Ally Financial Inc.
Form 10-Q
May 01, 2014
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended March 31, 2014, or

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

For the transition period from to

Commission file number: 1-3754

ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

At April 30, 2014, the number of shares outstanding of the Registrant’s common stock was 479,767,540 shares.

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 PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

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($ in millions)	Three months ended March 31, 2014	2013
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	$1,107	$1,135
Interest on loans held-for-sale	—	16
Interest and dividends on available-for-sale investment securities	95	68
Interest-bearing cash	3	3
Operating leases	870	734
Total financing revenue and other interest income	2,075	1,956
Interest expense		
Interest on deposits	163	164
Interest on short-term borrowings	15	16
Interest on long-term debt	534	701
Total interest expense	712	881
Depreciation expense on operating lease assets	542	435
Net financing revenue	821	640
Other revenue		
Servicing fees	9	82
Servicing asset valuation and hedge activities, net	—	(201)
Total servicing income (loss), net	9	(119)
Insurance premiums and service revenue earned	241	259
Gain on mortgage and automotive loans, net	—	38
Loss on extinguishment of debt	(39)	—
Other gain on investments, net	43	51
Other income, net of losses	67	157
Total other revenue	321	386
Total net revenue	1,142	1,026
Provision for loan losses	137	131
Noninterest expense		
Compensation and benefits expense	254	285
Insurance losses and loss adjustment expenses	68	115
Other operating expenses	391	558
Total noninterest expense	713	958
Income (loss) from continuing operations before income tax expense (benefit)	292	(63)
Income tax expense (benefit) from continuing operations	94	(123)
Net income from continuing operations	198	60
Income from discontinued operations, net of tax	29	1,033
Net income	227	1,093
Other comprehensive income (loss), net of tax	92	(317)
Comprehensive income	$319	$776

Statement continues on the next page.

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)
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($ in millions, except per share data)	Three months ended March 31, 2014	2013
Net income attributable to common shareholders		
Net income from continuing operations	$198	$60
Preferred stock dividends — U.S. Department of the Treasury	—	(133)
Preferred stock dividends	(68)	(67)
Net income (loss) from continuing operations attributable to common shareholders	130	(140)
Income from discontinued operations, net of tax	29	1,033
Net income attributable to common shareholders	$159	$893
Basic weighted-average common shares outstanding	479,767,540	412,600,700
Diluted weighted-average common shares outstanding (a)	479,767,540	412,600,700
Basic earnings per common share		
Net income (loss) from continuing operations	$0.27	$(0.34)
Income from discontinued operations, net of tax	0.06	2.50
Net income	$0.33	$2.16
Diluted earnings per common share (a)		
Net income (loss) from continuing operations	$0.27	$(0.34)
Income from discontinued operations, net of tax	0.06	2.50
Net income	$0.33	$2.16

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

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

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Condensed Consolidated Balance Sheet (unaudited)
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($ in millions, except share data)	March 31, 2014	December 31, 2013
Assets		
Cash and cash equivalents		
Noninterest-bearing	$1,342	$1,315
Interest-bearing	4,551	4,216
Total cash and cash equivalents	5,893	5,531
Investment securities	16,327	17,083
Loans held-for-sale, net ($3 and $16 fair value-elected)	43	35
Finance receivables and loans, net		
Finance receivables and loans, net ($12 and $1 fair value-elected)	99,624	100,328
Allowance for loan losses	(1,192)	(1,208)
Total finance receivables and loans, net	98,432	99,120
Investment in operating leases, net	18,187	17,680
Premiums receivable and other insurance assets	1,639	1,613
Other assets	7,390	9,589
Assets of operations held-for-sale	541	516
Total assets	$148,452	$151,167
Liabilities		
Deposit liabilities		
Noninterest-bearing	$71	$60
Interest-bearing	55,296	53,290
Total deposit liabilities	55,367	53,350
Short-term borrowings	5,163	8,545
Long-term debt	68,295	69,465
Interest payable	893	888
Unearned insurance premiums and service revenue	2,312	2,314
Accrued expenses and other liabilities	1,963	2,397
Total liabilities	133,993	136,959
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 479,811,490; issued and outstanding 479,767,540)	20,939	20,939
Preferred stock	1,255	1,255
Accumulated deficit	(7,551)	(7,710)
Accumulated other comprehensive loss	(184)	(276)
Total equity	14,459	14,208
Total liabilities and equity	$148,452	$151,167

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

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

($ in millions)	March 31, 2014	December 31, 2013
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net	$31,849	$32,265
Allowance for loan losses	(192)	(174)
Total finance receivables and loans, net	31,657	32,091
Investment in operating leases, net	7,036	4,620
Other assets	1,857	3,436
Total assets	$40,550	$40,147
Liabilities		
Short-term borrowings	$250	$250
Long-term debt	25,160	24,147
Accrued expenses and other liabilities	39	43
Total liabilities	$25,449	$24,440

