar Filing: Ally Financial Inc. - Form S-1/A

Total short-term borrowings	\$ 3,225	\$ 5,320	\$ 8,545	\$ 3,261	\$ 4,200	\$ 7,461
Weighted average interest rate (d)			0.8%			1.0%

- (a) Refer to Note 15 for further details on assets restricted as collateral for payment of the related debt.
  
- (b) We periodically enter into term repurchase agreements, short-term borrowing arrangements in which we sell financial instruments to one or more investors while simultaneously committing to repurchase them at a

F-55

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

specified future date, at the stated price plus accrued interest. The financial instruments sold under agreement to repurchase typically consist of U.S. government and agency securities.

(c) Other relates to secured borrowings at our Commercial Finance Group.

(d) Based on the debt outstanding and the interest rate at December 31 of each year.

**15. Long-term Debt**

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

December 31, ( <i>\$ in millions</i> )	Amount	Interest rate	Weighted average interest rate (a)	Due date range
<b>2013</b>				
Unsecured debt				
Fixed rate (b)	\$ 21,367			
Variable rate	2,755			
Trust preferred securities	2,624			
Fair value adjustment (c)	445			
<b>Total unsecured debt</b>	<b>27,191</b>	<b>0.32 - 10.29%</b>	<b>6.28%</b>	<b>2014 - 2049</b>
Secured debt				
Fixed rate	20,492			
Variable rate	21,782			
<b>Total secured debt (d) (e)</b>	<b>42,274</b>	<b>0.40 - 4.59%</b>	<b>0.98%</b>	<b>2014 - 2022</b>
<b>Total long-term debt</b>	<b>\$ 69,465</b>			
<b>2012</b>				
Unsecured debt				
Fixed rate (b)	\$ 27,588			
Variable rate	2,345			
Trust preferred securities	2,623			
Fair value adjustment (c)	1,094			
<b>Total unsecured debt</b>	<b>33,650</b>	<b>0.38 - 10.29%</b>	<b>6.72%</b>	<b>2013 - 2049</b>
Secured debt				
Fixed rate	20,076			
Variable rate	20,835			
<b>Total secured debt (d) (e)</b>	<b>40,911</b>	<b>0.25 - 8.30%</b>	<b>1.10%</b>	<b>2013 - 2021</b>
<b>Total long-term debt</b>	<b>\$ 74,561</b>			

- (a) Based on the debt outstanding and the interest rate at December 31 of each year.
- (b) Includes subordinated debt of \$271 million at December 31, 2013 and \$251 million at December 31, 2012.
- (c) Amount represents the hedge accounting adjustment of fixed-rate debt.
- (d) Includes \$24.1 billion and \$26.5 billion of VIE secured debt outstanding at December 31, 2013 and 2012, respectively.
- (e) Includes \$15.1 billion and \$13.5 billion of debt outstanding from the Automotive secured revolving credit facilities at December 31, 2013 and 2012, respectively.

F-56

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

December 31, ( <i>\$ in millions</i> )	2013		Total	2012		Total
	Unsecured	Secured		Unsecured	Secured	
Long-term debt						
Due within one year	\$ 5,321	\$ 11,851	\$ 17,172	\$ 1,070	\$ 11,503	\$ 12,573
Due after one year	21,425	30,423	51,848	31,486	29,408	60,894
Fair value adjustment	445		445	1,094		1,094
<b>Total long-term debt</b>	<b>\$ 27,191</b>	<b>\$ 42,274</b>	<b>\$ 69,465</b>	<b>\$ 33,650</b>	<b>\$ 40,911</b>	<b>\$ 74,561</b>

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,							Fair value adjustment	Total
( <i>\$ in millions</i> )	2014	2015	2016	2017	2018	2019 and thereafter		
<b>Unsecured</b>								
Long-term debt	\$ 5,511	\$ 5,163	\$ 1,934	\$ 3,527	\$ 1,278	\$ 10,922	\$ 445	\$ 28,780
Original issue discount	(190)	(59)	(65)	(77)	(90)	(1,108)		(1,589)
<b>Total unsecured</b>	<b>5,321</b>	<b>5,104</b>	<b>1,869</b>	<b>3,450</b>	<b>1,188</b>	<b>9,814</b>	<b>445</b>	<b>27,191</b>
<b>Secured</b>								
Long-term debt	11,851	13,819	7,861	5,211	2,256	1,276		42,274
<b>Total long-term debt</b>	<b>\$ 17,172</b>	<b>\$ 18,923</b>	<b>\$ 9,730</b>	<b>\$ 8,661</b>	<b>\$ 3,444</b>	<b>\$ 11,090</b>	<b>\$ 445</b>	<b>\$ 69,465</b>

To achieve the desired balance between fixed- and variable-rate debt, we utilize interest rate swap agreements. The use of these derivative financial instruments had the effect of synthetically converting \$11.1 billion of our fixed-rate debt into variable-rate obligations and \$4.9 billion of our variable-rate debt into fixed-rate obligations at December 31, 2013.

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

December 31, ( <i>\$ in millions</i> )	2013		2012	
	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities	\$ 2,864	\$ 2,864	\$ 1,911	\$ 1,911
Mortgage assets held-for-investment and lending receivables	8,524	8,524	9,866	9,866
Consumer automobile finance receivables	32,947	12,332	29,557	14,833
Commercial automobile finance receivables	21,249	21,249	19,606	19,606
Investment in operating leases, net	5,810	3,190	6,058	1,691
Other assets	563		999	272
<b>Total assets restricted as collateral (b)</b>	<b>\$ 71,957</b>	<b>\$ 48,159</b>	<b>\$ 67,997</b>	<b>\$ 48,179</b>
<b>Secured debt (c)</b>	<b>\$ 47,594</b>	<b>\$ 27,818</b>	<b>\$ 45,111</b>	<b>\$ 29,162</b>

- (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 \$12.7 billion and \$12.6 billion at December 31, 2013, and 2012, respectively. These assets were composed primarily of

F-57

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling \$3.2 billion and \$1.9 billion at December 31, 2013, and 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 \$5.3 billion and \$4.2 billion of short-term borrowings at December 31, 2013, and 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. The Trust, as issuer of the TRUPS, is a variable interest entity which is not consolidated by Ally. Ally has issued junior subordinated notes to the Trust which are reflected as a component of our unsecured debt.

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. Ally at any time on or after February 15, 2016 may redeem the Series 2 TRUPS at a redemption price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest through the date of redemption. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Covenants and Other Requirements**

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, and commercial payment rates. During 2013, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

**Funding Facilities**

We utilize both committed and other credit facilities. The amounts outstanding under our various funding facilities are included on our Consolidated Balance Sheet.

As of December 31, 2013, Ally Bank had exclusive access to \$3.0 billion of funding capacity from committed credit facilities. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank's private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At December 31, 2013, \$22.4 billion of our \$24.7 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of December 31, 2013, we had \$11.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

**Committed Funding Facilities**

December 31, (\$ in millions)	Outstanding		Unused capacity (a)		Total capacity	
	2013	2012	2013	2012	2013	2012
<b>Bank funding</b>						
Secured	\$ 2,750	\$ 3,800	\$ 250	\$ 4,700	\$ 3,000	\$ 8,500
<b>Parent funding</b>						
Unsecured (b)		118		25		143
Secured (c) (d) (e)	15,159	22,454	6,497	7,839	21,656	30,293
<b>Total Parent funding</b>	<b>15,159</b>	<b>22,572</b>	<b>6,497</b>	<b>7,864</b>	<b>21,656</b>	<b>30,436</b>
<b>Shared capacity (f)</b>		<b>1,154</b>		<b>2,971</b>		<b>4,125</b>
<b>Total committed facilities</b>	<b>\$ 17,909</b>	<b>\$ 27,526</b>	<b>\$ 6,747</b>	<b>\$ 15,535</b>	<b>\$ 24,656</b>	<b>\$ 43,061</b>

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

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

Edgar Filing: Ally Financial Inc. - Form S-1/A

- (c) Total secured parent funding capacity included committed funding for our discontinued international automobile financing business of \$12.0 billion at December 31, 2012, with outstanding debt of \$9.6 billion.

F-59



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

- (d) Total unused capacity included \$2.2 billion at December 31, 2012 from certain committed funding arrangements that were generally reliant upon the origination of future automotive receivables available in 2013.
- (e) Includes the secured facilities of our Commercial Finance Group.
- (f) Funding was generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc. Total shared facilities included committed funding for our discontinued international automobile financing business of \$0.1 billion as of December 31, 2012, with outstanding debt of \$0.1 billion.

**16. Accrued Expenses and Other Liabilities**

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

December 31, ( <i>\$ in millions</i> )	2013	2012
Employee compensation and benefits	\$ 437	\$ 494
Accounts payable	414	565
Fair value of derivative contracts in payable position (a)	317	2,468
Reserves for insurance losses and loss adjustment expenses	275	341
Collateral received from counterparties	159	941
Deferred revenue	122	97
Accrual related to ResCap Bankruptcy and deconsolidation (b)		750
Other liabilities (c)	673	929
<b>Total accrued expenses and other liabilities</b>	<b>\$ 2,397</b>	<b>\$ 6,585</b>

- (a) For additional information on derivative instruments and hedging activities, refer to Note 21.
- (b) Refer to Note 1 for more information regarding the Debtors' bankruptcy.
- (c) Includes \$150 million and \$0 accrual for insurance proceeds to be contributed to the ResCap estate at December 31, 2013 and December 31, 2012, respectively. Refer to Note 1 for more information regarding the Debtors' bankruptcy.

**17. Equity****Common Stock**

Our common stock has a par value of \$0.01 and there are 1,547,779 shares authorized for issuance as of December 31, 2013. Our common stock is not registered with the Securities and Exchange Commission, and there is no established public trading market for the shares. Treasury held 63.4% of Ally common stock as of December 31, 2013. The following table presents changes in the number of shares issued and outstanding.

Edgar Filing: Ally Financial Inc. - Form S-1/A

<i>(in shares)</i>	2013	2012	2011
<b>Common stock</b>			
January 1,	<b>1,330,970</b>	1,330,970	1,330,970
New issuances			
Private placement (a)	<b>216,667</b>		
December 31,	<b>1,547,637</b>	1,330,970	1,330,970

(a) On November 20, 2013, Ally completed its private placement of its common stock for an aggregate price of \$1.3 billion.

F-60

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Preferred Stock**

**Series F-2 Mandatorily Convertible Preferred Stock held by U.S. Department of Treasury**

On December 30, 2009, Ally entered into a Securities Purchase and Exchange Agreement (the Purchase Agreement) with Treasury, pursuant to which a series of transactions occurred resulting in Treasury acquiring 228,750,000 shares of Ally's newly issued Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2 (the New MCP), with a total liquidation preference of \$11.4 billion. On December 30, 2010, Treasury converted 110,000,000 shares of the New MCP into 531,850 shares of Ally common stock. The conversion occurred at an agreed upon rate that exceeded the initial conversion rate as defined in Exhibit H to the Ally Certificate of Incorporation.

On November 20, 2013, Ally completed its private placement of an aggregate of 216,667 shares of its common stock for an aggregate price of \$1.3 billion and its repurchase of all 118,750,000 outstanding shares of the New MCP, held by Treasury, including payment for the elimination or relinquishment of any right to receive additional shares of common stock to be issued pursuant to Section 6(a)(i)(B) of the certificate of designations of the New MCP. Ally paid to Treasury a total of approximately \$5.9 billion for the repurchase of the New MCP and Treasury's elimination of its share adjustment right in connection with the New MCP.

**Series A Preferred Stock**

On March 1, 2011, pursuant to a registration rights agreement between Ally and GM, GM notified Ally of its intent to sell shares of Ally's existing Fixed Rate Perpetual Preferred Stock, Series A (Existing Series A Preferred Stock), held by a subsidiary of GM. On March 25, 2011, Ally filed a Certificate of Amendment of Amended and Restated Certificate of Incorporation (the Amendment) with the Secretary of State of the State of Delaware. Pursuant to the Amendment, Ally's Certificate of Incorporation, which included the terms of the Existing Series A Preferred Stock, was amended to modify certain terms of the Existing Series A Preferred Stock. As part of the Amendment, the Existing Series A Preferred Stock was redesignated as Ally's Fixed Rate / Floating Rate Perpetual Preferred Stock, Series A (the Amended Series A Preferred Stock) and the liquidation amount was reduced from \$1,000 per share to \$25 per share. The Amendment, and a corresponding amendment to Ally's bylaws, also increased the authorized number of shares of Amended Series A Preferred Stock to 160,870,560 shares, which was adjusted to account for the decreased liquidation amount per share. The total number of shares outstanding following the Amendment is 40,870,560 shares.

Immediately following the Amendment, the subsidiary of GM that held all of the outstanding Amended Series A Preferred Stock sold 100% of the stock in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Holders of the Amended Series A Preferred Stock are entitled to receive, when, and if declared by Ally, noncumulative cash dividends. Beginning March 25, 2011, to but excluding May 15, 2016, dividends accrue at a fixed rate of 8.5% per annum. Beginning on May 15, 2016, dividends will accrue at a rate equal to three-month London interbank offer rate (LIBOR) plus 6.243%, commencing on August 15, 2016, in each case on the 15th day of February, May, August, and November. Dividends will be payable to holders of record at the close of business on the preceding February 1, May 1, August 1, or November 1, as the case may be, or on such other date, not more than seventy calendar days prior to the dividend payment date, as will be fixed by the Ally Board of Directors. In the event that dividends with respect to a dividend period have not been paid in full on the dividend payment date, we will be prohibited, subject to certain specified exceptions, from (i) redeeming, purchasing or otherwise acquiring, any stock that ranks on a parity basis with, or junior in interest to, the

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

Amended Series A Preferred Stock; (ii) paying any dividends or making any distributions with respect to any stock that ranks junior in interest to the Amended Series A Preferred Stock, until such time as Ally has paid the dividends payable on shares of the Amended Series A Preferred Stock with respect to a subsequent dividend period; and (iii) declaring or paying any dividend on any stock ranking on a parity basis with the Amended Series A Preferred Stock, subject to certain exceptions.

The holders of the Amended Series A Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Amended Series A Preferred Stock included in Ally's Certificate of Incorporation. Ally may not redeem the Amended Series A Preferred Stock before May 15, 2016, and after such time the Amended Series A Preferred Stock may be redeemed in certain circumstances. In the event of any liquidation, dissolution or winding up of the affairs of Ally, holders of the Amended Series A Preferred Stock will be entitled to receive the liquidation amount per share of Amended Series A Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Amended Series A Preferred Stock, subject to the rights of Ally's creditors.

The changes to the terms of the Existing Series A Preferred Stock pursuant to the terms of the Amendment were deemed substantive, and as a result, the transaction was accounted for as a redemption of the Existing Series A Preferred Stock and the issuance of the Amended Series A Preferred Stock. The Existing Series A Preferred Stock was removed at its carrying value, the Amended Series A Preferred Stock was recognized at its fair value, and the difference of \$32 million was recorded as an increase to retained earnings, which impacted the income available to common stockholders used for the earnings per common share calculation.

**Series G Preferred Stock**

Effective June 30, 2009, we converted (the Conversion) from a Delaware limited liability company into a Delaware corporation in accordance with applicable law. In connection with the Conversion, the 7% Cumulative Perpetual Preferred Stock (the Blocker Preferred) of Preferred Blocker Inc. (PBI), a wholly owned subsidiary, was required to be converted into or exchanged for preferred stock. For this purpose, we had previously authorized for issuance its 7% Fixed Rate Cumulative Perpetual Preferred Stock, Series G (the Series G Preferred Stock). Pursuant to the terms of a Certificate of Merger, effective October 15, 2009, PBI merged with and into Ally with Ally continuing as the surviving entity. At that time, each share of the Blocker Preferred issued and outstanding immediately prior to the effective time of the merger was converted into the right to receive an equal number of newly issued shares of Series G Preferred Stock. In the aggregate, 2,576,601 shares of Series G Preferred Stock were issued to holders of the Blocker Preferred in connection with the merger. The Series G Preferred Stock ranks equally in right of payment with each of our outstanding series of preferred stock in accordance with the terms thereof.

The Series G Preferred Stock accrues dividends at a rate of 7% per annum. Dividends are payable quarterly, in arrears, only if and when declared by Ally's Board of Directors. Subject to any other restrictions contained in the terms of any other series of stock or other agreements that Ally is or may become subject to, at Ally's option and subject to Ally having obtained any required regulatory approvals, Ally may, subject to certain conditions, redeem the Series G Preferred Stock, in whole or in part, at any time or from time to time, upon proper notice given, at a redemption price equal to the liquidation amount plus the amount of any accrued and unpaid dividends thereon through the date of redemption. Further, so long as any shares of Series G Preferred Stock remain outstanding, if any shares of Parity Stock (as defined in the certificate of designation for the Series G Preferred Stock) are redeemed, then shares of the Series G Preferred Stock shall also be redeemed on a pro rata basis based on the aggregate liquidation amount of the Series G Preferred Stock and such Parity Stock. The Series G

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Preferred Stock generally is nonvoting other than class-voting on certain matters under certain circumstances including generally, the authorization of senior capital stock or amendments that adversely impact the Series G Preferred Stock. Ally is generally prohibited from making any Restricted Payments on or prior to January 1, 2014, and may only make Restricted Payments after January 1, 2014, if certain conditions are satisfied. For this purpose, Restricted Payments include, subject to certain exceptions, any dividend payment or distribution of assets on any common stock or any redemption, purchase, or other acquisition of any shares of common stock.

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

December 31,	2013	2012
<b>Mandatorily convertible preferred stock held by U.S. Department of Treasury</b>		
<b>Series F-2 preferred stock</b>		
Carrying value (\$ in millions)	\$	\$
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
Dividend/coupon	9%	9%
<b>Preferred stock</b>		
<b>Series A preferred stock (a)</b>		
Carrying value (\$ in millions)	\$	\$
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%
<b>Series G preferred stock (b) (c)</b>		
Carrying value (\$ in millions)	\$	\$
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%

(a) Nonredeemable prior to May 15, 2016.

(b) 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.

(c) Redeemable beginning at December 31, 2011.



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****18. Accumulated Other Comprehensive Income (Loss)**

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

<i>(\$ in millions)</i>	<b>Unrealized (losses) gains on investment securities (a)</b>	<b>Translation adjustments and net investment hedges (b)</b>	<b>Cash flow hedges (b)</b>	<b>Defined benefit pension plans</b>	<b>Accumulated other comprehensive income (loss)</b>
Balance at January 1, 2011	\$ (26)	\$ 416	\$ 6	\$ (137)	\$ 259
2011 net change	(88)	(64)		(20)	(172)
Balance at December 31, 2011	(114)	352	6	(157)	87
2012 net change	190	16	(4)	22	224
Balance at December 31, 2012	76	368	2	(135)	311
<b>2013 net change</b>	<b>(345)</b>	<b>(303)</b>	<b>3</b>	<b>58</b>	<b>(587)</b>
<b>Balance at December 31, 2013</b>	<b>\$ (269)</b>	<b>\$ 65</b>	<b>\$ 5</b>	<b>\$ (77)</b>	<b>\$ (276)</b>

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

(b) For additional information on derivative instruments and hedging activities, refer to Note 21.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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

December 31, (\$ in millions)	Before Tax	Tax Effect	After Tax
<b>2013</b>			
Unrealized losses on investment securities			
Net unrealized losses arising during the period	\$ (333)	\$ 174	\$ (159)
Less: Net realized gains reclassified to income from continuing operations	180(a)	(2)(b)	178
Less: Net realized gains reclassified to income from discontinued operations, net of tax	10	(2)	8
Net change	(523)	178	(345)
Translation adjustments			
Net unrealized losses arising during the period	(104)	24	(80)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	337	92	429
Net change	(441)	(68)	(509)
Net investment hedges (c)			
Net unrealized gains arising during the period	59	22	37
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(250)	81	(169)
Net change	309	(103)	206
Cash flow hedges (c)			
Net unrealized losses arising during the period	(1)		(1)
Less: Net realized losses reclassified to income from continuing operations	(7)(d)	3(b)	(4)
Net change	6	(3)	3
Defined benefit pension plans			
Net unrealized gains arising during the period	26	(8)	18
Less: Net losses reclassified to income from continuing operations	(2)(e)	(b)	(2)
Less: Net losses reclassified to income from discontinued operations, net of tax	(49)	11	(38)
Net change	77	(19)	58
Other comprehensive loss	\$ (572)	\$ (15)	\$ (587)

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

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

(c) For additional information on derivative instruments and hedging activities, refer to Note 21.



- (d) Includes losses reclassified to interest on long-term debt in our Consolidated Statement of Income.
- (e) Includes losses reclassified to compensation and benefits expense in our Consolidated Statement of Income.

F-65

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****19. Earnings per Common Share**

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

Year ended December 31, (\$ in millions except per share data)	2013	2012	2011
Net income (loss) from continuing operations	\$ 416	\$ 1,370	\$ (219)
Preferred stock dividends U.S. Department of Treasury	(543)	(535)	(534)
Impact of repurchase of mandatorily convertible preferred stock held by U.S. Department of Treasury and elimination of share adjustment right (a)	(240)		
Preferred stock dividends	(267)	(267)	(260)
Impact of preferred stock conversion or amendment			32
<b>Net (loss) income from continuing operations attributable to common shareholders (b)</b>	<b>(634)</b>	568	(981)
(Loss) income from discontinued operations, net of tax	(55)	(174)	62
<b>Net (loss) income attributable to common shareholders</b>	<b>\$ (689)</b>	\$ 394	\$ (919)
<b>Basic weighted-average common shares outstanding</b>	<b>1,355,375</b>	1,330,970	1,330,970
<b>Diluted weighted-average common shares outstanding (b)</b>	<b>1,355,375</b>	1,330,970	1,330,970
<b>Basic earnings per common share</b>			
Net (loss) income from continuing operations	\$ (468)	\$ 427	\$ (738)
(Loss) income from discontinued operations, net of tax	(41)	(131)	47
<b>Net (loss) income</b>	<b>\$ (509)</b>	\$ 296	\$ (691)
<b>Diluted earnings per common share (b)</b>			
Net (loss) income from continuing operations	\$ (468)	\$ 427	\$ (738)
(Loss) income from discontinued operations, net of tax	(41)	(131)	47
<b>Net (loss) income</b>	<b>\$ (509)</b>	\$ 296	\$ (691)

(a) Refer to Note 17 for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for 2013, and 2011, respectively, net (loss) income from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the years ended December 31, 2013, 2012, and 2011, respectively, as the effects would be

## Edgar Filing: Ally Financial Inc. - Form S-1/A

antidilutive for those periods. As such, 288 thousand, 574 thousand, and 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the years ended December 31, 2013, 2012, and 2011, respectively.

F-66

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****20. 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 and leverage capital requirements issued by U.S. banking regulators that require us to maintain regulatory capital ratios above minimum levels. 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.

A risk-based capital ratio is the ratio of a banking organization's regulatory capital (numerator) to its risk-weighted assets (denominator). Under the existing Basel I capital rules, regulatory 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 regulatory capital is the sum of Tier 1 and Tier 2 capital. Under the existing Basel I capital rules, risk-weighted assets are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk weight categories with higher risk weights (expressed in percentage) assigned to asset classes that present greater perceived risk. Under the existing Basel I capital rules, 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 U.S. banking regulators also have established minimum leverage capital ratio requirements. The Tier 1 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). Under the existing Basel I capital rules, the minimum U.S. Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

Under the U.S. banking regulators' existing regulations, a banking organization 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 Tier 1 leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels. To maintain its status as a financial holding company, Ally and its bank subsidiary, Ally Bank, must remain "well-capitalized" and "well-managed," as defined under applicable law.

As discussed below, the U.S. banking regulators have issued the U.S. Basel III final rules to replace the existing Basel I capital rules. Effective January 1, 2015, the "well-capitalized" standard for Ally Bank will be revised to reflect the higher capital requirements in the U.S. Basel III final rules.

In the context of capital planning and stress testing, the U.S. banking regulators have also developed a measure of capital called "Tier 1 common," which is 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 total consolidated 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

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

how we will maintain a pro forma Tier 1 common risk-based capital 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 Federal Deposit Insurance Corporation (FDIC) entered into a Capital and Liquidity Maintenance Agreement (CLMA). The effective date of the CLMA was August 24, 2010. The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank's leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance.

The following table summarizes our capital ratios.

December 31, (\$ in millions)	2013		2012		Required minimum	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
<b>Risk-based capital</b>						
<b>Tier 1 (to risk-weighted assets)</b>						
Ally Financial Inc.	\$ 15,165	11.79%	\$ 20,232	13.13%	4.00%	6.00%
Ally Bank	15,159	16.73	14,136	16.26	4.00	6.00
<b>Total (to risk-weighted assets)</b>						
Ally Financial Inc.	\$ 16,405	12.76%	\$ 21,669	14.07%	8.00%	10.00%
Ally Bank	15,809	17.45	14,827	17.06	8.00	10.00
<b>Tier 1 leverage (to adjusted quarterly average assets) (a)</b>						
Ally Financial Inc.	\$ 15,165	10.23%	\$ 20,232	11.16%	3.00 4.00%	(b)
Ally Bank	15,159	15.77	14,136	15.30	15.00 (c)	5.00%
<b>Tier 1 common (to risk-weighted assets)</b>						
Ally Financial Inc.	\$ 11,366	8.84%	\$ 10,749	6.98%	n/a	n/a
Ally Bank	15,159	16.73	14,136	16.26	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) Currently, there is no Tier 1 leverage component in the definition of well-capitalized for a bank holding company.

(c) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%. At December 31, 2013, Ally and Ally Bank were well-capitalized and met all capital requirements to which each was subject.

**Basel Capital Accord and Other Regulatory Matters**

In December 2010, the Basel Committee on Banking Supervision (Basel Committee) reached an agreement on the Basel III capital framework, which was designed to increase the quality and quantity of regulatory capital by introducing new risk-based and leverage capital standards. In July 2013, the U.S. banking regulators finalized rules implementing the Basel III capital framework and related Dodd-Frank Act provisions. The

## Edgar Filing: Ally Financial Inc. - Form S-1/A

U.S. Basel III final rules represent substantial revisions to the existing regulatory capital standards for U.S. banking organizations. Ally will become subject to the U.S. Basel III final rules beginning on January 1, 2015. Certain aspects of the U.S. Basel III final rules, including the new capital buffers and regulatory capital deductions, will be phased in over several years.

F-68

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Once fully phased in, the U.S. Basel III final rules will subject Ally to a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum Total risk-based capital ratio of 8% on a fully phased-in basis. Ally will also be subject to a 2.5% Common Equity Tier 1 capital conservation buffer. Failure to maintain such buffers will result in restrictions on Ally's ability to make capital distributions, including dividend payment, stock repurchases and redemptions, and pay discretionary bonuses to executive officers. In addition to these new risk-based capital standards, the U.S. Basel III final rules require large internationally active U.S. banking organizations (advanced approaches banking organizations) to comply with a minimum Basel III supplementary leverage ratio of 3%. Ally is not an advanced approaches banking organization and therefore will not be subject to the Basel III supplementary leverage ratio requirement. The U.S. Basel III final rules subjects all U.S. banking organizations, including Ally, to a minimum Tier 1 leverage ratio of 4%, the denominator of which only takes into account on-balance sheet assets. Effective January 1, 2015, the well-capitalized standard for Ally Bank will be revised to reflect the higher capital requirements in the U.S. Basel III final rules.

In addition to introducing new capital ratios, the U.S. Basel III final rules revise the eligibility criteria for regulatory capital instruments and provides for the phase-out of existing capital instruments that do not satisfy the new criteria. Subject to certain exceptions (e.g., for certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other hybrid securities will be phased out from a banking organization's Tier 1 capital by January 1, 2016. Also, certain new items will be deducted from Common Equity Tier 1 capital and certain existing regulatory capital deductions will be modified. Among other things, the final rules require significant investments in the common shares of unconsolidated financial institutions, MSRs, and certain deferred tax assets that exceed specified individual and aggregate thresholds to be deducted from Common Equity Tier 1 capital.

Beginning on January 1, 2015, the U.S. Basel III final rules will replace the existing Basel I-based approach for calculating risk-weighted assets with the U.S. Basel III standardized approach that, among other things, modifies certain existing risk weights and introduces new methods for calculating risk-weighted assets of certain types of assets and exposures. In December 2013, the Board of Governors of the Federal Reserve System (FRB) made technical revisions to the market risk capital rule, which only applies to banking organizations with significant trading assets and liabilities. Ally is currently not subject to the market risk capital rule.

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

**Depository Institutions**

Ally Bank is a state nonmember bank, chartered by the State of Utah, and subject to the supervision of the FDIC and the Utah Department of Financial Institutions. Ally Bank's deposits are insured by the FDIC, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were \$98.7 billion and \$94.8 billion at December 31, 2013 and 2012, respectively. Ally Bank is subject to Utah law (and, in certain instances, federal law) that places restrictions and limitations on the amount of dividends or other distributions. Ally Bank did not make any dividend or other distributions to Ally in 2013, 2012, or 2011.

The FRB requires banks to maintain minimum average reserve balances. The amount of the required reserve balance for Ally Bank was \$416 million and \$214 million at December 31, 2013 and 2012, respectively.

---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**U.S. Mortgage Business**

Our U.S. mortgage business is subject to extensive federal, state, and local laws, rules, and regulations, in addition to judicial and administrative decisions that impose requirements and restrictions on this business. As a Federal Housing Administration-approved lender, Ally Bank is required to submit audited financial statements to the Department of Housing and Urban Development on an annual basis. The U.S. mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our U.S. mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

Ally Bank is required to satisfy regulatory net worth requirements. Failure to meet minimum capital requirements can initiate certain mandatory actions by federal, state, and foreign agencies that could have a material effect on our results of operations and financial condition. Ally Bank was in compliance with these requirements at December 31, 2013.

**Insurance Companies**

Our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance law, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus, with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. At December 31, 2013, the maximum dividend that could be paid by the U.S. insurance subsidiaries over the next twelve months without prior statutory approval was \$110 million.

**21. Derivative Instruments and Hedging Activities**

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

**Interest Rate Risk**

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



---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

Derivatives qualifying for hedge accounting consist of receive-fixed swaps designated as fair value hedges of specific fixed-rate debt obligations, pay-fixed swaps designated as fair value hedges of specific portfolios of fixed-rate held-for-investment retail automotive loan assets, and pay-fixed swaps designated as cash flow hedges of the expected future cash flows in the form of interest payments on certain outstanding variable-rate borrowings associated with our secured debt.

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

In the past, we used a multitude of derivative instruments to manage interest rate risk related to MSRs, mortgage loan commitments, and mortgage loans held-for-sale. They included, but were not limited to, interest rate swaps, forward sales of mortgage backed securities, interest rate futures contracts, options on U.S. Treasuries, swaptions, interest rate floors, and interest rate caps. Since we no longer have exposures to these activities, we no longer utilize these hedge strategies as of December 31, 2013.

**Foreign Exchange Risk**

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

We enter into foreign-currency forwards with external counterparties as net investment hedges of foreign exchange exposure on our investments in foreign subsidiaries. However, we have reduced our foreign exchange exposure to net investments in foreign operations through the sales of discontinued international businesses. Refer to Note 2 for further details on these sales.

Our remaining foreign subsidiaries maintain both assets and liabilities in local currencies. These local currencies are generally the subsidiaries functional currencies for accounting purposes. Foreign-currency-exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss).

We utilize a cross-currency swap to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to our functional currency. This swap was entered into 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 to economically hedge both our foreign denominated debt and our centralized lending program. The hedge of foreign denominated debt was entered into concurrent with the debt issuance with the terms of the derivative matching the terms of the underlying debt. The centralized lending program manages liquidity for our subsidiary businesses, but as of December 31, 2013, this activity is immaterial. 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 remaining foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**Market Risk**

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

**Counterparty Credit Risk**

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

To mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements 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 \$328 million and \$1.3 billion at December 31, 2013 and 2012, respectively, in accounts maintained by counterparties, \$18 million of which relates to non-derivative collateral at December 31, 2013 and December 31, 2012. We received cash collateral from counterparties totaling \$159 million and \$941 million at December 31, 2013 and 2012, respectively. The receivables for collateral placed and the payables for collateral received are included on our Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Consolidated Balance Sheet unless certain conditions are met. At December 31, 2013 and 2012, we received noncash collateral of \$18 million and \$0.3 million, respectively.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Balance Sheet Presentation**

The following table summarizes the fair value amounts of derivative instruments reported on our Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At December 31, 2013 and December 31, 2012, \$362 million and \$2.3 billion, respectively, of the derivative contracts in a receivable position were classified as other assets on the Consolidated Balance Sheet. At December 31, 2013 and December 31, 2012, \$317 million and \$2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Consolidated Balance Sheet.

December 31, (\$ in millions)	2013			2012		
	Derivative contracts in a receivable position (a)	payable position (b)	Notional amount	Derivative contracts in a receivable position (a)	payable position (b)	Notional amount
<b>Derivatives qualifying for hedge accounting</b>						
<b>Interest rate contracts</b>						
Swaps (c)	\$ 204	\$ 169	\$ 21,606	\$ 411	\$ 10	\$ 9,828
<b>Foreign exchange contracts</b>						
Forwards	3		326	35	53	8,693
<b>Total derivatives qualifying for hedge accounting</b>	<b>207</b>	<b>169</b>	<b>21,932</b>	<b>446</b>	<b>63</b>	<b>18,521</b>
<b>Economic hedges</b>						
<b>Interest rate contracts</b>						
Swaps	36	44	13,613	1,524	2,255	131,337
Futures and forwards	11	3	29,836	78	46	62,328
Written options		94	11,132		70	3,066
Purchased options	95		22,962	244		17,967
<b>Total interest rate risk</b>	<b>142</b>	<b>141</b>	<b>77,543</b>	<b>1,846</b>	<b>2,371</b>	<b>214,698</b>
<b>Foreign exchange contracts</b>						
Swaps	12	1	1,379		2	
Forwards	1	1	330	4	23	2,462
Written options			17		1	1
Purchased options			17	1		1
<b>Total foreign exchange risk</b>	<b>13</b>	<b>2</b>	<b>1,743</b>	<b>5</b>	<b>26</b>	<b>2,464</b>
<b>Equity contracts</b>						
Written options		5	3		8	435
Purchased options				1		119
<b>Total equity risk</b>		<b>5</b>	<b>3</b>	<b>1</b>	<b>8</b>	<b>554</b>
<b>Total economic hedges</b>	<b>155</b>	<b>148</b>	<b>79,289</b>	<b>1,852</b>	<b>2,405</b>	<b>217,716</b>
<b>Total derivatives</b>	<b>\$ 362</b>	<b>\$ 317</b>	<b>\$ 101,221</b>	<b>\$ 2,298</b>	<b>\$ 2,468</b>	<b>\$ 236,237</b>

- (a) Includes accrued interest of \$120 million and \$175 million at December 31, 2013 and 2012, respectively.
- (b) Includes accrued interest of \$12 million and \$144 million at December 31, 2013 and 2012, respectively.