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

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Condensed Consolidated Statement of Changes in Equity (unaudited)
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($ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of the Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2013	$19,668	$5,685	$1,255	$(7,021)	$311	$19,898
Net income				1,093		1,093
Preferred stock dividends — U.S. Department of the Treasury				(133)		(133)
Preferred stock dividends				(67)		(67)
Other comprehensive loss, net of tax					(317)	(317)
Balance at March 31, 2013	$19,668	$5,685	$1,255	$(6,128)	$(6)	$20,474
Balance at January 1, 2014	$20,939	$—	$1,255	$(7,710)	$(276)	$14,208
Net income				227		227
Preferred stock dividends				(68)		(68)
Other comprehensive income, net of tax					92	92
Balance at March 31, 2014	$20,939	$—	$1,255	$(7,551)	$(184)	$14,459

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Three months ended March 31, ($ in millions)	2014	2013
Operating activities		
Net income	$227	$1,093
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	738	657
Changes in fair value of mortgage servicing rights	—	90
Provision for loan losses	137	158
Gain on sale of loans, net	—	(38)
Net gain on investment securities	(43)	(53)
Loss on extinguishment of debt	39	—
Originations and purchases of loans held-for-sale	—	(5,759)
Proceeds from sales and repayments of loans held-for-sale	13	7,481
Impairment and settlement related to Residential Capital, LLC	(26)	—
Gain on sale of subsidiaries, net	—	(888)
Net change in		
Deferred income taxes	68	(116)
Interest payable	5	44
Other assets	191	1,329
Other liabilities	(368)	(1,259)
Other, net	(49)	(485)
Net cash provided by operating activities	932	2,254
Investing activities		
Purchases of available-for-sale securities	(907)	(4,626)
Proceeds from sales of available-for-sale securities	1,354	1,543
Proceeds from maturities and repayment of available-for-sale securities	592	1,604
Net decrease (increase) in finance receivables and loans	492	(42)
Purchases of operating lease assets	(2,360)	(2,352)
Disposals of operating lease assets	1,285	641
Proceeds from sale of business units, net (a)	—	2,829
Net change in restricted cash	1,580	1,067
Other, net	111	41
Net cash provided by investing activities	2,147	705

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Three months ended March 31, ($ in millions)	2014	2013
Financing activities		
Net change in short-term borrowings	(3,384)	518
Net increase in deposits	2,017	2,360
Proceeds from issuance of long-term debt	9,402	4,253
Repayments of long-term debt	(10,683)	(11,445)
Dividends paid	(68)	(200)
Net cash used in financing activities	(2,716)	(4,514)
Effect of exchange-rate changes on cash and cash equivalents	(1)	67
Net increase (decrease) in cash and cash equivalents	362	(1,488)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	—	1,412
Cash and cash equivalents at beginning of year	5,531	7,513
Cash and cash equivalents at March 31,	$5,893	$7,437
Supplemental disclosures		
Cash paid for		
Interest	$664	$1,026
Income taxes	(6)	37
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	7	10

(a) The amount at March 31, 2013, is net of cash and cash equivalents of $905 million of business units at the time of disposition.

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

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

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

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

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

The Condensed Consolidated Financial Statements at March 31, 2014, and for the three months ended March 31, 2014, and 2013, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2013, as filed on March 3, 2014, with the U.S. Securities and Exchange Commission (SEC).

Initial Public Offering of Common Stock, Stock Split, and Changes in Number of Shares Authorized

In April 2014, we completed an initial public offering (IPO) of 95 million shares of common stock at $25 per share. Proceeds from the offering amounted to $2.4 billion, which were obtained by the U.S. Department of the Treasury (Treasury) as the single selling stockholder. In connection with the IPO, we effected a 310-for-one stock split on shares of our common stock, $0.01 par value per share. Accordingly, all references in the Condensed Consolidated Financial Statements to share and per share amounts relating to common stock have been adjusted, on a retroactive basis, to recognize the 310-for-one stock split. In addition, on April 9, 2014, we increased the number of shares authorized for issuance of common stock to 1.1 billion and decreased the number of shares authorized for issuance of Series A Preferred Stock to approximately 41 million. The changes in the number of shares authorized will be reflected in the Condensed Consolidated Financial Statements in future reporting periods.

Significant Accounting Policies

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification (ASC) 740, Income Taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. This method differs from that described in Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K, which describes our annual significant income tax accounting policy and related methodology.

Recently Adopted 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)

As of January 1, 2014, we adopted ASU 2013-04. The guidance within the 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. The amendments were effective retrospectively for all arrangements within its scope. It further requires an entity to disclose the nature and amount of the obligation as well as other

information about those obligations. The adoption of this guidance did not 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)

As of January 1, 2014, we adopted ASU 2013-05. The guidance within the ASU closes diversity in practice in this area and 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 further clarifies that the sale of an investment in a foreign entity includes both events that result in the loss of a controlling financial interest in a foreign entity, irrespective of any retained investment, and events that result in step acquisition under which an acquirer obtains control of an acquiree in which it held an equity interest immediately before the acquisition date. Under these circumstances, the CTA should be released into net income upon their occurrence. The amendments are to be applied prospectively for all transactions within its scope. Since the guidance is

prospective and we have previously sold or exited substantially all of our international businesses and released the related CTA upon those dispositions, the implementation will not 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)