F-73

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

- (c) Includes fair value hedges consisting of receive-fixed swaps on fixed-rate debt obligations with \$196 million and \$411 million in a receivable position, \$163 million and \$0 in a payable position, and of an \$8.5 billion and \$7.2 billion notional amount at December 31, 2013 and December 31, 2012, respectively. Other fair value hedges include pay-fixed swaps on portfolios of held-for-investment automotive loan assets with \$9 million in a receivable position, \$5 million in a payable position, and of a \$12.6 billion notional amount at December 31, 2013. There were no outstanding positions at December 31, 2012. Also includes cash flow hedges consisting of pay-fixed swaps on floating rate debt obligations with \$1 million and \$10 million in a payable position, and of a \$495 million and \$2.6 billion notional amount at December 31, 2013 and December 31, 2012, respectively.

**Statement of Income and Comprehensive Income Presentation**

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

Year ended December 31, ( <i>\$ in millions</i> )	2013	2012	2011
<b>Derivatives qualifying for hedge accounting</b>			
Gain (loss) recognized in earnings on derivatives			
<b>Interest rate contracts</b>			
Interest and fees on finance receivables and loans (a)	\$ 7	\$	\$
Interest on long-term debt (b)	(389)	164	895
Foreign exchange contracts			
Other income, net of losses			35
Gain (loss) recognized in earnings on hedged items (c)			
<b>Interest rate contracts</b>			
Interest and fees on finance receivables and loans	2		
Interest on long-term debt	402	(193)	(851)
Foreign exchange contracts			
Other income, net of losses			(35)
<b>Total derivatives qualifying for hedge accounting</b>	<b>22</b>	<b>(29)</b>	<b>44</b>
<b>Economic derivatives</b>			
(Loss) gain recognized in earnings on derivatives			
<b>Interest rate contracts</b>			
Servicing asset valuation and hedge activities, net	(112)	556	359
Loss on mortgage and automotive loans, net	(37)	(5)	(242)
Other income, net of losses (d)	14	(18)	(57)
<b>Total interest rate contracts</b>	<b>(135)</b>	<b>533</b>	<b>60</b>
Foreign exchange contracts (e)			
Interest on long-term debt	94	(39)	61
Other income, net of losses	24	(48)	17
<b>Total foreign exchange contracts</b>	<b>118</b>	<b>(87)</b>	<b>78</b>
<b>Gain recognized in earnings on derivatives</b>	<b>\$ 5</b>	<b>\$ 417</b>	<b>\$ 182</b>

Edgar Filing: Ally Financial Inc. - Form S-1/A

- (a) Amounts exclude losses related to interest for qualifying accounting hedges of portfolios of retail automotive loans held-for-investment of \$9 million for the year ended December 31, 2013. These losses are primarily offset by the fixed coupon receipts on the retail automotive loans held-for-investment.

F-74

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

- (b) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were \$131 million, \$119 million, and \$248 million for the years ended December 31, 2013, 2012, and 2011, respectively.
- (c) Amounts exclude gains related to amortization of deferred basis adjustments on the de-designated hedged item of \$247 million, \$226 million, and \$216 million for the years ended December 31, 2013, 2012, and 2011, respectively.
- (d) Amounts in 2012 and 2011 include other income from derivatives held for trading purposes entered into by our broker-dealer.
- (e) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Losses of \$117 million, gains of \$87 million, and losses of \$103 million, were recognized for the years ended December 31, 2013, 2012, and 2011, respectively. The following table summarizes derivative instruments used in cash flow and net investment hedge accounting relationships.

Year ended December 31, (\$ in millions)	2013	2012	2011
<b>Cash flow hedges</b>			
Interest rate contracts			
(Loss) gain reclassified from accumulated other comprehensive income to interest on long-term debt (a)	\$ (7)	\$ 1	\$
(Loss) gain recorded directly to interest on long-term debt		(7)	5
<b>Total interest on long-term debt</b>	<b>\$ (7)</b>	<b>\$ (6)</b>	<b>\$ 5</b>
Gain (loss) recognized in other comprehensive income	\$ 6	\$ (7)	\$ (1)
<b>Net investment hedges</b>			
Foreign exchange contracts			
Loss reclassified from accumulated other comprehensive income to (loss) income from discontinued operations, net	\$ (250)	\$ (1)	\$ (8)
Loss recorded directly to other income, net of losses (b)			(3)
<b>Total other income, net of losses</b>	<b>\$ (250)</b>	<b>\$ (1)</b>	<b>\$ (11)</b>
Gain (loss) recognized in other comprehensive income (c)	\$ 309	\$ (270)	\$ 173

- (a) The amount in 2013 represents losses reclassified from other comprehensive income 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 forward points excluded from the assessment of hedge effectiveness.

## Edgar Filing: Ally Financial Inc. - Form S-1/A

- (c) 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 \$582 million, gains of \$285 million, and losses of \$237 million for the years ended December 31, 2013, 2012, and 2011, respectively.

F-75



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****22. Income Taxes**

The significant components of income tax (benefit) expense from continuing operations were as follows.

Year ended December 31, (\$ in millions)	2013	2012	2011
Current income tax expense (benefit)			
U.S. federal	\$	\$	\$ 10
Foreign	4	(24)	29
State and local		10	8
<b>Total current expense (benefit)</b>	<b>4</b>	<b>(14)</b>	<b>47</b>
Deferred income tax (benefit) expense			
U.S. federal	(67)	(663)	
Foreign	(1)	25	(5)
State and local	5	(204)	
<b>Total deferred benefit</b>	<b>(63)</b>	<b>(842)</b>	<b>(5)</b>
<b>Total income tax (benefit) expense from continuing operations</b>	<b>\$ (59)</b>	<b>\$ (856)</b>	<b>\$ 42</b>

A reconciliation of income tax (benefit) expense from continuing operations with the amounts at the statutory U.S. federal income tax rate is shown in the following table.

Year ended December 31, (\$ in millions)	2013	2012	2011
Statutory U.S. federal tax expense (benefit)	\$ 125	\$ 180	\$ (62)
Change in tax resulting from			
Effect of valuation allowance change	(154)	(1,022)	49
Tax credits	(45)	(45)	
Tax law enactment	(44)		
Foreign tax differential	(3)	9	30
State and local income taxes, net of federal income tax benefit	16	(34)	22
Non-deductible expenses	26	12	9
Other, net	20	44	(6)
<b>Total income tax (benefit) expense from continuing operations</b>	<b>\$ (59)</b>	<b>\$ (856)</b>	<b>\$ 42</b>

Our income tax (benefit) expense from continuing operations has not naturally corresponded with our income (loss) from continuing operations before income tax for the years ended December 31, 2013, 2012, and 2011, given we had U.S. and foreign valuation allowance movements during those years. For 2013, consolidated income tax benefit from continuing operations is largely driven by a release of a portion of our valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future and reversal of our valuation allowance on capital loss carryforwards utilized against current year capital gains. Additional benefit was also recognized from a tax law enactment that retroactively reinstated the active financing exception. For 2012, consolidated income tax benefit from continuing operations was largely driven by a release of a portion of our U.S. valuation allowance on the basis of management's reassessment of the amount of its deferred tax assets that are more likely than not to be realized.

## Edgar Filing: Ally Financial Inc. - Form S-1/A

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that

F-76

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

the benefit for certain capital loss, foreign tax credit, and state net operating loss 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 significant components of deferred tax assets and liabilities are reflected in the following table.

December 31, ( <i>\$ in millions</i> )	2013	2012
Deferred tax assets		
Tax credit carryforwards	\$ 1,874	\$ 1,631
Tax loss carryforwards	1,624	1,025
Mark-to-market on consumer finance receivables and loans	721	880
State and local taxes	297	263
Provision for loan losses	257	306
Hedging transactions	177	267
Unearned insurance premiums	140	142
ResCap settlement accrual	53	262
Sales of finance receivables and loans		206
Equity investment in ResCap		486
Other	247	266
<b>Gross deferred tax assets</b>	<b>5,390</b>	<b>5,734</b>
Valuation allowance	(1,154)	(1,653)
<b>Net deferred tax assets</b>	<b>4,236</b>	<b>4,081</b>
Deferred tax liabilities		
Lease transactions	1,527	1,756
Deferred acquisition costs	351	333
Debt transactions	191	226
Basis difference in subsidiaries	55	454
Sales of finance receivables and loans	26	
Other	46	128
<b>Gross deferred tax liabilities</b>	<b>2,196</b>	<b>2,897</b>
<b>Net deferred tax assets</b>	<b>\$ 2,040</b>	<b>\$ 1,184</b>

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

The following table summarizes the deferred tax assets and related valuation allowances at December 31, 2013.

<i>(\$ in millions)</i>	Deferred Tax Asset	Valuation Allowance	Net Deferred Tax Asset	Years of Expiration
Tax credit carryforwards				
Foreign tax credits	\$ 1,753	\$ (554)	\$ 1,199	2014 - 2023
General business credits	121		121	2032 - 2033
Total tax credit carryforwards	1,874	(554)	1,320	
Tax loss carryforwards				
Net operating losses federal	1,187		1,187	2025 - 2033
Capital losses federal	437	(437)		2015 - 2017
Total tax loss carryforwards	1,624	(437)	1,187	
State and local taxes				
Net operating losses state	253	(87)	166	2014 - 2033
Capital losses state	46	(46)		2014 - 2017
Total state and local taxes	299(a)	(133)	166	
Other deferred tax assets	1,593	(30)	1,563	n/a
Total	\$ 5,390	\$ (1,154)	\$ 4,236	

(a) State net operating loss and capital loss carryforwards are included in the state and local taxes total disclosed in our deferred inventory table above.

As discussed in Note 1, on May 14, 2012, we deconsolidated ResCap for financial reporting purposes as a result of ResCap's bankruptcy filing. On December 17, 2013, the remainder of ResCap's assets were transferred to a liquidating trust under Chapter 7 of the Bankruptcy Code effectively terminating our ownership in ResCap for U.S. tax purposes. This termination resulted in the write-off of our tax equity investment in ResCap, gain recognition on the relief of nonrecourse debt, and an increase to our tax loss carryforwards. No material change to our total net deferred position resulted from the ResCap liquidation.

As of December 31, 2013, we do not assert that any foreign earnings are indefinitely reinvested outside of the United States. As a result, all deferred tax liabilities for incremental U.S. tax that stem from temporary differences related to investments in foreign subsidiaries or foreign corporate joint ventures have been recognized as of December 31, 2013.

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits.

<i>(\$ in millions)</i>	2013	2012	2011
Balance at January 1,	\$ 102	\$ 198	\$ 214
Additions based on tax positions related to the current year	174	14	11
Additions for tax positions of prior years	1	2	20
Reductions for tax positions of prior years		(4)	(3)
Settlements	(14)	(17)	(35)

Edgar Filing: Ally Financial Inc. - Form S-1/A

Expiration of statute of limitations	(1)	(4)	
Foreign-currency translation adjustments		(5)	(9)
Deconsolidation of ResCap and discontinued operations		(82)	
Balance at December 31,	<b>\$ 262</b>	<b>\$ 102</b>	<b>\$ 198</b>

F-78

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Included in the unrecognized tax benefits balances are some items, the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences and the portion of gross state unrecognized tax benefits that would be offset by the tax benefit of the associated federal deduction. At December 31, 2013, 2012, and 2011, the balance of unrecognized tax benefits that, if recognized, would affect our effective tax rate is \$240 million, \$84 million, and \$179 million, respectively.

We recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively. For the years ended December 31, 2013, 2012, and 2011, \$2 million, \$1 million, and \$1 million, respectively, were accrued for interest and penalties with the cumulative accrued balance totaling \$7 million at December 31, 2013, \$7 million at December 31, 2012, and \$178 million at December 31, 2011.

We anticipate the examination of various U.S. income tax returns along with the examinations by various foreign, state, and local jurisdictions will be completed within the next twelve months. As such, it is reasonably possible that certain tax positions may be settled and the unrecognized tax benefits would decrease by \$69 million, which includes interest and penalties.

We file tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. Our most significant operations remaining following our divestitures of various international operations are the United States and Canada. The oldest tax years that remain subject to examination for those jurisdictions are 2009 and 2008, respectively.

**23. Employee Benefit and Compensation Plans****Defined Contribution Plan**

A significant number of our employees are covered by defined contribution plans. Employer contributions vary based on criteria specific to each individual plan and amounted to \$50 million, \$49 million, and \$49 million in 2013, 2012, and 2011, respectively. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income. We expect contributions for 2014 to be similar to contributions made in 2013.

**Defined Benefit Pension Plan**

Certain of our employees are eligible to participate in separate retirement plans that provide for pension payments upon retirement based on factors such as length of service and salary. In recent years, we have transferred, frozen, or terminated a significant number of our other defined benefit plans. All income and expense noted for pension accounting was recorded as compensation and benefits expense in our Consolidated Statement of Income.

The following summarizes information related to our pension plans.

Year ended December 31, ( <i>\$ in millions</i> )	<b>2013</b>	2012
Projected benefit obligation	<b>\$ 141</b>	\$ 355
Fair value of plan assets	<b>142</b>	214
Over/(under) funded status	<b>\$ 1</b>	\$(141)

---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

The overfunded position is recognized on the Consolidated Balance Sheet and the change in the overfunded position was recorded in other comprehensive income (loss).

**Other Postretirement Benefits**

Certain of our subsidiaries participated in various postretirement medical, dental, vision, and life insurance plans. We have provided for certain amounts associated with estimated future postretirement benefits other than pensions and characterized such amounts as other postretirement benefits. Other postretirement benefits expense (income), which is recorded in compensation and benefits expense in our Consolidated Statement of Income, was minimal in 2013, 2012, and 2011. We expect our other postretirement benefit expense to continue to be minimal in future years.

**Share-based Compensation Plans**

Based on our transactions with Treasury during 2009, we are required to comply with the limitations on executive pay as determined by the Special Master of TARP Compensation (Special Master). We have established Deferred Stock Units (DSUs) and Incentive Restricted Stock Units (IRSUs) as forms of compensation to our senior executives, which have been approved by the Special Master. We also grant Restricted Stock Units (RSUs) to executives under the Long-Term Equity Compensation Incentive Plan (LTIP). Each of our approved compensation plans and awards were designed to provide our executives with an opportunity to share in the future growth in value of Ally, which is necessary to attract and retain key executives.

Pursuant to the terms of the LTIP, the Ally Board of Directors determines a share price valuation (Share Price Valuation) for share-based compensation awards not less than annually. The Share Price Valuation determined by the Board, assisted by an independent advisor, considered, among other things, the stock price performance, on an indexed basis, of publicly traded common stock issued by certain comparative companies and considered Ally's common stock as if it were freely tradable in the public markets. The Ally Board of Directors thus determined a Share Price Valuation of \$9,000 per share for purposes of the LTIP as of December 31, 2013 and December 2012, respectively.

RSU awards are incentive awards granted to executives as phantom shares of Ally and are paid in cash. The majority of RSU awards granted in 2008 and 2009 vested ratably on an annual basis based on continued service on December 31, 2012 with the final tranche vesting on December 31, 2012. Participants had the option at grant date to defer the valuation and payout for awards granted in 2008 and 2009. A majority of the RSU awards granted in 2010, 2011, and 2012 vest ratably over a three-year period starting on the date the award was issued, with the majority of the awards fully vesting in February 2013, February 2014, and February 2015, respectively. RSU awards granted in 2013 vest ratably over a two-year period starting on the date the award was issued, with the majority of the awards fully vesting January 2015. The awards require liability treatment and are remeasured quarterly at the Share Price Valuation until they are paid. The compensation costs related to these awards are ratably charged to expense over the applicable service period. Changes in the value related to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At December 31, 2013, there were a total of 14,858 RSU award shares outstanding, composed of 57 shares awarded during 2009, 577 shares awarded during 2010, 1,877 shares awarded during 2011, 5,546 shares awarded during 2012, and 6,801 shares awarded during 2013. At December 31, 2012, there were a total of 17,057 RSU award shares outstanding, composed of 189 shares awarded during 2008, 844 shares awarded during 2009, 2,648 shares awarded during 2010, 5,956 shares awarded during 2011, and 7,420 shares awarded during 2012. We recognized compensation expense related to RSU awards of \$64 million, \$78 million and \$50 million for the years ended December 31, 2013, 2012 and 2011, respectively. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

DSU awards are granted to senior executives as phantom shares of Ally and are included as part of their base salary. DSU awards are generally granted ratably each pay period throughout the year, vest immediately upon grant, and are paid in cash. DSUs awarded in 2013 will generally be redeemable in three equal installments: the first on the final payroll date of 2013, the second ratably over 2014, and the third ratably over 2015. DSUs awarded in 2012 are generally redeemable in three equal annual installments: the first on the final payroll date of 2012, the second ratably over 2013, and the third ratably over 2014. The DSU awards require liability treatment and are remeasured quarterly at the Share Price Valuation until they are paid, with each change in value fully charged to compensation expense in the period in which the change occurs. At December 31, 2013 and 2012 there were a total of 11,980 and 13,190 DSU award shares outstanding, respectively. We recognized compensation expense related to DSU awards of \$65 million, \$57 million and \$19 million for the years ended December 31, 2013, 2012 and 2011, respectively, for the outstanding awards. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

IRSU awards are incentive awards granted to senior executives as phantom shares of Ally and are paid in cash. IRSU awards from 2009, 2010, and 2011 generally vest in full after two years from the date of grant based on continued service with Ally. There were no IRSUs granted to senior executives in 2012. IRSU awards from 2013 vest two-thirds after two years from grant date and in full three years from grant date. After the vesting requirement is met, IRSU payouts will be made only as we repay our TARP obligations. Payouts will be made in 25% increments based on the percentage of TARP obligations that have been repaid, as determined in accordance with the established guidelines for determining repayment. As of December 31, 2013, Ally had repaid 75% of its TARP obligations. Payouts are based on the Share Price Valuation of the phantom shares at the time of the payout. The awards require liability treatment and are remeasured quarterly at Share Price Valuation until they are paid. The compensation costs related to these awards are ratably charged to expense over the requisite service period. Changes in value relating to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At December 31, 2013 and 2012 there were a total of 2,462 and 6,475 IRSU award shares outstanding, respectively. We recognized compensation expense related to IRSU awards of \$8 million, \$23 million and \$12 million for the years ended December 31, 2013, 2012, and 2011, respectively, for the outstanding awards. These costs were recorded as compensation and benefits expense in our Consolidated Statement of Income.

**24. 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.
---------	---



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

- 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. For the year ended December 31, 2013, transfers from Level 2 into Level 3 included \$93 million of derivative contracts in a receivable position and \$93 million of derivative contracts in a payable position based on utilizing independent sources that were not considered market observable related to certain interest rate caps. Transfers from Level 3 into Level 2 included \$11 million of derivative contracts in a receivable position based on increased observability of significant inputs related to the valuation of our cross-currency swap. There were no additional transfers between any levels during the year ended December 31, 2013. There were no transfers between any levels during the year ended December 31, 2012.

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

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

**Mortgage loans held-for-sale, net** Our mortgage loans held-for-sale are accounted for at fair value because of fair value option elections. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility, product type, interest rate, and credit quality. Mortgage loans classified as Level 2 were mainly GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

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

**MSRs** MSRs were classified as Level 3. Management estimated fair value using our transaction data and other market data or, in periods when there were limited MSR market transactions that were directly observable, internally developed discounted cash flow models (an income approach) were used to estimate the fair value. These internal valuation models estimated net cash flows based on internal operating assumptions that we believed would be used by market participants in orderly transactions combined with



---

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believed approximate yields required by investors in this asset. Cash flows primarily included servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows were discounted using an option-adjusted spread-derived discount rate. As of June 30, 2013, we no longer held such positions as a result of our exit from the mortgage origination and servicing business.

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

**Derivative instruments** We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, options of Eurodollar futures, equity options, and centrally-cleared interest rate swaps. 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, a cross-currency swap, swaptions, forwards, caps, floors, and agency to-be-announced securities. We utilize third-party-developed valuation models that are widely accepted in the market to value these over-the-counter derivative contracts. The specific terms of the contract and market observable inputs (such as interest rate forward curves and interpolated volatility assumptions) are used in the model. We classified these over-the-counter derivative contracts as Level 2 because all significant inputs into these models were market observable.

We also execute over-the-counter interest rate caps in which there are neither quoted market prices, nor do we utilize a third-party valuation model. Therefore, we utilize management's best assumptions of how market participants would price the assets or liabilities and classified these as Level 3.

Historically, we had interest rate lock commitments and a cross-currency swap accounted for as derivative instruments that were classified as Level 3. We have also historically held certain derivative contracts that are structured specifically to meet a particular hedging objective. These 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 March 31, 2013, we no longer held such positions within continuing operations due to the sales of our international automotive finance businesses.

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

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Recurring Fair Value**

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

December 31, 2013 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	\$ 310	\$ 1,117	\$	\$ 1,427
U.S. State and political subdivisions		315		315
Foreign government	7	281		288
Mortgage-backed residential		10,782		10,782
Mortgage-backed commercial		39		39
Asset-backed		2,219		2,219
Corporate debt securities		1,069		1,069
Total debt securities	317	15,822		16,139
Equity securities (a)	944			944
Total available-for-sale securities	1,261	15,822		17,083
Mortgage loans held-for-sale, net (b)		16		16
Other assets				
Interests retained in financial asset sales			100	100
Derivative contracts in a receivable position (c)				
Interest rate	46	207	93	346
Foreign currency		16		16
Total derivative contracts in a receivable position	46	223	93	362
Collateral placed with counterparties		133		133
Total assets	\$ 1,307	\$ 16,194	\$ 193	\$ 17,694
<b>Liabilities</b>				
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	\$ (15)	\$ (201)	\$ (94)	\$ (310)
Foreign currency		(2)		(2)
Other	(5)			(5)
Total derivative contracts in a payable position	(20)	(203)	(94)	(317)
Total liabilities	\$ (20)	\$ (203)	\$ (94)	\$ (317)

- (a) Our investment in any one industry did not exceed 19%.
- (b) Carried at fair value due to fair value option elections.
- (c) For additional information on derivative instruments and hedging activities, refer to Note 21.

F-84

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

December 31, 2012 (\$ in millions)	Recurring fair value measurements			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
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
<b>Liabilities</b>				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	\$ (13)	\$ (2,374)	\$ (1)	\$ (2,388)
Foreign currency		(78)	(2)	(80)
Total derivative contracts in a payable position	(13)	(2,452)	(3)	(2,468)
Total liabilities	\$ (13)	\$ (2,452)	\$ (3)	\$ (2,468)

(a) Our investment in any one industry did not exceed 21%.

(b) Carried at fair value due to fair value option elections.

(c) For additional information on derivative instruments and hedging activities, refer to Note 21.

(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

F-85

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

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.

<b>December 31, 2013 (\$ in millions)</b>	<b>Level 3 recurring measurements</b>	<b>Valuation technique</b>	<b>Unobservable input</b>	<b>Range</b>
<b>Assets</b>				
Other assets				
Interests retained in financial asset sales	\$ 100	Discounted cash flow	Discount rate	5.3-5.5%
			Commercial paper rate	0-0.1%

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

(\$ in millions)	Level 3 recurring fair value measurements							Transfers out of level 3	Fair value at December 31, 2013	Net unrealized gains included in earnings still held at December 31, 2013
	Fair value at January 1, 2013	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements			
<b>Assets</b>										
Mortgage servicing rights	\$ 952	\$ (101) (a)	\$	\$	\$ (911)	\$ 60	\$	\$	\$	\$
Other assets										
Interests retained in financial asset sales	154	23 (b)					(77)		100	
Derivative contracts, net (c)										
Interest rate	47	(52) (d)					4		(1)	
Foreign currency	(2)	11 (d)					2	(11)		11 (d)
Total derivative contracts in a receivable position, net	45	(41)					6	(11)	(1)	11
<b>Total assets</b>	<b>\$ 1,151</b>	<b>\$ (119)</b>	<b>\$</b>	<b>\$</b>	<b>\$ (911)</b>	<b>\$ 60</b>	<b>\$ (71)</b>	<b>\$ (11)</b>	<b>\$ 99</b>	<b>\$ 11</b>

(a) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Consolidated Statement of Income.

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



## Edgar Filing: Ally Financial Inc. - Form S-1/A

- (c) For additional information on derivative instruments and hedging activities, refer to Note 21.
  
- (d) Refer to Note 21 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

F-86

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

	Level 3 recurring fair value measurements							Transfers out due to deconsolidation or discontinued operations (a)	Fair value at December 31, 2012	Net unrealized gains (losses) included in earnings still held at December 31, 2012
	Fair value at January 1, 2012	Net realized/ unrealized gains (losses) included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements			
<i>(\$ in millions)</i>										
<b>Assets</b>										
Trading assets (excluding derivatives)										
Mortgage-backed residential securities	\$ 33	\$ 2 (b)	\$	\$	\$	\$	\$ (4)	\$ (31)	\$	\$ 4 (b)
Investment securities										
Available-for-sale debt securities										
Asset-backed	62	19	(12)		(69)					
Mortgage loans held-for-sale, net (c)	30			12			(11)	(31)		
Consumer mortgage finance receivables and loans, net (c)	835	121 (c)			(245) (d)		(124)	(587)		51 (c)
Mortgage servicing rights	2,519	(677) (e)				240		(1,130)	952	(677) (e)
Other assets										
Interests retained in financial asset sales	231	46 (f)					(123)		154	
Derivative contracts, net (g)										
Interest rate	71	(78) (h)					53	1	47	1 (h)
Foreign currency	16	(32) (h)						14	(2)	(50) (h)
Total derivative contracts in a receivable (payable) position, net	87	(110)					53	15	45	(49)
Total assets	\$ 3,797	\$ (599)	\$ (12)	\$ 12	\$ (314)	\$ 240	\$ (209)	\$ (1,764)	\$ 1,151	\$ (671)
<b>Liabilities</b>										
Long-term debt										
On-balance sheet securitization debt (c)	\$ (830)	\$ (115) (c)	\$	\$	\$	\$	\$ 389	\$ 556	\$	\$ (62) (c)
Accrued expenses and other liabilities										
Loan repurchase liabilities (c)	(29)			(11)			10	30		
Total liabilities	\$ (859)	\$ (115)	\$	\$ (11)	\$	\$	\$ 399	\$ 586	\$	\$ (62)

(a)

## Edgar Filing: Ally Financial Inc. - Form S-1/A

Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap or discontinued operations. Refer to Note 1 for additional information related to ResCap. Refer to Note 2 for additional information related to discontinued operations.

- (b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled *Fair Value Option for Financial Assets and Liabilities* for the location of the gains and losses in the Consolidated Statement of Income.
- (d) Represents the sale of consumer mortgage finance receivables and loans sold as part of the sale of a business line during 2012.
- (e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net and income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Consolidated Statement of Income.
- (g) Includes derivatives classified as trading. For additional information on derivative instruments and hedging activities, refer to Note 21.
- (h) Refer to Note 21 for information related to the location of the gains and losses on derivative instruments in the Consolidated Statement of Income.

F-87

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Nonrecurring Fair Value**

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

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

December 31, 2013 (\$ in millions)	Nonrecurring fair value measurements				Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
<b>Assets</b>						
Loans held-for-sale	\$	\$	\$ 18	\$ 18	\$	n/m (a)
Commercial finance receivables and loans, net (b)						
Automotive			54	54	(9)	n/m (a)
Other			59	59	(16)	n/m (a)
Total commercial finance receivables and loans, net			113	113	(25)	n/m (a)
Other assets						
Repossessed and foreclosed assets (c)			9	9	(3)	n/m (a)
Other			2	2		n/m (a)
Total assets	\$	\$	\$ 142	\$ 142	\$ (28)	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.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

December 31, 2012 (\$ in millions)	Nonrecurring fair value measurements				Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the year ended
	Level 1	Level 2	Level 3	Total		
<b>Assets</b>						
Commercial finance receivables and loans, net (a)						
Automotive	\$	\$	\$ 108	\$ 108	\$ (19)	n/m (b)
Other			23	23	(7)	n/m (b)
Total commercial finance receivables and loans, net			131	131	(26)	n/m (b)
Other assets						
Repossessed and foreclosed assets (c)			3	3	(2)	n/m (b)
Total assets	\$	\$	\$ 134	\$ 134	\$ (28)	n/m

n/m = not meaningful

- (a) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.
- (b) We consider the applicable valuation or loan loss allowance to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation or loan loss allowance.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

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

December 31, 2013 (\$ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
<b>Assets</b>				
Commercial finance receivables and loans, net Automotive	\$ 54	Fair value of collateral	Adjusted appraisal value	65.0-95.0 %

**Fair Value Option for Financial Assets**

## Edgar Filing: Ally Financial Inc. - Form S-1/A

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

Excluded from the fair value option were conforming and government-insured loans funded on or prior to July 31, 2009, and 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.

F-89

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

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

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

Year ended December 31, ( <i>\$ in millions</i> )	Changes included in the Consolidated Statement of Income		
	Interest on loans held- for-sale (a)	Loss on mortgage loans, net	Total included in earnings
<b>2013</b>			
Assets			
Mortgage loans held-for-sale, net	\$ 20	\$ (31)	\$ (11)
<b>2012</b>			
Assets			
Mortgage loans held-for-sale, net	\$ 82	\$ (32)	\$ 50

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

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

December 31, ( <i>\$ in millions</i> )	2013		2012	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
<b>Assets</b>				
Mortgage loans held-for-sale, net				
Total loans	\$ 31	\$ 16	\$ 2,416	\$ 2,490
Nonaccrual loans	18	9	47	25
Loans 90+ days past due (b)	15	8	36	19

Edgar Filing: Ally Financial Inc. - Form S-1/A

- (a) Excludes accrued interest receivable.
  
- (b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.

F-90



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Fair Value of Financial Instruments**

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled *Recurring Fair Value*. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at December 31, 2013 and 2012.

December 31, (\$ in millions)	Carrying value	Estimated fair value			Total
		Level 1	Level 2	Level 3	
<b>2013</b>					
<b>Financial assets</b>					
Loans held-for-sale, net (a)	\$ 35	\$	\$ 17	\$ 18	\$ 35
Finance receivables and loans, net (a)	99,120			100,090	100,090
Nonmarketable equity investments	337		308	38	346
<b>Financial liabilities</b>					
Deposit liabilities	\$ 53,350	\$	\$	\$ 54,070	\$ 54,070
Short-term borrowings	8,545			8,545	8,545
Long-term debt (a)(b)	69,824		31,067	42,297	73,364
<b>2012</b>					
<b>Financial assets</b>					
Loans held-for-sale, net (a)	\$ 2,576	\$	\$ 2,490	\$ 86	\$ 2,576
Finance receivables and loans, net (a)	97,885			98,907	98,907
Nonmarketable equity investments	303		272	34	306
<b>Financial liabilities</b>					
Deposit liabilities	\$ 47,915	\$	\$	\$ 48,752	\$ 48,752
Short-term borrowings	7,461	6		7,454	7,460
Long-term debt (a)(b)	74,882		36,018	42,533	78,551

(a) Includes financial instruments carried at fair value due to fair value option elections. Refer to the previous section of this note titled *Fair Value Option for Financial Assets and Liabilities* for further information about the fair value elections.

(b) The carrying value includes deferred interest for zero-coupon bonds of \$359 million and \$321 million at December 31, 2013, and 2012, respectively.

The following describes the methodologies and assumptions used to determine fair value for the significant classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market was not active and a transaction was not distressed. As such, we assumed the price that would be received in an orderly transaction (including a market-based return) and not in forced liquidation or distressed sale.

***Cash and cash equivalents*** Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of

F-91

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

change in value due to interest rate, quoted price, or penalty on withdrawal. Classified as Level 1 under the fair value hierarchy, cash and cash equivalents generally expose us to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. As such, the carrying value approximates the fair value of these instruments.

**Loans held-for-sale, net** Loans held-for-sale classified as Level 2 included all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also included any domestic loans where recently negotiated market prices for the loan pool existed with a counterparty (which approximated fair value) or quoted market prices for similar loans were available. Loans held-for-sale classified as Level 3 included all loans valued using internally developed valuation models because observable market prices were not available. The loans were priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilized prepayment, default, and discount rate assumptions. To the extent available, we utilized market observable inputs such as interest rates and market spreads. If market observable inputs were not available, we were required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

**Finance receivables and loans, net** With the exception of mortgage loans held-for-investment, the fair value of finance receivables was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain automotive and other receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of commercial receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

For mortgage loans held-for-investment, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the section above titled *Loans held-for-sale, net*, for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

**Deposit liabilities** Deposit liabilities represent certain consumer and brokered bank deposits, mortgage escrow deposits, and dealer deposits. The fair value of deposits at Level 3 were estimated by discounting projected cash flows based on discount factors derived from the forward interest rate swap curve.

**Debt** Level 2 debt was valued using quoted market prices, when available, or other means for substantiation with observable inputs. Debt valued using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.