As of January 1, 2014, we adopted ASU 2013-11. The guidance within the ASU closes diversity in practice and 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 unrecognized tax benefit 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 to be applied prospectively to all unrecognized tax benefits that exist at the effective date. The adoption of this guidance did not 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)

As of January 1, 2014, we adopted 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 to be applied retrospectively to all periods presented. We have elected to utilize the proportional amortization method for qualifying affordable housing investments and therefore will be presenting the amortization and tax impacts of such investments as a component income tax expense under the proportional amortization method. The adoption of this guidance did not have a material effect to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

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 has occurred 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, 2015. 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 Condensed Consolidated Statement of Comprehensive Income. The Notes to the Condensed Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

Select Mortgage Operations

During the first quarter of 2013, the operations of ResCap were classified as discontinued.

Select Insurance Operations

During the second quarter of 2013, we sold our Mexican insurance business, ABA Seguros. During the first quarter of 2013, we completed the sale of our U.K.-based operations.

Select Automotive Finance Operations

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

2013, we completed the sale of the remaining Latin American operations in Brazil. We expect to complete the sale of the joint venture in China during 2014. If required regulatory approvals related to this sale are not received by July 1, 2014, subject to certain limited exceptions, and if this date is not extended, either party would have the right to terminate the sale.

During the first quarter of 2013, we sold our Canadian automotive finance operations, Ally Credit Canada Limited and ResMor Trust.

Select Corporate and Other Operations

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

Select Financial Information

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

	Three months ended March 31,	
($ in millions)	2014	2013
Select Mortgage operations		
Total net revenue	$—	$—
Pretax loss including direct costs to transact a sale (a) (b)	(2)	(20)
Tax expense (c)	—	16
Select Insurance operations		
Total net revenue	$—	$148
Pretax income including direct costs to transact a sale (a)	—	28
Tax expense (c)	—	1
Select Automotive Finance operations		
Total net revenue	$33	$286
Pretax income including direct costs to transact a sale (a)	30	1,042
Tax benefit (c)	(1)	(1)
Select Corporate and Other operations		
Total net revenue	$—	$—
Pretax loss	—	(1)
Tax expense	—	—

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.
(b) Includes the results of ResCap.
(c) Includes certain income tax activity recognized by Corporate and Other.

Held-for-sale Operations

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

March 31, 2014 ($ in millions)	Select Automotive Finance operations (a)
Assets	
Other assets	$541
Total assets	$541

December 31, 2013

Assets	
Other assets	$516
Total assets	$516

(a) Includes our joint venture in China that is being sold to GM Financial.

3. Other Income, Net of Losses

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

	Three months ended March 31,	
($ in millions)	2014	2013
Remarketing fees	$28	$20
Late charges and other administrative fees	23	23
Mortgage processing fees and other mortgage income	—	79
Other, net	16	35
Total other income, net of losses	$67	$157

4. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended March 31,	
($ in millions)	2014	2013
Insurance commissions	$90	$92
Technology and communications	85	71
Advertising and marketing	29	35
Lease and loan administration	28	81
Professional services	28	48
Regulatory and licensing fees	27	33
Premises and equipment depreciation	19	20
Vehicle remarketing and repossession	18	14
Occupancy	11	11
State and local non-income taxes	10	10
Mortgage representation and warranty obligation, net	1	83
Other	45	60
Total other operating expenses	$391	$558

5. Investment Securities

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

	March 31, 2014				December 31, 2013			
	Amortized	Gross unrealized		Fair	Amortized	Gross unrealized		Fair
($ in millions)	cost	gains	losses	value	cost	gains	losses	value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$1,293	$1	$(46)	$1,248	$1,495	$1	$(69)	$1,427
U.S. States and political subdivisions	331	7	—	338	316	—	(1)	315
Foreign government	275	6	(1)	280	287	4	(3)	288
Mortgage-backed residential (a)	10,475	54	(285)	10,244	11,131	49	(398)	10,782
Mortgage-backed commercial	61	1	—	62	39	—	—	39
Asset-backed	2,121	15	(2)	2,134	2,207	15	(3)	2,219
Corporate debt	1,055	30	(2)	1,083	1,052	23	(6)	1,069
Total debt securities	15,611	114	(336)	15,389	16,527	92	(480)	16,139
Equity securities	915	46	(23)	938	898	74	(28)	944
Total available-for-sale securities (b)	$16,526	$160	$(359)	$16,327	$17,425	$166	$(508)	$17,083

(a) Residential mortgage-backed securities include agency-backed bonds totaling $7,647 million and $8,266 million at March 31, 2014, and December 31, 2013, respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $15 million and $15 million at March 31, 2014, and December 31, 2013, respectively.

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

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
March 31, 2014										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$1,248	1.3 %	$9	3.0 %	$573	1.2 %	$666	1.4 %	$—	— %
U.S. States and political subdivisions	338	3.4	42	1.9	10	1.2	103	2.7	183	4.3
Foreign government	280	2.8	29	2.9	90	2.5	160	3.0	1	2.8
Mortgage-backed residential	10,244	2.7	—	—	80	2.1	—	3.4	10,164	2.7
Mortgage-backed commercial	62	1.3	—	—	—	—	—	—	62	1.3
Asset-backed	2,134	2.0	76	2.4	1,456	1.9	432	2.0	170	2.6
Corporate debt	1,083	4.2	27	3.2	533	3.1	454	5.2	69	5.8
Total available-for-sale debt securities	$15,389	2.6	$183	2.5	$2,742	1.9	$1,815	2.6	$10,649	2.7
Amortized cost of available-for-sale debt securities	$15,611		$182		$2,729		$1,828		$10,872	
December 31, 2013										
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	

(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 $2.0 billion and $2.4 billion at March 31, 2014, and December 31, 2013, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

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

	Three months ended March 31,	
($ in millions)	2014	2013
Gross realized gains	$60	$70
Gross realized losses	(7)	(11)
Other-than-temporary impairment	(10)	(8)
Other gain on investments, net	$43	$51

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

($ in millions)	Three months ended March 31, 2014	2013
Taxable interest	$86	$63
Taxable dividends	5	5
Interest and dividends exempt from U.S. federal income tax	4	—
Interest and dividends on available-for-sale securities	$95	$68

Certain available-for-sale securities were sold at a loss in 2014 and 2013 as a result of market conditions within these respective periods (e.g., change in market interest rates or 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 March 31, 2014, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of March 31, 2014, 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 March 31, 2014. Refer to Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	March 31, 2014				December 31, 2013			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$1,227	$(46)	$—	$—	$1,405	$(69)	$—	$—
U.S. States and political subdivisions	24	—	—	—	212	(1)	—	—
Foreign government	40	(1)	—	—	114	(3)	—	—
Mortgage-backed	6,886	(263)	247	(22)	7,503	(388)	100	(10)
Asset-backed	387	(2)	—	—	407	(3)	1	—
Corporate debt	148	(2)	5	—	310	(6)	3	—
Total temporarily impaired debt securities	8,712	(314)	252	(22)	9,951	(470)	104	(10)
Temporarily impaired equity securities	280	(17)	57	(6)	167	(12)	100	(16)
Total temporarily impaired available-for-sale securities	$8,992	$(331)	$309	$(28)	$10,118	$(482)	$204	$(26)

6. Finance Receivables and Loans, Net

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

($ in millions)	March 31, 2014	December 31, 2013
Consumer automobile (a)	$56,775	$56,417
Consumer mortgage (b)(c)	8,138	8,444
Commercial		
Commercial and industrial		
Automobile	30,062	30,948
Other	1,727	1,664
Commercial Real Estate — Automobile	2,922	2,855
Total commercial	34,711	35,467
Total finance receivables and loans (d)	$99,624	$100,328

(a) Includes $12 million and $1 million of fair value adjustment for loans in hedge accounting relationships at March 31, 2014, and December 31, 2013, respectively. Refer to Note 19 for additional information.

(b) Includes interest-only mortgage loans of $1.4 billion and $1.5 billion at March 31, 2014, and December 31, 2013, respectively, the majority of which are expected to start principal amortization in 2015 or beyond.

(c) Includes consumer mortgages at a fair value of $1 million at both March 31, 2014, and 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 $504 million and $595 million at March 31, 2014, and December 31, 2013, respectively.

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

Three months ended March 31, 2014 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2014	$673	$389	$146	$1,208
Charge-offs	(180)	(15)	(1)	(196)
Recoveries	59	3	1	63
Net charge-offs	(121)	(12)	—	(133)
Provision for loan losses	163	(23)	(3)	137
Other	—	(21)	1	(20)
Allowance at March 31, 2014	$715	$333	$144	$1,192
Allowance for loan losses				
Individually evaluated for impairment	$23	$200	$25	$248
Collectively evaluated for impairment	692	133	119	944
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost				
Ending balance	56,775	8,137	34,711	99,623
Individually evaluated for impairment	290	935	173	1,398
Collectively evaluated for impairment	56,480	7,202	34,538	98,220
Loans acquired with deteriorated credit quality	5	—	—	5

Three months ended March 31, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	$575	$452	$143	$1,170
Charge-offs	(142)	(24)	(1)	(167)
Recoveries	49	3	1	53
Net charge-offs	(93)	(21)	—	(114)
Provision for loan losses	107	20	4	131
Other	10	—	—	10
Allowance at March 31, 2013	$599	$451	$147	$1,197
Allowance for loan losses				
Individually evaluated for impairment	$22	$209	$28	$259
Collectively evaluated for impairment	575	242	119	936
Loans acquired with deteriorated credit quality	2	—	—	2
Finance receivables and loans at historical cost				
Ending balance	55,014	9,672	34,437	99,123
Individually evaluated for impairment	270	933	1,397	2,600
Collectively evaluated for impairment	54,722	8,739	33,040	96,501
Loans acquired with deteriorated credit quality	22	—	—	22

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.