**25. Offsetting Assets and Liabilities**

Our qualifying derivatives master netting agreements and securities repurchase agreements are written, legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the agreement to the non-defaulting entity upon an event of default of the counterparty, including bankruptcy, insolvency, or similar proceeding, and (2) provide the non-defaulting entity the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to liquidate or set off collateral promptly upon

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

an event of default of the counterparty. As it relates to derivative instruments, in certain instances we have the option to report derivatives that are subject to a qualifying master netting agreement on a net basis, we have elected to report these instruments as gross assets and liabilities on the Consolidated Balance Sheet.

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

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

December 31, 2013 (\$ in millions)	Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets/ (Liabilities) Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Financial Instruments	Collateral (a)	
<b>Assets</b>						
Derivative assets in net asset positions	\$ 319	\$	\$ 319	\$ (65)	\$ (120)	\$ 134
Derivative assets in net liability positions	43		43	(43)		
Total assets (b)	\$ 362	\$	\$ 362	\$ (108)	\$ (120)	\$ 134
<b>Liabilities</b>						
Derivative liabilities in net liability positions	\$ (252)	\$	\$ (252)	\$ 43	\$ 137	\$ (72)
Derivative liabilities in net asset positions	(65)		(65)	65		
Total derivative liabilities (b)	(317)		(317)	108	137	(72)
Securities sold under agreements to repurchase (c)	(1,500)		(1,500)		1,500	
Total liabilities	\$ (1,817)	\$	\$ (1,817)	\$ 108	\$ 1,637	\$ (72)

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

(b) For additional information on derivative instruments and hedging activities, refer to Note 21.

- (c) For additional information on securities sold under agreements to repurchase, refer to Note 14.

F-93

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

December 31, 2012 (\$ in millions)	Gross Amounts of Recognized Assets/ (Liabilities)	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets/ (Liabilities) Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Amount
				Financial Instruments	Collateral (a)	
<b>Assets</b>						
Derivative assets in net asset positions	\$ 1,395	\$	\$ 1,395	\$ (503)	\$ (841)	\$ 51
Derivative assets in net liability positions	788		788	(788)		
Derivative assets with no offsetting arrangements	115		115			115
<b>Total assets (b)</b>	<b>\$ 2,298</b>	<b>\$</b>	<b>\$ 2,298</b>	<b>\$ (1,291)</b>	<b>\$ (841)</b>	<b>\$ 166</b>
<b>Liabilities</b>						
Derivative liabilities in net liability positions	\$ (1,929)	\$	\$ (1,929)	\$ 788	\$ 1,092	\$ (49)
Derivative liabilities in net asset positions	(503)		(503)	503		
Derivative liabilities with no offsetting arrangements	(36)		(36)			(36)
<b>Total liabilities (b)</b>	<b>\$ (2,468)</b>	<b>\$</b>	<b>\$ (2,468)</b>	<b>\$ 1,291</b>	<b>\$ 1,092</b>	<b>\$ (85)</b>

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

(b) For additional information on derivative instruments and hedging activities, refer to Note 21.

**26. Segment and Geographic Information**

Operating segments are defined as components of an enterprise that engage in business activity from which revenues are earned and expenses incurred for which discrete financial information is available that is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and in assessing performance.

We report our results of operations on a line-of-business basis through three operating segments - Automotive Finance operations, Insurance operations, and Mortgage operations, with the remaining activity reported in Corporate and Other. The operating segments are determined based on the products and services offered, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

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

**Insurance operations** Offers both consumer financial and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on



**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

offering dealers a broad range of consumer financial and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' vehicle inventory in the United States.

***Mortgage operations*** Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio.

Corporate and Other primarily consists of our Commercial Finance Group, our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with debt issuances and bond exchanges, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments.

We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the LIBOR swap curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other.

The information presented in our reportable operating segments and geographic areas tables that follow are based in part on internal allocations, which involve management judgment.



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Financial information for our reportable operating segments is summarized as follows.

Year ended December 31, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
<b>2013</b>					
Net financing revenue (loss)	\$ 3,159	\$ 57	\$ 76	\$ (513)	\$ 2,779
Other revenue	268	1,196		20	1,484
Total net revenue (loss)	3,427	1,253	76	(493)	4,263
Provision for loan losses	494		13	(6)	501
Total noninterest expense	1,662	999	321	423	3,405
Income (loss) from continuing operations before income tax expense	\$ 1,271	\$ 254	\$ (258)	\$ (910)	\$ 357
Total assets	\$ 109,312	\$ 7,124	\$ 8,168	\$ 26,563	\$ 151,167
<b>2012</b>					
Net financing revenue (loss)	\$ 2,827	\$ 64	\$ 149	\$ (1,149)	\$ 1,891
Other revenue (loss)	322	1,150	1,159	(57)	2,574
Total net revenue (loss)	3,149	1,214	1,308	(1,206)	4,465
Provision for loan losses	253		86	(10)	329
Total noninterest expense	1,507	1,054	627	434	3,622
Income (loss) from continuing operations before income tax expense	\$ 1,389	\$ 160	\$ 595	\$ (1,630)	\$ 514
Total assets	\$ 128,411	\$ 8,439	\$ 14,744	\$ 30,753	\$ 182,347
<b>2011</b>					
Net financing revenue (loss)	\$ 2,530	\$ 62	\$ 205	\$ (1,673)	\$ 1,124
Other revenue	422	1,336	354	176	2,288
Total net revenue (loss)	2,952	1,398	559	(1,497)	3,412
Provision for loan losses	89		123	(51)	161
Total noninterest expense	1,530	1,082	344	472	3,428
Income (loss) from continuing operations before income tax expense	\$ 1,333	\$ 316	\$ 92	\$ (1,918)	\$ (177)
Total assets	\$ 112,591	\$ 8,036	\$ 33,906	\$ 29,526	\$ 184,059

## Edgar Filing: Ally Financial Inc. - Form S-1/A

- (a) Total assets for the Commercial Finance Group were \$1.6 billion, \$1.5 billion, and \$1.2 billion at December 31, 2013, 2012 and 2011, respectively.
  
- (b) Net financing revenue after the provision for loan losses totaled \$2.3 billion, \$1.6 billion, and \$1.0 billion for the years ended December 31, 2013, 2012, and 2011, respectively.

F-96

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Information concerning principal geographic areas were as follows.

Year ended December 31, ( <i>\$ in millions</i> )	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)	Identifiable assets (c)	Long-lived assets (d)
<b>2013</b>					
Canada	\$ 171	\$ 64	\$ 1,266	\$ 704	\$
Europe (e)	(8)	(18)	(88)	1,972	
Latin America		7	300	29	
Asia-Pacific	1	(2)	117	520	
Total foreign	164	51	1,595	3,225	
Total domestic (f)	4,099	306	(1,234)	147,915	17,916
Total	\$ 4,263	\$ 357	\$ 361	\$ 151,140	\$ 17,916
<b>2012</b>					
Canada	\$ 233	\$ 48	\$ 295	\$ 13,362	\$ 1
Europe (e)	(28)	(14)	183	10,971	16
Latin America	2	(19)	219	8,050	33
Asia-Pacific	4	3	99	395	
Total foreign	211	18	796	32,778	50
Total domestic (f)	4,254	496	400	149,542	13,831
Total	\$ 4,465	\$ 514	\$ 1,196	\$ 182,320	\$ 13,881
<b>2011</b>					
Canada	\$ 174	\$ (13)	\$ 436	\$ 15,156	\$ 282
Europe (e)	(42)	(3)	175	9,976	92
Latin America	4	(18)	104	7,647	30
Asia-Pacific	2		69	292	
Total foreign	138	(34)	784	33,071	404
Total domestic (f)	3,274	(143)	(941)	150,470	9,236
Total	\$ 3,412	\$ (177)	\$ (157)	\$ 183,541	\$ 9,640

(a) Revenue consists of net financing revenue and total other revenue as presented in our Consolidated Statement of Income.

## Edgar Filing: Ally Financial Inc. - Form S-1/A

- (b) The domestic amounts include original discount amortization of \$262 million, \$349 million, and \$925 million for the years ended December 31, 2013, 2012, and 2011, respectively.
- (c) Identifiable assets consist of total assets excluding goodwill.
- (d) Long-lived assets consist of investment in operating leases, net, and net property and equipment.
- (e) Amounts include eliminations between our foreign operations.
- (f) Amounts include eliminations between our domestic and foreign operations.

F-97

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**27. Parent and Guarantor Consolidating Financial Statements**

Certain of our senior notes are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of December 31, 2013, the Guarantors include Ally US LLC and IB Finance Holding Company, LLC (IB Finance), each of which fully and unconditionally guarantee the senior notes on a joint and several basis.

The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company-only basis), (ii) the Guarantors, (iii) the nonguarantor subsidiaries (all other subsidiaries), and (iv) an elimination column for adjustments to arrive at (v) the information for the parent company, Guarantors, and nonguarantors on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's and Guarantors' investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, Guarantors, and nonguarantors.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Condensed Consolidating Statements of Comprehensive Income**

<b>Year ended December 31, 2013 (\$ in millions)</b>	<b>Parent</b>	<b>Guarantors</b>	<b>Nonguarantors</b>	<b>Consolidating adjustments</b>	<b>Ally consolidated</b>
<b>Financing revenue and other interest income</b>					
Interest and fees on finance receivables and loans	\$ 771	\$	\$ 3,758	\$	\$ 4,529
Interest and fees on finance receivables and loans intercompany	59		68	(127)	
Interest on loans held-for-sale			20		20
Interest and dividends on available-for-sale investment securities			325		325
Interest-bearing cash	3		7		10
Interest-bearing cash intercompany			7	(7)	
Operating leases	500		2,709		3,209
<b>Total financing revenue and other interest income</b>	<b>1,333</b>		<b>6,894</b>	<b>(134)</b>	<b>8,093</b>
<b>Interest expense</b>					
Interest on deposits	25		629		654
Interest on short-term borrowings	46		17		63
Interest on long-term debt	2,039		568	(5)	2,602
Interest on intercompany debt	66		62	(128)	
<b>Total interest expense</b>	<b>2,176</b>		<b>1,276</b>	<b>(133)</b>	<b>3,319</b>
Depreciation expense on operating lease assets	369		1,626		1,995
<b>Net financing (loss) revenue</b>	<b>(1,212)</b>		<b>3,992</b>	<b>(1)</b>	<b>2,779</b>
Dividends from subsidiaries					
Nonbank subsidiaries	5,732	3,659		(9,391)	
<b>Other revenue</b>					
Servicing fees	152		(26)		126
Servicing asset valuation and hedge activities, net			(213)		(213)
<b>Total servicing income (loss), net</b>	<b>152</b>		<b>(239)</b>		<b>(87)</b>
Insurance premiums and service revenue earned			1,012		1,012
Gain on mortgage and automotive loans, net			55		55
(Loss) gain on extinguishment of debt	(61)		2		(59)
Other gain on investments, net			180		180
Other income, net of losses	157		1,438	(1,212)	383
<b>Total other revenue</b>	<b>248</b>		<b>2,448</b>	<b>(1,212)</b>	<b>1,484</b>
<b>Total net revenue</b>	<b>4,768</b>	<b>3,659</b>	<b>6,440</b>	<b>(10,604)</b>	<b>4,263</b>
<b>Provision for loan losses</b>	<b>196</b>		<b>305</b>		<b>501</b>
<b>Noninterest expense</b>					
Compensation and benefits expense	639		822	(442)	1,019
Insurance losses and loss adjustment expenses			405		405
Other operating expenses	503		2,248	(770)	1,981
<b>Total noninterest expense</b>	<b>1,142</b>		<b>3,475</b>	<b>(1,212)</b>	<b>3,405</b>
<b>Income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries</b>	<b>3,430</b>	<b>3,659</b>	<b>2,660</b>	<b>(9,392)</b>	<b>357</b>

Edgar Filing: Ally Financial Inc. - Form S-1/A

Income tax (benefit) expense from continuing operations	(967)		908		(59)
<b>Net income from continuing operations</b>	<b>4,397</b>	<b>3,659</b>	<b>1,752</b>	<b>(9,392)</b>	<b>416</b>
(Loss) income from discontinued operations, net of tax	(1,311)	(19)	1,274	1	(55)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	883	883		(1,766)	
Nonbank subsidiaries	(3,608)	(2,393)		6,001	
<b>Net income</b>	<b>361</b>	<b>2,130</b>	<b>3,026</b>	<b>(5,156)</b>	<b>361</b>
<b>Other comprehensive loss, net of tax</b>	<b>(587)</b>	<b>(812)</b>	<b>(858)</b>	<b>1,670</b>	<b>(587)</b>
<b>Comprehensive (loss) income</b>	<b>\$ (226)</b>	<b>\$ 1,318</b>	<b>\$ 2,168</b>	<b>\$ (3,486)</b>	<b>\$ (226)</b>

F-99

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Year ended December 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Interest and fees on finance receivables and loans	\$ 852	\$	\$ 3,687	\$	\$ 4,539
Interest and fees on finance receivables and loans intercompany	104		22	(126)	
Interest on loans held-for-sale	15		83		98
Interest on trading assets			10		10
Interest and dividends on available-for-sale investment securities			292		292
Interest-bearing cash	16		8		24
Interest-bearing cash intercompany			16	(16)	
Operating leases	232		2,147		2,379
<b>Total financing revenue and other interest income</b>	<b>1,219</b>		<b>6,265</b>	<b>(142)</b>	<b>7,342</b>
<b>Interest expense</b>					
Interest on deposits	58		587		645
Interest on short-term borrowings	60		11		71
Interest on long-term debt	2,676		677	(17)	3,336
Interest on intercompany debt	(1)	1	120	(120)	
<b>Total interest expense</b>	<b>2,793</b>	<b>1</b>	<b>1,395</b>	<b>(137)</b>	<b>4,052</b>
Depreciation expense on operating lease assets	113		1,286		1,399
<b>Net financing (loss) revenue</b>	<b>(1,687)</b>	<b>(1)</b>	<b>3,584</b>	<b>(5)</b>	<b>1,891</b>
<b>Dividends from subsidiaries</b>					
Nonbank subsidiaries	1,074	448		(1,522)	
<b>Other revenue</b>					
Servicing fees	191		218		409
Servicing asset valuation and hedge activities, net			(4)		(4)
<b>Total servicing income, net</b>	<b>191</b>		<b>214</b>		<b>405</b>
Insurance premiums and service revenue earned			1,055		1,055
(Loss) gain on mortgage and automotive loans, net	(2)		381		379
Loss on extinguishment of debt			(148)		(148)
Other gain on investments, net			146		146
Other income, net of losses	173	474	1,280	(1,190)	737
<b>Total other revenue</b>	<b>362</b>	<b>474</b>	<b>2,928</b>	<b>(1,190)</b>	<b>2,574</b>
<b>Total net (loss) revenue</b>	<b>(251)</b>	<b>921</b>	<b>6,512</b>	<b>(2,717)</b>	<b>4,465</b>
<b>Provision for loan losses</b>	<b>81</b>		<b>248</b>		<b>329</b>
<b>Noninterest expense</b>					
Compensation and benefits expense	728	473	381	(476)	1,106
Insurance losses and loss adjustment expenses			454		454
Other operating expenses	1,090	1	1,685	(714)	2,062
<b>Total noninterest expense</b>	<b>1,818</b>	<b>474</b>	<b>2,520</b>	<b>(1,190)</b>	<b>3,622</b>
<b>(Loss) income from continuing operations before income tax benefit and undistributed income (loss) of subsidiaries</b>	<b>(2,150)</b>	<b>447</b>	<b>3,744</b>	<b>(1,527)</b>	<b>514</b>
Income tax benefit from continuing operations	(172)		(684)		(856)



Edgar Filing: Ally Financial Inc. - Form S-1/A

<b>Net (loss) income from continuing operations</b>	(1,978)	447	4,428	(1,527)	1,370
Income (loss) from discontinued operations, net of tax	49	(93)	(130)		(174)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	859	859		(1,718)	
Nonbank subsidiaries	2,266	(105)		(2,161)	
<b>Net income</b>	1,196	1,108	4,298	(5,406)	1,196
<b>Other comprehensive income, net of tax</b>	224	149	411	(560)	224
<b>Comprehensive income</b>	\$ 1,420	\$ 1,257	\$ 4,709	\$ (5,966)	\$ 1,420