	Three months ended March 31,	
($ in millions)	2014	2013
Consumer mortgage	$40	$—
Commercial	—	18
Total sales and transfers	$40	$18

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

($ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
March 31, 2014						
Consumer automobile	$806	$163	$138	$1,107	$55,668	$ 56,775
Consumer mortgage	59	26	115	200	7,937	8,137
Commercial						
Commercial and industrial						
Automobile	—	—	49	49	30,013	30,062
Other	—	—	—	—	1,727	1,727
Commercial real estate — Automobile	—	—	5	5	2,917	2,922
Total commercial	—	—	54	54	34,657	34,711
Total consumer and commercial	$865	$189	$307	$1,361	$98,262	$ 99,623
December 31, 2013						
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
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

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

($ in millions)	March 31, 2014	December 31, 2013
Consumer automobile	$329	$329
Consumer mortgage	208	192
Commercial		
Commercial and industrial		
Automobile	92	116
Other	73	74
Commercial real estate — Automobile	8	14
Total commercial	173	204
Total consumer and commercial finance receivables and loans	$710	$725

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 for loan losses based on historical and current trends. The tables below present the population of loans by quality indicators for our consumer automobile, consumer mortgage, and commercial portfolios.

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K for additional information.

	March 31, 2014			December 31, 2013		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	$56,446	$329	$56,775	$56,088	$329	$56,417
Consumer mortgage	7,929	208	8,137	8,251	192	8,443

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

	March 31, 2014			December 31, 2013		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	$28,475	$1,587	$30,062	$29,194	$1,754	$30,948
Other	1,439	288	1,727	1,388	276	1,664
Commercial real estate — Automobile	2,822	100	2,922	2,770	85	2,855
Total commercial	$32,736	$1,975	$34,711	$33,352	$2,115	$35,467

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

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K.

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

($ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
March 31, 2014					
Consumer automobile	$290	$290	$—	$290	$23
Consumer mortgage	940	935	127	808	200
Commercial					
Commercial and industrial					
Automobile	92	92	57	35	6
Other	73	73	—	73	19
Commercial real estate — Automobile	8	8	7	1	—
Total commercial	173	173	64	109	25
Total consumer and commercial finance receivables and loans	$1,403	$1,398	$191	$1,207	$248
December 31, 2013					
Consumer automobile	$281	$281	$—	$281	$23
Consumer mortgage	924	919	128	791	199
Commercial					
Commercial and industrial					
Automobile	116	116	57	59	7
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

The following table presents average balance and interest income for our impaired finance receivables and loans.

Three months ended March 31, ($ in millions)	2014		2013	
	Average balance	Interest income	Average balance	Interest income
Consumer automobile	$294	$4	$272	$4
Consumer mortgage	928	8	879	8
Commercial				
Commercial and industrial				
Automobile	104	1	157	2
Other	74	—	57	—
Commercial real estate — Automobile	11	—	38	—
Total commercial	189	1	252	2
Total consumer and commercial finance receivables and loans	$1,411	$13	$1,403	$14

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we may offer several types of assistance to aid our customers, including extension of the loan maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were $1.3 billion at both March 31,

2014, and December 31, 2013. Refer to Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K for additional information.

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

	2014			2013		
Three months ended March 31, ($ in millions)	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	5,359	$ 84	$ 71	5,285	$ 79	$ 68
Consumer mortgage	218	49	45	545	169	134
Commercial						
Commercial and industrial						
Automobile	3	23	23	4	25	25
Other	3	48	48	1	33	31
Commercial real estate — Automobile	—	—	—	3	11	11
Total commercial	6	71	71	8	69	67
Total consumer and commercial finance receivables and loans	5,583	$ 204	$ 187	5,838	$ 317	$ 269

The following table presents information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

	2014			2013		
Three months ended March 31, ($ in millions)	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	1,614	$ 20	$ 10	1,333	$ 16	$ 8
Consumer mortgage	2	1	—	10	2	—
Commercial						
Commercial and industrial — Automobile	—	—	—	—	—	—
Commercial real estate — Automobile	—	—	—	—	—	—
Total commercial	—	—	—	—	—	—
Total consumer and commercial finance receivables and loans	1,616	$ 21	$ 10	1,343	$ 18	$ 8

At March 31, 2014, and December 31, 2013, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a TDR were $4 million and $26 million, respectively.

7. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	March 31, 2014	December 31, 2013
Vehicles and other equipment	$21,707	$21,125
Accumulated depreciation	(3,520)	(3,445)
Investment in operating leases, net	$18,187	$17,680

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

	Three months ended March 31,	
($ in millions)	2014	2013
Depreciation expense on operating lease assets (excluding remarketing gains)	$651	$499
Remarketing gains	(109)	(64)
Depreciation expense on operating lease assets	$542	$435

8. 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 at risk 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. We no longer securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs), or through private-label mortgage securitizations. Accordingly, the discussion below represents our current involvement with variable interest entities as of March 31, 2014, except where otherwise stated or where comparative information is presented.

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, and commercial loans to a diverse customer base. We often securitize these loans (also referred to as financial assets) and leases through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates, which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred 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 our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 25 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the three months ended March 31, 2014 or 2013.