F-100

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Year ended December 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Financing revenue and other interest income</b>					
Interest and fees on finance receivables and loans	\$ 1,071	\$	\$ 3,128	\$ (10)	\$ 4,189
Interest and fees on finance receivables and loans intercompany	173		26	(199)	
Interest on loans held-for-sale	5		175		180
Interest on trading assets			8		8
Interest and dividends on available-for-sale investment securities	4		346		350
Interest-bearing cash	5		10		15
Operating leases	713		1,216		1,929
<b>Total financing revenue and other interest income</b>	<b>1,971</b>		<b>4,909</b>	<b>(209)</b>	<b>6,671</b>
<b>Interest expense</b>					
Interest on deposits	65		550		615
Interest on short-term borrowings	56		5		61
Interest on long-term debt	3,365	(1)	587	(21)	3,930
Interest on intercompany debt	(13)	2	196	(185)	
<b>Total interest expense</b>	<b>3,473</b>	<b>1</b>	<b>1,338</b>	<b>(206)</b>	<b>4,606</b>
Depreciation expense on operating lease assets	250		691		941
<b>Net financing (loss) revenue</b>	<b>(1,752)</b>	<b>(1)</b>	<b>2,880</b>	<b>(3)</b>	<b>1,124</b>
Dividends from subsidiaries					
Nonbank subsidiaries	1,383			(1,383)	
<b>Other revenue</b>					
Servicing fees	270		256	(1)	525
Servicing asset valuation and hedge activities, net			(434)		(434)
<b>Total servicing income (loss), net</b>	<b>270</b>		<b>(178)</b>	<b>(1)</b>	<b>91</b>
Insurance premiums and service revenue earned			1,153		1,153
Gain on mortgage and automotive loans, net	22		207		229
Loss on extinguishment of debt	(64)				(64)
Other gain on investments, net	10		248		258
Other income, net of losses	(167)	37	1,415	(664)	621
<b>Total other revenue</b>	<b>71</b>	<b>37</b>	<b>2,845</b>	<b>(665)</b>	<b>2,288</b>
<b>Total net (loss) revenue</b>	<b>(298)</b>	<b>36</b>	<b>5,725</b>	<b>(2,051)</b>	<b>3,412</b>
<b>Provision for loan losses</b>	<b>58</b>		<b>103</b>		<b>161</b>
<b>Noninterest expense</b>					
Compensation and benefits expense	685	37	308	(37)	993
Insurance losses and loss adjustment expenses			452		452
Other operating expenses	541	1	2,069	(628)	1,983
<b>Total noninterest expense</b>	<b>1,226</b>	<b>38</b>	<b>2,829</b>	<b>(665)</b>	<b>3,428</b>
<b>(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries</b>					
	<b>(1,582)</b>	<b>(2)</b>	<b>2,793</b>	<b>(1,386)</b>	<b>(177)</b>
Income tax (benefit) expense from continuing operations	(616)	(1)	659		42

Edgar Filing: Ally Financial Inc. - Form S-1/A

<b>Net (loss) income from continuing operations</b>	(966)	(1)	2,134	(1,386)	(219)
Income (loss) from discontinued operations, net of tax	10	(8)	57	3	62
<b>Undistributed income (loss) of subsidiaries</b>					
Bank subsidiary	1,254	1,254		(2,508)	
Nonbank subsidiaries	(455)	477		(22)	
<b>Net (loss) income</b>	(157)	1,722	2,191	(3,913)	(157)
<b>Other comprehensive loss, net of tax</b>	(172)	(63)	(346)	409	(172)
<b>Comprehensive (loss) income</b>	\$ (329)	\$ 1,659	\$ 1,845	\$ (3,504)	\$ (329)

F-101

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Condensed Consolidating Balance Sheet**

<b>December 31, 2013 (\$ in millions)</b>	<b>Parent (a)</b>	<b>Guarantors</b>	<b>Nonguarantors (a)</b>	<b>Consolidating adjustments</b>	<b>Ally consolidated</b>
<b>Assets</b>					
Cash and cash equivalents					
Noninterest-bearing	\$ 979	\$ 37	\$ 299	\$	\$ 1,315
Interest-bearing	1,951		2,265		4,216
Interest-bearing intercompany			410	(410)	
Total cash and cash equivalents	2,930	37	2,974	(410)	5,531
Investment securities			17,083		17,083
Loans held-for-sale, net			35		35
Finance receivables and loans, net					
Finance receivables and loans, net	6,673		93,655		100,328
Intercompany loans to					
Bank subsidiary	600			(600)	
Nonbank subsidiaries	4,207		1,925	(6,132)	
Allowance for loan losses	(131)		(1,077)		(1,208)
Total finance receivables and loans, net	11,349		94,503	(6,732)	99,120
Investment in operating leases, net	3,172		14,508		17,680
Intercompany receivables from					
Bank subsidiary	236			(236)	
Nonbank subsidiaries	465		588	(1,053)	
Investment in subsidiaries					
Bank subsidiary	14,916	14,916		(29,832)	
Nonbank subsidiaries	12,201	68		(12,269)	
Premiums receivable and other insurance assets			1,634	(21)	1,613
Other assets	3,122		6,880	(413)	9,589
Assets of operations held-for-sale	516				516
Total assets	\$ 48,907	\$ 15,021	\$ 138,205	\$ (50,966)	\$ 151,167
<b>Liabilities</b>					
Deposit liabilities					
Noninterest-bearing	\$	\$	\$ 60	\$	\$ 60
Interest-bearing	440		52,850		53,290
Total deposit liabilities	440		52,910		53,350
Short-term borrowings	3,225		5,320		8,545
Long-term debt	25,819		43,646		69,465
Intercompany debt to					
Nonbank subsidiaries	2,334		4,808	(7,142)	
Intercompany payables to					
Bank subsidiary	197			(197)	
Nonbank subsidiaries	666		447	(1,113)	
Interest payable	709		179		888

Edgar Filing: Ally Financial Inc. - Form S-1/A

Unearned insurance premiums and service revenue			2,314		2,314
Accrued expenses and other liabilities	1,309	93	1,408	(413)	2,397
Total liabilities	34,699	93	111,032	(8,865)	136,959
Total equity	14,208	14,928	27,173	(42,101)	14,208
Total liabilities and equity	\$ 48,907	\$ 15,021	\$ 138,205	\$ (50,966)	\$ 151,167

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

F-102

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

December 31, 2012 (\$ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
<b>Assets</b>					
Cash and cash equivalents					
Noninterest-bearing	\$ 729	\$	\$ 344	\$	\$ 1,073
Noninterest-bearing intercompany	39			(39)	
Interest-bearing	3,204		3,236		6,440
Interest-bearing intercompany			452	(452)	
Total cash and cash equivalents	3,972		4,032	(491)	7,513
Investment securities			14,178		14,178
Loans held-for-sale, net			2,576		2,576
Finance receivables and loans, net					
Finance receivables and loans, net	12,486		86,569		99,055
Intercompany loans to					
Bank subsidiary	1,600			(1,600)	
Nonbank subsidiaries	3,514		672	(4,186)	
Allowance for loan losses	(170)		(1,000)		(1,170)
Total finance receivables and loans, net	17,430		86,241	(5,786)	97,885
Investment in operating leases, net	2,003		11,547		13,550
Intercompany receivables from					
Bank subsidiary	677			(677)	
Nonbank subsidiaries	315	334	378	(1,027)	
Investment in subsidiaries					
Bank subsidiary	14,288	14,288		(28,576)	
Nonbank subsidiaries	19,180	3,723		(22,903)	
Mortgage servicing rights			952		952
Premiums receivable and other insurance assets			1,609		1,609
Other assets	2,514		9,968	(574)	11,908
Assets of operations held-for-sale	855	762	30,582	(23)	32,176
Total assets	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347
<b>Liabilities</b>					
Deposit liabilities					
Noninterest-bearing	\$	\$	\$ 1,977	\$	\$ 1,977
Noninterest-bearing intercompany			39	(39)	
Interest-bearing	983		44,955		45,938
Total deposit liabilities	983		46,971	(39)	47,915
Short-term borrowings	3,094		4,367		7,461
Long-term debt	32,342		42,219		74,561
Intercompany debt to					
Nonbank subsidiaries	530		5,708	(6,238)	
Intercompany payables to					
Bank subsidiary	752			(752)	
Nonbank subsidiaries	674		278	(952)	
Interest payable	748		184		932
Unearned insurance premiums and service revenue			2,296		2,296
Accrued expenses and other liabilities	2,187	451	4,517	(570)	6,585

Edgar Filing: Ally Financial Inc. - Form S-1/A

Liabilities of operations held-for-sale	26	725	21,948		22,699
Total liabilities	41,336	1,176	128,488	(8,551)	162,449
Total equity	19,898	17,931	33,575	(51,506)	19,898
Total liabilities and equity	\$ 61,234	\$ 19,107	\$ 162,063	\$ (60,057)	\$ 182,347

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership

F-103

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Condensed Consolidating Statement of Cash Flows**

<b>Year ended December 31, 2013 (\$ in millions)</b>	<b>Parent</b>	<b>Guarantors</b>	<b>Nonguarantors</b>	<b>Consolidating adjustments</b>	<b>Ally consolidated</b>
<b>Operating activities</b>					
Net cash provided by operating activities	\$ 3,015	\$ 3,572	\$ 5,305	\$ (9,391)	\$ 2,501
<b>Investing activities</b>					
Purchases of available-for-sale securities			(12,304)		(12,304)
Proceeds from sales of available-for-sale securities			3,627		3,627
Proceeds from maturities and repayments of available-for-sale securities			5,509		5,509
Net decrease (increase) in finance receivables and loans	4,898	79	(7,456)		(2,479)
Net change in loans intercompany	306	251	(1,503)	946	
Net increase in operating lease assets	(1,320)		(4,912)		(6,232)
Capital contributions to subsidiaries	(477)			477	
Returns of contributed capital	1,002	150		(1,152)	
Sales of mortgage servicing rights			911		911
Proceeds from sale of business units, net	1,799	554	5,091		7,444
Net change in restricted cash		(26)	(44)		(70)
Other, net	41		10		51
Net cash provided by (used in) investing activities	6,249	1,008	(11,071)	271	(3,543)
<b>Financing activities</b>					
Net change in short-term borrowings third party	131	36	1,424		1,591
Net (decrease) increase in deposits	(543)		5,879	39	5,375
Proceeds from issuance of long-term debt third party	3,236		24,076		27,312
Repayments of long-term debt third party	(9,468)	(70)	(22,354)		(31,892)
Net change in debt intercompany	1,803	(271)	(629)	(903)	
Proceeds from issuance of common stock	1,270				1,270
Repurchase of mandatorily convertible preferred stock held by U.S. Department of Treasury	(5,925)				(5,925)
Dividends paid third party	(810)				(810)
Dividends paid and returns of contributed capital intercompany		(4,267)	(6,275)	10,542	
Capital contributions from parent		29	448	(477)	
Net cash (used in) provided by financing activities	(10,306)	(4,543)	2,569	9,201	(3,079)
Effect of exchange-rate changes on cash and cash equivalents			45		45
Net (decrease) increase in cash and cash equivalents	(1,042)	37	(3,152)	81	(4,076)
Adjustment for change in cash and cash equivalents of operations held-for-sale			2,094		2,094
Cash and cash equivalents at beginning of year	3,972		4,032	(491)	7,513
Cash and cash equivalents at end of year	\$ 2,930	\$ 37	\$ 2,974	\$ (410)	\$ 5,531



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Year ended December 31, 2012 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Operating activities</b>					
Net cash provided by operating activities	\$ 102	\$ 306	\$ 5,862	\$ (1,221)	\$ 5,049
<b>Investing activities</b>					
Purchases of available-for-sale securities			(12,816)		(12,816)
Proceeds from sales of available-for-sale securities			7,662		7,662
Proceeds from maturities and repayments of available-for-sale securities			5,673		5,673
Net decrease (increase) in finance receivables and loans	3,027	2	(14,972)		(11,943)
Proceeds from sales of finance receivables and loans	352		1,980		2,332
Net change in loans intercompany	3,879	105	129	(4,113)	
Net increase in operating lease assets	(2,268)		(3,431)		(5,699)
Capital contributions to subsidiaries	(261)			261	
Returns of contributed capital	2,079			(2,079)	
Net cash effect from deconsolidation of ResCap			(539)		(539)
Proceeds from sale of business units, net	29		487		516
Net change in restricted cash		(13)	(1,685)		(1,698)
Other, net	(247)		204		(43)
Net cash provided by (used in) investing activities	6,590	94	(17,308)	(5,931)	(16,555)
<b>Financing activities</b>					
Net change in short-term borrowings third party	338	25	2,331		2,694
Net (decrease) increase in deposits	(785)	1	7,476	(39)	6,653
Proceeds from issuance of long-term debt third party	3,613	70	35,718		39,401
Repayments of long-term debt third party	(11,238)	(73)	(28,598)		(39,909)
Net change in debt intercompany	(44)	(149)	(3,984)	4,177	
Dividends paid third party	(802)				(802)
Dividends paid and returns of contributed capital intercompany		(457)	(2,843)	3,300	
Capital contributions from parent		169	92	(261)	
Net cash (used in) provided by financing activities	(8,918)	(414)	10,192	7,177	8,037
Effect of exchange-rate changes on cash and cash equivalents	(63)		5		(58)
Net decrease in cash and cash equivalents	(2,289)	(14)	(1,249)	25	(3,527)
Adjustment for change in cash and cash equivalents of operations held-for-sale			(1,995)		(1,995)
Cash and cash equivalents at beginning of year	6,261	14	7,276	(516)	13,035
Cash and cash equivalents at end of year	\$ 3,972	\$	\$ 4,032	\$ (491)	\$ 7,513

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

Year ended December 31, 2011 (\$ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
<b>Operating activities</b>					
Net cash provided by operating activities	\$ 2,695	\$ 209	\$ 3,973	\$ (1,384)	\$ 5,493
<b>Investing activities</b>					
Purchases of available-for-sale securities			(19,377)		(19,377)
Proceeds from sales of available-for-sale securities	1,494		12,738		14,232
Proceeds from maturities and repayments of available-for-sale securities	1		4,964		4,965
Net increase in finance receivables and loans	(2,933)	(51)	(14,014)		(16,998)
Proceeds from sales of finance receivables and loans	1,346		1,522		2,868
Net change in loans intercompany	2,743	11	(88)	(2,666)	
Net (increase) decrease in operating lease assets	2,890		(3,901)		(1,011)
Capital contributions to subsidiaries	(1,634)	(855)		2,489	
Returns of contributed capital	1,255			(1,255)	
Proceeds from sale of business unit, net			50		50
Net change in restricted cash	157		189		346
Other, net	(33)	(1)	831		797
Net cash provided by (used in) investing activities	5,286	(896)	(17,086)	(1,432)	(14,128)
<b>Financing activities</b>					
Net change in short-term borrowings third party	237	47	230		514
Net increase in deposits	308		5,766		6,074
Proceeds from issuance of long-term debt third party	3,201	200	41,353		44,754
Repayments of long-term debt third party	(9,414)	(226)	(30,833)		(40,473)
Net change in debt intercompany	71	30	(2,755)	2,654	
Dividends paid third party	(819)				(819)
Dividends paid and returns of contributed capital intercompany		(207)	(2,431)	2,638	
Capital contributions from parent		855	1,634	(2,489)	
Net cash (used in) provided by financing activities	(6,416)	699	12,964	2,803	10,050
Effect of exchange-rate changes on cash and cash equivalents	31		18		49
Net increase (decrease) in cash and cash equivalents	1,596	12	(131)	(13)	1,464
Adjustment for change in cash and cash equivalents of operations held-for-sale			(99)		(99)
Cash and cash equivalents at beginning of year	4,665	2	7,506	(503)	11,670
Cash and cash equivalents at end of year	\$ 6,261	\$ 14	\$ 7,276	\$ (516)	\$ 13,035

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****28. Guarantees and Commitments****Guarantees**

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in the underlying agreements with the guaranteed parties. The following summarizes our outstanding guarantees, including those of our discontinued operations, made to third parties on our Consolidated Balance Sheet, for the periods shown.

December 31, ( <i>\$ in millions</i> )	Maximum liability	2013 Carrying value of liability	Maximum liability	2012 Carrying value of liability
Default automotive repurchases	\$	\$	\$ 1,897	\$
Standby letters of credit and other guarantees	142	30	274	44

**Default Automotive Repurchases**

Certain of our discontinued international automotive financing businesses provided certain investors in our on-balance sheet arrangements (securitizations) and whole-loan transactions with repurchase commitments for loans that became contractually delinquent within a specified time from their date of origination or purchase. The maximum obligation represented the principal balance for loans sold that were covered by those stipulations. Refer to Note 9 for further information regarding our securitization trusts.

**Standby Letters of Credit**

Our Commercial Finance Group has exposure to standby letters of credit that represent irrevocable guarantees of payment of specified financial obligations. Third-party beneficiaries primarily utilize standby letters of credit as insurance in the event of nonperformance by our customers. Assets of the customers (e.g., trade receivables, inventory, and cash deposits) generally collateralize the letters of credit. Expiration dates on letters of credit range from certain ongoing commitments that will expire during the upcoming year to terms of several years for certain letters of credit.

If nonperformance by a customer occurs for letters of credit, we can be liable for payment of the letter of credit to the beneficiary with our likely recourse being a charge back to the customer or liquidation of the collateral.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Commitments****Financing Commitments**

The contractual commitments were as follows.

December 31, ( <i>\$ in millions</i> )	2013	2012
Commitments to		
Sell mortgages or securities (a)	\$	\$ 6,282
Originate/purchase mortgages or securities (a)		4,249
Provide capital to investees (b)	63	86
Provide retail automotive receivables to third-parties (c)		425
Construction-lending commitments (d)	187	100
Home equity lines of credit (e)	388	411
Unused revolving credit line commitments (f)	1,062	668

- (a) We have exited the mortgage origination and servicing business.
- (b) We are committed to contribute capital to certain investees. The fair value of these commitments is considered in the overall valuation of the underlying assets with which they are associated.
- (c) Certain of our discontinued international automotive financing businesses were committed to provide retail automotive receivables to third-party banks in exchange for secured debt. Those transactions did not meet the definition of a sale.
- (d) The fair value of these commitments is considered in the overall valuation of the related assets.
- (e) We are committed to fund the remaining unused balances on home equity lines of credit.
- (f) The unused portion of revolving lines of credit reset at prevailing market rates and, as such, approximate market value. Revolving credit line commitments contain an element of credit risk. Management reduces its credit risk for unused revolving credit line commitments by applying the same credit policies in making commitments as it does for extending loans. We typically require collateral as these commitments are drawn.