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 Condensed Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 21 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 Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

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.

We have involvement with various other nonconsolidated affordable housing entities and venture capital funds. We do not consolidate these entities and our involvement is limited to the capital contributed and committed to these funds.

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

($ in millions)	Consolidated involvement with VIEs (a)		Assets of nonconsolidated VIEs (a)		Maximum exposure to loss in nonconsolidated VIEs	
March 31, 2014						
On-balance sheet variable interest entities						
Consumer automobile	$21,424					
Commercial automobile	18,563					
Commercial other	563					
Off-balance sheet variable interest entities						
Consumer automobile	—		$776		$776	(b)
Commercial other	112	(c)	—	(d)	302	
Total	$40,662		$776		$1,078	
December 31, 2013						
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	
Total	$40,123		$899		$939	

(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 is worthless. This required disclosure is not an indication of our expected loss.

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

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

Cash Flows with Off-balance Sheet Variable Interest Entities

The following table summarizes cash flows received and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the three months ended March 31, 2014 and 2013. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Three months ended March 31, ($ in millions)	Consumer automobile	Consumer mortgage GSEs
2014		
Servicing fees	$2	$—
Representations and warranties obligations	—	1
2013		
Cash proceeds from transfers completed during the period	$—	$7,580
Servicing fees	4	119

Representations and warranties obligations	—	(23)
Other cash flows	—	3

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Delinquencies and Net Credit Losses

The following tables represent on-balance sheet loans held-for-sale and finance receivables and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The tables present quantitative information about delinquencies and net credit losses. Refer to Note 9 for further detail on total serviced assets.

	Total Amount		Amount 60 days or more past due	
($ in millions)	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
On-balance sheet loans				
Consumer automobile	$56,775	$56,417	$301	$412
Consumer mortgage	8,181	8,460	146	164
Commercial automobile	32,984	33,803	54	42
Commercial other	1,727	1,683	—	—
Total on-balance sheet loans	99,667	100,363	501	618
Off-balance sheet securitization entities				
Consumer automobile	776	899	3	3
Total off-balance sheet securitization entities	776	899	3	3
Whole-loan transactions (a)	2,188	2,848	52	69
Total	$102,631	$104,110	$556	$690

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

	Net credit losses Three months ended March 31,	
($ in millions)	2014	2013
On-balance sheet loans		
Consumer automobile	$121	$93
Consumer mortgage	12	21
Commercial automobile	—	1
Commercial other	—	(1)
Total on-balance sheet loans	133	114
Off-balance sheet securitization entities		
Consumer automobile	—	1
Total off-balance sheet securitization entities	—	1
Whole-loan transactions	3	n/m
Total	$136	$115

n/m = not meaningful

9. 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 MSRs market transactions that were directly observable, internally developed discounted cash flow models (an income approach) were used to estimate the fair value. These internal valuation models estimated net cash flows based on internal operating assumptions that we believed would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believed approximate yields required by investors in this asset.

Three months ended March 31, ($ in millions)	2014	2013
Estimated fair value at January 1,	$—	$952
Additions	—	54
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	—	(28)
Other changes in fair value	—	(61)
Estimated fair value at March 31,	$—	$917

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.

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 19 for additional information regarding the derivative financial instruments used to economically hedge MSRs.

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

	Three months ended March 31,	
($ in millions)	2014	2013
Change in estimated fair value of mortgage servicing rights	$—	$(89)
Change in fair value of derivative financial instruments	—	(112)
Servicing asset valuation and hedge activities, net	$—	$(201)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

	Three months ended March 31,	
($ in millions)	2014	2013
Contractual servicing fees, net of guarantee fees and including subservicing	$—	$58
Late fees	—	1
Ancillary fees	—	4
Total mortgage servicing fees	$—	$63

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables

represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of $9 million and $19 million during the three months ended March 31, 2014 and 2013, respectively.

Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

($ in millions)	March 31, 2014	December 31, 2013
On-balance sheet automobile finance loans and leases		
Consumer automobile	$56,775	$56,417
Commercial automobile	32,984	33,803
Operating leases	18,187	17,680
Other	48	54
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	765	887
Whole-loan	2,109	2,748
Total serviced automobile finance loans and leases	$110,868	$111,589

10. Other Assets

The components of other assets were as follows.

($ in millions)	March 31, 2014	December 31, 2013
Property and equipment at cost	$723	$709
Accumulated depreciation	(492)	(474)
Net property and equipment	231	235
Restricted cash collections for securitization trusts (a)	2,129	3,664
Deferred tax assets	1,918	2,040
Cash reserve deposits held-for-securitization trusts (b)	388	402
Other accounts receivable	350	290
Unamortized debt issuance costs	275	312
Fair value of derivative contracts in receivable position (c)	252	362
Nonmarketable equity securities	236	337
Collateral placed with counterparties	220	328
Off-lease vehicles held for sale	203	158
Restricted cash and cash equivalents	175	205
Other assets	1,013	1,256
Total other assets	$7,390	$9,589

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

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

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

11. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	March 31, 2014	December 31, 2013
Noninterest-bearing deposits	$71	$60
Interest-bearing deposits		
Savings and money market checking accounts	23,535	21,210
Certificates of deposit	31,340	31,640
Dealer deposits	421	440
Total deposit liabilities	$55,367	$53,350

At March 31, 2014, and December 31, 2013, certificates of deposit included $13.2 billion and $13.1 billion, respectively, of certificates of deposit in denominations of $100 thousand or more.

12. Short-term Borrowings

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

	March 31, 2014			December 31, 2013		
($ in millions)	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$3,404	$—	$3,404	$3,225	$—	$3,225
Federal Home Loan Bank	—	750	750	—	3,570	3,570
Securities sold under agreements to repurchase (b)	—	759	759	—	1,500	1,500
Other (c)	—	250	250	—	250	250
Total short-term borrowings	$3,404	$1,759	$5,163	$3,225	$5,320	$8,545

(a) Refer to Note 13 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 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 at March 31, 2014 and December 31, 2013.

13. Long-term Debt

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

	March 31, 2014			December 31, 2013		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	$4,365	$11,632	$15,997	$5,321	$11,851	$17,172
Due after one year (a)	19,108	32,731	51,839	21,425	30,423	51,848
Fair value adjustment	459	—	459	445	—	445
Total long-term debt	$23,932	$44,363	$68,295	$27,191	$42,274	$69,465

(a) Includes $2.6 billion and $2.6 billion of trust preferred securities at both March 31, 2014 and December 31, 2013, respectively.

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

Year ended December 31, ($ in millions)	2014	2015	2016	2017	2018	2019 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$2,511	$5,161	$1,934	$4,046	$1,278	$10,091	$459	$25,480
Original issue discount	(144)	(60)	(66)	(78)	(92)	(1,108)	—	(1,548)

Total unsecured	2,367	5,101	1,868	3,968	1,186	8,983	459	23,932
Secured								
Long-term debt	8,033	12,728	10,068	7,593	3,293	2,648	—	44,363
Total long-term debt	$10,400	$17,829	$11,936	$11,561	$4,479	$11,631	$459	$68,295

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

	March 31, 2014		December 31, 2013	
($ in millions)	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities	$771	$771	$2,864	$2,864
Mortgage finance receivables and loans	8,247	8,247	8,524	8,524
Consumer automobile finance receivables	32,847	11,193	32,947	12,332
Commercial automobile finance receivables	21,204	20,418	21,249	21,249
Investment in operating leases, net	8,040	4,249	5,810	3,190
Other assets	563	—	563	—
Total assets restricted as collateral (b)	$71,672	$44,878	$71,957	$48,159
Secured debt (c)	$46,122	$24,351	$47,594	$27,818

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

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling $11.1 billion and $12.7 billion at March 31, 2014, and December 31, 2013, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling $3.0 billion and $3.2 billion at March 31, 2014, and December 31, 2013, respectively. These assets were composed of consumer automobile finance receivables and loans, net and investment in operating leases, net. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes $1.8 billion and $5.3 billion of short-term borrowings at March 31, 2014, and December 31, 2013, respectively.

Funding Facilities

We utilize both committed and other credit facilities. The amounts outstanding under our various funding facilities are included on our Condensed Consolidated Balance Sheet.

As of March 31, 2014, Ally Bank had exclusive access to $3.5 billion of funding capacity from committed credit facilities. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank’s private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At March 31, 2014, $22.4 billion of our $24.5 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2014, we had $15.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

	Outstanding		Unused Capacity (a)		Total Capacity	
($ in millions)	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013	March 31, 2014	December 31, 2013
Bank funding						
Secured	$2,500	$2,750	$1,000	$250	$3,500	$3,000
Parent funding						
Secured (b)	16,392	15,159	4,641	6,497	21,033	21,656
Total committed facilities	$18,892	$17,909	$5,641	$6,747	$24,533	$24,656

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

14. Accrued Expenses and Other Liabilities

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

($ in millions)	March 31, 2014	December 31, 2013
Accounts payable	$391	$414
Employee compensation and benefits	284	437
Reserves for insurance losses and loss adjustment expenses	261	275
Fair value of derivative contracts in payable position (a)	252	317
Deferred revenue	129	122
Collateral received from counterparties	60	159
Other liabilities (b)	586	673
Total accrued expenses and other liabilities	$1,963	$2,397

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

(b) Included $124 million and $150 million accrual for insurance proceeds to be contributed to the ResCap estate at March 31, 2014 and December 31, 2013, respectively. The outstanding accrual at March 31, 2014, was paid in April 2014.

15. Equity

Refer to Note 1 for additional information related to our initial public offering of common stock, stock split, and change in number of shares authorized. The following table summarizes information about our Series A and Series G preferred stock.