**Lease Commitments**

Future minimum rental payments required under operating leases, primarily for real property, with noncancelable lease terms expiring after December 31, 2013, are as follows.

Edgar Filing: Ally Financial Inc. - Form S-1/A

Year ended December 31, (*\$ in millions*)

2014	\$ 39
2015	34
2016	18
2017	5
2018	
2019 and thereafter	
<b>Total minimum payment required</b>	<b>\$ 96</b>

Certain of the leases contain escalation clauses and renewal or purchase options. Rental expenses under operating leases were \$47 million, \$63 million, and \$79 million in 2013, 2012, and 2011, respectively.

F-108

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Contractual Commitments**

We have entered into multiple agreements for information technology, marketing and advertising, and voice and communication technology and maintenance. Many of the agreements are subject to variable price provisions, fixed or minimum price provisions, and termination or renewal provisions.

Year ended December 31, (*\$ in millions*)

2014	\$ 87
2015 and 2016	2
<b>Total future payment obligations</b>	<b>\$ 89</b>

**29. Contingencies and Other Risks**

In the normal course of business, we enter into transactions that expose us to varying degrees of risk.

**Concentration with GM and Chrysler**

The profitability and financial condition of our operations are heavily dependent upon the performance, operations, and prospects of GM, Chrysler, and their dealers. We were previously party to agreements with each of GM and Chrysler that provided for certain exclusivity privileges related to subvention programs that they offered. Our agreement with Chrysler expired in April 2013. In addition, our agreement with GM expired effective February 28, 2014. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler for their incentive programs. We entered into a new auto financing agreement with GM that became effective on March 1, 2014 (the GM Agreement), which provides a general framework for dealer and consumer financing related to GM vehicles, as well as with respect to our ongoing participation in GM subvention programs. The GM Agreement does not provide Ally with any exclusivity or similar privileges related to the financing of GM vehicles, whether through subvention programs or otherwise. As a result, the GM Agreement does not provide the economic benefits or impose the obligations that were included within our prior agreement with GM. The GM Agreement is cancellable upon notice by either party after one year.

**Mortgage-Related Matters****ResCap Bankruptcy Filing**

Our mortgage operations were historically a significant portion of our operations and were conducted primarily through our Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors Chapter 11 cases, and certain creditors. The PSA, which was approved by the Bankruptcy Court on June 26, 2013, required the parties to support a Chapter 11 plan in the Debtors Chapter 11 cases (the Plan) that, among other things, settled and provided AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that resided with the Debtors, as well as full releases for all pending and potential claims related to the Debtors that have been or could be brought against AFI by third parties.



**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)**

On July 3, 2013, the Debtors filed the Plan and related disclosure statement (the Disclosure Statement), with the Bankruptcy Court. The Bankruptcy Court entered an order approving the Disclosure Statement on August 23, 2013. The Plan provided, among other things, that on the effective date of the Plan, AFI would contribute to the Debtors' estates \$1.95 billion in cash or cash equivalents, and will further contribute \$150 million received by AFI for claims it pursues against its insurance carriers related to the claims released in connection with the Plan, with such amount guaranteed by AFT to be paid no later than September 30, 2014. The Bankruptcy Court entered an order confirming the Plan on December 11, 2013, which became effective on December 17, 2013. The confirmed Plan excludes from the third party releases the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Housing Finance Agency (the FHFA) as conservator for Fannie Mae and Freddie Mac, with respect to certain ordinary-course claims against Ally Bank as a former mortgage seller and servicer, as well as the Department of Justice and state attorneys general with respect to certain types of claims. Further, AFI has agreed to settlements with each of the FHFA and the Federal Deposit Insurance Corporation (FDIC), as receiver for certain failed banks, pursuant to which, among other things, in exchange for a monetary payment, the FHFA's and FDIC's previously pending lawsuits against AFI were dismissed. For further information with respect to the bankruptcy, refer to Note 1.

**Mortgage Settlements and Consent Order**

On February 9, 2012, we announced that we had reached an agreement with respect to investigations into procedures followed by mortgage servicing companies and banks in connection with mortgage origination and servicing activities and foreclosure home sales and evictions (the Mortgage Settlement). Further, as a result of an examination conducted by the FRB and FDIC, on April 13, 2011, we entered into a consent order (the Consent Order) with the FRB and the FDIC, that required, among other things, GMAC Mortgage, LLC to retain independent consultants to conduct a risk assessment related to mortgage servicing activities and, separately, to conduct a review of certain past residential mortgage foreclosure actions. As a result of the Plan becoming effective, the Debtors will remain responsible for all costs and obligations imposed on the Debtors under the Mortgage Settlement and Consent Order.

**Legal Proceedings**

We are or may be subject to potential liability under various governmental proceedings, claims, and legal actions that are pending or otherwise asserted against us. We are named as defendants in a number of legal actions, and we are involved in governmental proceedings arising in connection with our respective businesses. Some of the pending actions purport to be class actions, and certain legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. We establish reserves for legal claims when payments associated with the claims become probable and the payments can be reasonably estimated. Given the inherent difficulty of predicting the outcome of litigation and regulatory matters, it is generally very difficult to predict what the eventual outcome will be, and when the matter will be resolved. The actual costs of resolving legal claims may be higher or lower than any amounts reserved for the claims.

On the basis of information currently available, advice of counsel, available insurance coverage, and established reserves, it is the opinion of management that the eventual outcome of the current actions against us will not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows. However, it is possible that the ultimate resolution of legal matters, if unfavorable, may be material to our consolidated financial condition, results of operations, or cash flows in a particular period.

**Regulatory Matters**

Ally and its subsidiaries, including Ally Bank, are or may become involved from time to time in reviews, investigations, and proceedings (both formal and informal), and information-gathering requests, by government and



---

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

self-regulatory agencies, including the FRB, FDIC, Utah DFI, CFPB, U.S. Department of Justice (DOJ), SEC, and the Federal Trade Commission regarding their respective operations. Such requests include subpoenas from each of the SEC and the DOJ. The subpoenas and document requests from the SEC include information covering a wide range of mortgage-related matters, and the subpoenas received from the DOJ include a broad request for documentation and other information in connection with its investigations of potential fraud and other potential legal violations related to mortgage-backed securities, as well as the origination and/or underwriting of mortgage loans.

Further, in December 2013, Ally Financial Inc. and Ally Bank entered into Consent Orders issued by the CFPB and the DOJ pertaining to the allegation of disparate impact in the automotive finance business, which resulted in a \$98 million charge in the fourth quarter of 2013, and such Consent Orders could result in the payment of additional amounts in the future. The Consent Orders also require Ally to create a compliance plan addressing, at a minimum, the communication of Ally's expectations of ECOA compliance to dealers, maintenance of Ally's existing limits on dealer finance income for contracts acquired by Ally, and monitoring for potential discrimination both at the dealer level and across all dealers. Ally also must form a compliance committee consisting of Ally and Ally Bank directors to oversee Ally's execution of the Consent Orders' terms.

Investigations, proceedings or information-gathering requests that Ally is, or may become, involved in may result in material adverse consequences including without limitation, adverse judgments, settlements, fines, penalties, injunctions, or other actions.

**Loan Repurchases and Obligations Related to Loan Sales**

**Representation and Warranty Obligation Reserve Methodology**

The representation and warranty reserve was \$45 million at December 31, 2013 with respect to our sold and serviced loans for which we have retained representation and warranty obligation. The liability for representation and warranty obligations reflects management's best estimate of probable losses with respect to Ally Bank's mortgage loans sold to Fannie Mae and Freddie Mac. We considered historical and recent demand trends in establishing the reserve. The methodology used to estimate the reserve considers a variety of assumptions including borrower performance (both actual and estimated future defaults), repurchase demand behavior, historical loan defect experience, historical mortgage insurance rescission experience, and historical and estimated future loss experience, which includes projections of future home price changes as well as other qualitative factors including investor behavior. It is difficult to predict and estimate the level and timing of any potential future demands. In cases where we may not be able to reasonably estimate losses, a liability is not recognized. Management monitors the adequacy of the overall reserve and makes adjustments to the level of reserve, as necessary, after consideration of other qualitative factors including ongoing dialogue and experience with counterparties. At the time a loan is sold, an estimate of the fair value of the liability is recorded and classified in accrued expenses and other liabilities on our Consolidated Balance Sheet and recorded as a component of gain (loss) on mortgage and automotive loans, net, in our Consolidated Statement of Income. We recognize changes in the liability when additional relevant information becomes available. Changes in the estimate are recorded as other operating expenses in our Consolidated Statement of Income.

On April 16, 2013, we completed the sales of agency MSR to Ocwen and Quicken. The sale to Ocwen included the transfer of the origination representation and warranty liabilities (but not those related to servicing) on any and all claims following the sale of the MSR through an indemnification agreement. However, Ally Bank retained all representation and warranty liability related to loans previously liquidated with a loss (e.g. GSEs completed a foreclosure) as well as the liability on outstanding claims at the time of the sale. The MSR sale to Quicken did not include the transfer of representation and warranty liabilities. The repurchase reserve at December 31, 2013 reflects probable losses associated with the contractual obligation retained.

**Table of Contents****ALLY FINANCIAL INC.****Notes to Consolidated Financial Statements (Continued)****Other Contingencies**

We are subject to potential liability under various other exposures including tax, nonrecourse loans, self-insurance, and other miscellaneous contingencies. We establish reserves for these contingencies when the loss becomes probable and the amount can be reasonably estimated. The actual costs of resolving these items may be substantially higher or lower than the amounts reserved for any one item. Based on information currently available, it is the opinion of management that the eventual outcome of these items will not have a material adverse impact on our results of operations, financial position, or cash flows.

**30. Quarterly Financial Statements (unaudited)**

<i>(\$ in millions)</i>	First quarter	Second quarter	Third quarter	Fourth quarter
<b>2013</b>				
Net financing revenue	\$ 640	\$ 628	\$ 737	\$ 774
Other revenue	386	402	371	325
Total net revenue	1,026	1,030	1,108	1,099
Provision for loan losses	131	89	141	140
Total noninterest expense	958	801	762	884
(Loss) income from continuing operations before income tax (benefit) expense	(63)	140	205	75
Income tax (benefit) expense from continuing operations	(123)	40	28	(4)
<b>Net income from continuing operations</b>	<b>60</b>	<b>100</b>	<b>177</b>	<b>79</b>
<b>Income (loss) from discontinued operations, net of tax</b>	<b>1,033</b>	<b>(1,027)</b>	<b>(86)</b>	<b>25</b>
<b>Net income (loss)</b>	<b>\$ 1,093</b>	<b>\$ (927)</b>	<b>\$ 91</b>	<b>\$ 104</b>
<b>Basic earnings per common share</b>				
Net loss from continuing operations	\$ (105)	\$ (75)	\$ (18)	\$ (270)
Net income (loss)	671	(847)	(82)	(251)
<b>Diluted earnings per common share</b>				
Net loss from continuing operations	\$ (105)	\$ (75)	\$ (18)	\$ (270)
Net income (loss)	671	(847)	(82)	(251)
<b>2012</b>				
Net financing revenue	\$ 351	\$ 457	\$ 472	\$ 611
Other revenue	605	714	775	480
Total net revenue	956	1,171	1,247	1,091
Provision for loan losses	98	33	105	93
Total noninterest expense	855	971	845	951
Income from continuing operations before income tax expense (benefit)	3	167	297	47
Income tax expense (benefit) from continuing operations	1	(16)	46	(887)
<b>Net income from continuing operations</b>	<b>2</b>	<b>183</b>	<b>251</b>	<b>934</b>

Edgar Filing: Ally Financial Inc. - Form S-1/A

<b>Income (loss) from discontinued operations, net of tax</b>	308	(1,081)	133	466
<b>Net income (loss)</b>	\$ 310	\$ (898)	\$ 384	\$ 1,400
<b>Basic earnings per common share</b>				
Net (loss) income from continuing operations	\$ (149)	\$ (13)	\$ 38	\$ 551
Net income (loss)	82	(825)	137	901
<b>Diluted earnings per common share</b>				
Net (loss) income from continuing operations	\$ (149)	\$ (13)	\$ 38	\$ 455
Net income (loss)	82	(825)	137	700

F-112

**Table of Contents**

**ALLY FINANCIAL INC.**

**Notes to Consolidated Financial Statements (Continued)**

**31. Subsequent Events**

**U.S. Department of the Treasury Sale of Ally Common Stock**

On January 23, 2014, Treasury sold 410,000 shares of Ally Financial Inc. common stock in a private offering. Treasury obtained gross proceeds of \$3.0 billion from the common stock offering. At the conclusion of this sale, Treasury held approximately 37 percent of Ally's common stock.

**Notes Offering**

On January 22, 2014, we completed a securities offering of \$750 million in aggregate principal amount of 3.5% Ally senior guaranteed notes with a January 2019 maturity date.

**Declaration of Quarterly Dividend Payments**

On January 2, 2014, the Ally Board of Directors declared quarterly dividend payments on certain outstanding preferred stock. This included a cash dividend of \$18.08 per share, or a total of \$47 million, on Fixed Rate Cumulative Perpetual Preferred Stock, Series G; and a cash dividend of \$0.53 per share, or a total of \$22 million, on Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A. The dividends were paid on February 18, 2014.

**Table of Contents**

**Table of Contents**

**Shares**

**Common Stock**

**Preliminary Prospectus**

**, 2014**

**Table of Contents****PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 13. Other Expenses of Issuance and Distribution.**

	<b>Amount To Be Paid</b>
SEC registration fee	\$ *
FINRA filing fee	*
NYSE listing fee	*
Transfer agent's fees	*
Trustee's fees	*
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Blue Sky fees and expenses	*
Miscellaneous	*
<b>Total</b>	<b>\$ *</b>

\* To be completed by amendment

**Item 14. Indemnification of Directors and Officers.**

Section 145 of the Delaware General Corporation Law provides that a corporation may indemnify directors and officers as well as other employees and individuals against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any threatened, pending or completed actions, suits or proceedings in which such person is made a party by reason of such person being or having been a director, officer, employee or agent to the Registrant. The Delaware General Corporation Law provides that Section 145 is not exclusive of other rights to which those seeking indemnification may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise. The Registrant's Certificate of Incorporation provides for indemnification by the Registrant of its directors, officers and employees to the fullest extent permitted by the Delaware General Corporation Law.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to provide in its certificate of incorporation that a director of the corporation shall not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) for unlawful payments of dividends or unlawful stock repurchases, redemptions or other distributions, or (iv) for any transaction from which the director derived an improper personal benefit.

The Registrant maintains standard policies of insurance under which coverage is provided (a) to its directors and officers against loss arising from claims made by reason of breach of duty or other wrongful act, and (b) to the Registrant with respect to payments which may be made by the Registrant to such officers and directors pursuant to the above indemnification provision or otherwise as a matter of law.

The proposed form of Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification of directors and officers of the Registrant by the underwriters against certain liabilities.

**Table of Contents**

**Item 15. Recent Sales of Unregistered Securities.**

Since March 1, 2011, the Registrant has sold the following securities without registration under the Securities Act of 1933, as amended (the Securities Act ):

*Private Placement of Common Stock*

On November 20, 2013, Ally sold in a private placement an aggregate of 216,667 shares of Ally's common stock at an aggregate purchase price of \$1.3 billion to certain accredited investors within the meaning of Rule 501 of Regulation D promulgated under the Securities Act. The issuance of common stock in the private placement was exempt from registration pursuant to Section 4(2) of the Securities Act.

**Item 16. Exhibits, and Financial Statement Schedules.**

(a) The following exhibits are filed as part of this Registration Statement:

<b>Exhibit Number</b>	<b>Description</b>
1.1	Form of Common Stock Underwriting Agreement**
3.1	Amended and Restated Certificate of Incorporation**
3.2	Amended and Restated By-Laws**
4.1	Form of Common Stock Certificate***
5	Opinion of Davis Polk & Wardwell LLP***
10	Letter Agreement, dated as of May 21, 2009, between GMAC Inc. and the United States Department of the Treasury (which includes the Securities Purchase Agreement Standard Terms attached thereto, with respect to the issuance and sale of the Convertible Preferred Membership Interests and the Warrant) (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 22, 2009 (File No. 1-3754), incorporated herein by reference.)
10.1	Securities Purchase and Exchange Agreement, dated as of December 30, 2009, between GMAC Inc., GMAC Capital Trust I, and the United States Department of the Treasury* (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of December 30, 2009, (File No. 1-3754), incorporated herein by reference.)
10.2	Master Transaction Agreement, dated May 21, 2009, between GMAC Inc., Chrysler LLC, U.S. Dealer Automotive Receivables Transition LLC and the United States Department of the Treasury (Filed as Exhibit 10.3 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.3	Amended and Restated United States Consumer Financing Services Agreement, dated May 22, 2009, between GMAC Inc. and General Motors Corporation* (Filed as Exhibit 10.4 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.)
10.4	Amended and Restated Master Services Agreement, dated May 22, 2009, between GMAC Inc. and General Motors Corporation* (Filed as Exhibit 10.5 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.)
10.5	Auto Finance Operating Agreement, entered into on August 6, 2010, between Ally Financial Inc. and Chrysler Group LLC* (Filed as Exhibit 10.1 to the Company's Quarterly Report for the period ended September 30, 2010, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)



**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
10.6	Intellectual Property License Agreement, dated November 30, 2006, by and between General Motors Corporation and GMAC LLC (Filed as Exhibit 10.1 to the Company's Quarterly Report for the period ended March 31, 2007, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.7	Capital and Liquidity Maintenance Agreement, entered into on October 29, 2010, between Ally Financial Inc., IB Finance Holding Company, LLC, Ally Bank and the Federal Deposit Insurance Corporation (Filed as Exhibit 10.2 to the Company's Quarterly Report for the period ended September 30, 2010, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.8	Settlement agreement, dated December 23, 2010, by and between GMAC Mortgage, LLC, Residential Capital, LLC, Residential Funding Securities, LLC, Residential Asset Mortgage Products, Inc., Residential Funding Company LLC, Residential Funding Mortgage Securities I, Inc., Residential Accredited Loans, Inc., Homecomings Financial LLC, and the Federal National Mortgage Association* (Filed as Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2010, on Form 10-K/A (File No. 1-3754), incorporated herein by reference.)
10.9	Ally Financial Inc. Long-Term Equity Compensation Incentive Plan, as amended (Filed as Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference)
10.10	Ally Financial Inc. Severance Plan, Plan Document and Summary Plan Description, as amended (Filed as Exhibit 10.11 to the Company's Annual Report for the period ended December 31, 2012, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.11	Form of Award Agreement related to the issuance of Deferred Stock Units (Filed as Exhibit 10.11 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.12	Form of Award Agreement related to the issuance of Restricted Stock Units (Filed as Exhibit 10.12 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.13	Deferred Stock Unit Award Agreement for Michael A. Carpenter, dated May 10, 2013 (Filed as Exhibit 10.13 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.14	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for Michael A. Carpenter, dated December 18, 2013 (Filed as Exhibit 10.14 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.15	Deferred Stock Unit Award Agreement for Jeffrey J. Brown, dated May 10, 2013 (Filed as Exhibit 10.15 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.16	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for Jeffrey J. Brown, dated December 18, 2013 (Filed as Exhibit 10.16 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.17	Deferred Stock Unit Award Agreement for Barbara A. Yastine, dated May 10, 2013 (Filed as Exhibit 10.17 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.18	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for Barbara A. Yastine, dated December 18, 2013 (Filed as Exhibit 10.18 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
10.19	Deferred Stock Unit Award Agreement for William F. Muir, dated May 10, 2013 (Filed as Exhibit 10.19 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.20	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for William F. Muir, dated December 18, 2013 (Filed as Exhibit 10.20 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.21	Deferred Stock Unit Award Agreement for James G. Mackey, dated May 10, 2013 (Filed as Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.22	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for William Solomon, dated December 18, 2013 (Filed as Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.23	Partial Release of Liability Agreement, dated March 17, 2010, by and among Federal Home Loan Mortgage Corporation, GMAC Mortgage, LLC and Residential Funding Company, LLC***
10.24	Purchase and Sale Agreement, by and between Ally Financial Inc. and Royal Bank of Canada, dated October 23, 2012 (Filed as Exhibit 10.20 to the Company's Annual Report for the period ended December 31, 2012, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.25	Amended and Restated Purchase and Sale Agreement, by and among Ally Financial Inc., General Motors Financial Company, Inc., and General Motors Company, dated November 21, 2012, as amended and restated as of February 22, 2013 (Filed as Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 2012, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.26	Share Transfer Agreement, by and between Ally Financial Inc. and General Motors Financial Company, Inc., dated November 21, 2012 (Filed as Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 2012, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.27	Consent Judgment, dated March 12, 2012 (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 12, 2012 (File No. 1-3754), incorporated herein by reference.)
10.28	Plan Support Agreement, dated May 13, 2013 (Filed as Exhibit 10.1 to the Company's Quarterly Report for the quarter ended June 30, 2013, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.29	Form of Investment Agreement, Dated August 19, 2013, between Ally Financial Inc. and Certain Accredited Investors (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of August 19, 2013, (File No. 1-3754), incorporated herein by reference.)
10.30	Agreement in Respect of Securities Repurchase and Share Adjustment Provisions, dated August 19, 2013, by and between United States Department of the Treasury and Ally Financial Inc. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of August 19, 2013, (File No. 1-3754), incorporated herein by reference.)
10.31	Relinquishment Agreements, each dated August 19, 2013, among Ally Financial Inc. and each of FIM Holdings LLC and United States Department of The Treasury (Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated as of August 19, 2013, (File No. 1-3754), incorporated herein by reference.)

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
10.32	Stockholders Agreement, dated August 19, 2013, among Ally Financial Inc., FIM Holdings LLC and United States Department of the Treasury (Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K dated August 19, 2013, (File No. 1-3754), incorporated herein by reference.)
10.33	Form of Investment No. 1 to Investment Agreement (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of November 15, 2013 (File No. 1-3754) incorporated herein by reference.)
10.34	Tax Asset Protection Plan dated as of January 10, 2014 between Ally Financial Inc. and Computershare Trust Company, N.A., as Rights Agent (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of January 13, 2014 (File No. 1-3754) incorporated herein by reference.)
10.35	Consent Order, dated December 23, 2013 (Department of Justice) (Filed as Exhibit 10.34 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.36	Consent Order, dated December 19, 2013 (Consumer Financial Protection Bureau) (Filed as Exhibit 10.35 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.37	Stipulation and Consent to the Issuance of a Consent Order, dated December 19, 2013 (Consumer Financial Protection Bureau) (Filed as Exhibit 10.36 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.38	Form of Ally Financial Inc. 2014 Executive Performance Plan**
10.39	Form of Ally Financial Inc. 2014 Incentive Compensation Plan**
10.40	Form of Ally Financial Inc. Employee Stock Purchase Plan**
10.41	Form of Ally Financial Inc. 2014 Non-Employee Directors Equity Compensation Plan**
10.42	Voting Agreement, dated as of _____, 2014, between Ally Financial Inc. and United States Department of the Treasury**
21	Subsidiaries of the Registrant (Filed as Exhibit 21 to the Company's Annual Report for the period ended December 31, 2013, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Davis Polk & Wardwell LLP (included in Exhibit 5)
24.1	Power of Attorney***

\* Certain confidential portions have been omitted pursuant to a confidential treatment request which has been separately filed with the Securities and Exchange Commission.

\*\* To be filed by amendment.

\*\*\* Filed previously.

(b) The financial statement schedules are incorporated into the Registrant's Consolidated Financial Statements or notes thereto.

**Table of Contents**

**Item 17. Undertakings**

The undersigned hereby undertakes:

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions referenced in Item 14 of this Registration Statement, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**Table of Contents**

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this Amendment No. 10 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Detroit, State of Michigan, on the 3rd day of March, 2014.

ALLY FINANCIAL INC.

By: \*  
 Name: Michael A. Carpenter  
 Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 10 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	Chief Executive Officer and Director	March 3, 2014
Name: Michael A. Carpenter	(Principal Executive Officer)	
*	Senior Executive Vice President of Finance and Corporate Planning	March 3, 2014
Name: Jeffrey J. Brown	(Principal Financial Officer)	
/s/ DAVID J. DEBRUNNER	Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	March 3, 2014
Name: David J. DeBrunner		
*	Director	March 3, 2014
Name: Robert T. Blakely		
*	Director	March 3, 2014
Name: Mayree C. Clark		
*	Director	March 3, 2014
Name: Stephen A. Feinberg		
*	Director	March 3, 2014
Name: Kim S. Fennebresque		
*	Director	March 3, 2014
Name: Gerald Greenwald		
*	Director	March 3, 2014

Edgar Filing: Ally Financial Inc. - Form S-1/A

Name: Franklin W. Hobbs

\*

Director

March 3, 2014

Name: Brian P. MacDonald

II-7

**Table of Contents**

*	Director	March 3, 2014
Name: Marjorie Magner		
*	Director	March 3, 2014
Name: Henry S. Miller		
*	Director	March 3, 2014
Name: Mathew Pendo		
*By: /s/ DAVID J. DEBRUNNER	Attorney-in-Fact	March 3, 2014
Name: David J. DeBrunner		

**Table of Contents****EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
1.1	Form of Common Stock Underwriting Agreement**
3.1	Amended and Restated Certificate of Incorporation**
3.2	Amended and Restated By-Laws**
4.1	Form of Common Stock Certificate***
5	Opinion of Davis Polk & Wardwell LLP***
10	Letter Agreement, dated as of May 21, 2009, between GMAC Inc. and the United States Department of the Treasury (which includes the Securities Purchase Agreement Standard Terms attached thereto, with respect to the issuance and sale of the Convertible Preferred Membership Interests and the Warrant) (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of May 22, 2009 (File No. 1-3754), incorporated herein by reference.)
10.1	Securities Purchase and Exchange Agreement, dated as of December 30, 2009, between GMAC Inc., GMAC Capital Trust I, and the United States Department of the Treasury* (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of December 30, 2009, (File No. 1-3754), incorporated herein by reference.)
10.2	Master Transaction Agreement, dated May 21, 2009, between GMAC Inc., Chrysler LLC, U.S. Dealer Automotive Receivables Transition LLC and the United States Department of the Treasury (Filed as Exhibit 10.3 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.3	Amended and Restated United States Consumer Financing Services Agreement, dated May 22, 2009, between GMAC Inc. and General Motors Corporation* (Filed as Exhibit 10.4 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.)
10.4	Amended and Restated Master Services Agreement, dated May 22, 2009, between GMAC Inc. and General Motors Corporation* (Filed as Exhibit 10.5 to the Company's Quarterly Report for the period ended June 30, 2009, on Form 10-Q/A (File No. 1-3754), incorporated herein by reference.)
10.5	Auto Finance Operating Agreement, entered into on August 6, 2010, between Ally Financial Inc. and Chrysler Group LLC* (Filed as Exhibit 10.1 to the Company's Quarterly Report for the period ended September 30, 2010, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.6	Intellectual Property License Agreement, dated November 30, 2006, by and between General Motors Corporation and GMAC LLC (Filed as Exhibit 10.1 to the Company's Quarterly Report for the period ended March 31, 2007, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.7	Capital and Liquidity Maintenance Agreement, entered into on October 29, 2010, between Ally Financial Inc., IB Finance Holding Company, LLC, Ally Bank and the Federal Deposit Insurance Corporation (Filed as Exhibit 10.2 to the Company's Quarterly Report for the period ended September 30, 2010, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.8	Settlement agreement, dated December 23, 2010, by and between GMAC Mortgage, LLC, Residential Capital, LLC, Residential Funding Securities, LLC, Residential Asset Mortgage Products, Inc., Residential Funding Company LLC, Residential Funding Mortgage Securities I, Inc., Residential Accredited Loans, Inc., Homecomings Financial LLC, and the Federal National Mortgage Association* (Filed as Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2010, on Form 10-K/A (File No. 1-3754), incorporated herein by reference.)



**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
10.9	Ally Financial Inc. Long-Term Equity Compensation Incentive Plan, as amended (Filed as Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference)
10.10	Ally Financial Inc. Severance Plan, Plan Document and Summary Plan Description, as amended (Filed as Exhibit 10.11 to the Company's Annual Report for the period ended December 31, 2012, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.11	Form of Award Agreement related to the issuance of Deferred Stock Units (Filed as Exhibit 10.11 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.12	Form of Award Agreement related to the issuance of Restricted Stock Units (Filed as Exhibit 10.12 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.13	Deferred Stock Unit Award Agreement for Michael A. Carpenter, dated May 10, 2013 (Filed as Exhibit 10.13 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.14	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for Michael A. Carpenter, dated December 18, 2013 (Filed as Exhibit 10.14 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.15	Deferred Stock Unit Award Agreement for Jeffrey J. Brown, dated May 10, 2013 (Filed as Exhibit 10.15 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.16	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for Jeffrey J. Brown, dated December 18, 2013 (Filed as Exhibit 10.16 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.17	Deferred Stock Unit Award Agreement for Barbara A. Yastine, dated May 10, 2013 (Filed as Exhibit 10.17 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.18	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for Barbara A. Yastine, dated December 18, 2013 (Filed as Exhibit 10.18 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.19	Deferred Stock Unit Award Agreement for William F. Muir, dated May 10, 2013 (Filed as Exhibit 10.19 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.20	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for William F. Muir, dated December 18, 2013 (Filed as Exhibit 10.20 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.21	Deferred Stock Unit Award Agreement for James G. Mackey, dated May 10, 2013 (Filed as Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.22	Award Agreement under the Ally Long-Term Equity Compensation Incentive Plan for William Solomon, dated December 18, 2013 (Filed as Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
10.23	Partial Release of Liability Agreement, dated March 17, 2010, by and among Federal Home Loan Mortgage Corporation, GMAC Mortgage, LLC and Residential Funding Company, LLC***
10.24	Purchase and Sale Agreement, by and between Ally Financial Inc. and Royal Bank of Canada, dated October 23, 2012. (Filed as Exhibit 10.20 to the Company's Annual Report for the period ended December 31, 2012, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.25	Amended and Restated Purchase and Sale Agreement, by and among Ally Financial Inc., General Motors Financial Company, Inc., and General Motors Company, dated November 21, 2012, as amended and restated as of February 22, 2013 (Filed as Exhibit 10.21 to the Company's Annual Report for the period ended December 31, 2012, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.26	Share Transfer Agreement, by and between Ally Financial Inc. and General Motors Financial Company, Inc., dated November 21, 2012 (Filed as Exhibit 10.22 to the Company's Annual Report for the period ended December 31, 2012, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.27	Consent Judgment, dated March 12, 2012 (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of March 12, 2012 (File No. 1-3754), incorporated herein by reference.)
10.28	Plan Support Agreement, dated May 13, 2013 (Filed as Exhibit 10.1 to the Company's Quarterly Report for the quarter ended June 30, 2013, on Form 10-Q (File No. 1-3754), incorporated herein by reference.)
10.29	Form of Investment Agreement, Dated August 19, 2013, between Ally Financial Inc. and Certain Accredited Investors (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of August 19, 2013, (File No. 1-3754), incorporated herein by reference.)
10.30	Agreement in Respect of Securities Repurchase and Share Adjustment Provisions, dated August 19, 2013, by and between United States Department of the Treasury and Ally Financial Inc. (Filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated as of August 19, 2013, (File No. 1-3754), incorporated herein by reference.)
10.31	Relinquishment Agreement, each dated August 19, 2013, among Ally Financial Inc. and each of FIM Holdings LLC and United States Department of The Treasury (Filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated as of August 19, 2013, (File No. 1-3754), incorporated herein by reference.)
10.32	Stockholders Agreement, dated August 19, 2013, among Ally Financial Inc., FIM Holdings LLC and United States Department of the Treasury (Filed as Exhibit 10.4 to the Company's Current Report on Form 8-K dated August 19, 2013, (File No. 1-3754), incorporated herein by reference.)
10.33	Form of Investment No. 1 to Investment Agreement (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of November 15, 2013 (File No. 1-3754) incorporated herein by reference.)
10.34	Tax Asset Protection Plan dated as of January 10, 2014 between Ally Financial Inc. and Computershare Trust Company, N.A., as Rights Agent (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of January 13, 2014 (File No. 1-3754) incorporated herein by reference.)
10.35	Consent Order, dated December 23, 2013 (Department of Justice) (Filed as Exhibit 10.34 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)

**Table of Contents**

<b>Exhibit Number</b>	<b>Description</b>
10.36	Consent Order, dated December 19, 2013 (Consumer Financial Protection Bureau) (Filed as Exhibit 10.35 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.37	Stipulation and Consent to the Issuance of a Consent Order, dated December 19, 2013 (Consumer Financial Protection Bureau) (Filed as Exhibit 10.36 to the Company's Annual Report for the period ended December 31, 2013 on Form 10-K (File No. 1-3754), incorporated herein by reference.)
10.38	Form of Ally Financial Inc. 2014 Executive Performance Plan**
10.39	Form of Ally Financial Inc. 2014 Incentive Compensation Plan**
10.40	Form of Ally Financial Inc. Employee Stock Purchase Plan**
10.41	Form of Ally Financial Inc. 2014 Non-Employee Directors Equity Compensation Plan**
10.42	Voting Agreement, dated as of _____, 2014, between Ally Financial Inc. and United States Department of the Treasury**
21	Subsidiaries of the Registrant (Filed as Exhibit 21 to the Company's Annual Report for the period ended December 31, 2013, on Form 10-K (File No. 1-3754), incorporated herein by reference.)
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Davis Polk & Wardwell LLP (included in Exhibit 5)
24.1	Power of Attorney***

\* Certain confidential portions have been omitted pursuant to a confidential treatment request which has been separately filed with the Securities and Exchange Commission.

\*\* To be filed by amendment.

\*\*\* Filed previously.