	March 31, 2014	December 31, 2013
Preferred stock		
Series A preferred stock (a)		
Carrying value ($ in millions)	$1,021	$1,021
Par value (per share)	0.01	0.01
Liquidation preference (per share)	25	25
Number of shares authorized (b)	160,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5 %	8.5 %
On and after May 15, 2016	Three month LIBOR + 6.243%	Three month LIBOR + 6.243%
Series G preferred stock (c) (d)		
Carrying value ($ in millions)	$234	$234
Par value (per share)	0.01	0.01
Liquidation preference (per share)	1,000	1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	7 %	7 %

(a) Nonredeemable prior to May 15, 2016.

(b) Refer to Note 1 for additional information related to a change in number of shares authorized, which occurred on April 9, 2014.

(c) 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.

(d) Redeemable beginning at December 31, 2011.

16. Accumulated Other Comprehensive Income (Loss)

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

($ in millions)	Unrealized gains (losses) on investment securities	Translation adjustments and net investment hedges	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at December 31, 2012	$76	$368	$2	$(135)	$ 311
2013 net change	12	(350)	4	17	(317)
Balance at March 31, 2013	$88	$18	$6	$(118)	$ (6)
Balance at December 31, 2013	$(269)	$65	$5	$(77)	$ (276)
2014 net change	100	(8)	—	—	92
Balance at March 31, 2014	$(169)	$57	$5	$(77)	$ (184)

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

Three months ended March 31, 2014 ($ in millions)	Before Tax	Tax Effect	After Tax
Unrealized gains on investment securities			
Net unrealized gains arising during the period	$188	$(51)	$137
Less: Net realized gains reclassified to income from continuing operations	43 (a)	(6) (b)	37
Net change	145	(45)	100
Translation adjustments			
Net unrealized losses arising during the period	(22)	7	(15)
Net investment hedges			
Net unrealized gains arising during the period	11	(4)	7
Other comprehensive income	$134	$(42)	$92

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

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

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

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

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

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

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

17. Earnings per Common Share

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

	Three months ended March 31,	
($ in millions, except per share data)	2014	2013
Net income from continuing operations	$198	$60
Preferred stock dividends — U.S. Department of the Treasury	—	(133)
Preferred stock dividends	(68)	(67)
Net income (loss) from continuing operations attributable to common shareholders	130	(140)
Income from discontinued operations, net of tax	29	1,033
Net income attributable to common shareholders	$159	$893
Basic weighted-average common shares outstanding	479,767,540	412,600,700
Diluted weighted-average common shares outstanding (a)	479,767,540	412,600,700
Basic earnings per common share		
Net income (loss) from continuing operations	$0.27	$(0.34)
Income from discontinued operations, net of tax	0.06	2.50
Net income	$0.33	$2.16
Diluted earnings per common share (a)		
Net income (loss) from continuing operations	$0.27	$(0.34)
Income from discontinued operations, net of tax	0.06	2.50
Net income	$0.33	$2.16

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

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three months ended March 31, 2013 as the effects would be antidilutive for that period. As such, 178 million of the potential common shares were excluded from the diluted earnings per share calculation for the three months ended March 31, 2013.

18. 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 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.

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 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.

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

The U.S. banking regulators have issued the U.S. Basel III final rules to replace the existing Basel I capital rules. Refer to Note 20 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K for additional information about the U.S. Basel III final rules and their applicability to Ally and Ally Bank. 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.

The following table summarizes our capital ratios.

	March 31, 2014			December 31, 2013			Required		Well-capitalized	
($ in millions)	Amount	Ratio		Amount	Ratio		minimum		minimum	
Risk-based capital										
Tier 1 (to risk-weighted assets)										
Ally Financial Inc.	$15,479	12.12	%	$15,165	11.79	%	4.00	%	6.00	%
Ally Bank	15,403	17.34		15,159	16.73		4.00		6.00	
Total (to risk-weighted assets)										
Ally Financial Inc.	$16,633	13.02	%	$16,405	12.76	%	8.00	%	10.00	%
Ally Bank	16,019	18.03		15,809	17.45		8.00		10.00	
Tier 1 leverage (to adjusted quarterly average assets) (a)										
Ally Financial Inc.	$15,479	10.39	%	$15,165	10.23	%	3.00–4.00%		(b)	
Ally Bank	15,403	15.70		15,159	15.77		15.00	(c)	5.00	%
Tier 1 common (to risk-weighted assets)										
Ally Financial Inc.	$11,679	9.14	%	$11,366	8.84	%	n/a		n/a	
Ally Bank	15,403	17.34		15,159	16.73		n/a		n/a	

n/a = not applicable

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

(b) There is no Tier 1 leverage component in the definition of "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 March 31, 2014, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

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%, 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.

In November 2013, the FRB issued instructions for the 2014 Comprehensive Capital Analysis and Review (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, and in March 2014, the FRB indicated that it did not object to our 2014 capital plan.

19. 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.

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.

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 March 31, 2014, 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.

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 $220 million and $328 million at March 31, 2014 and December 31, 2013, respectively, in accounts maintained by counterparties, $18 million of which relates to non-derivative collateral at March 31, 2014 and December 31, 2013. We received cash collateral from counterparties totaling $60 million and $159 million at March 31, 2014 and December 31, 2013, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At March 31, 2014 and December 31, 2013, we received noncash collateral of $17 million and $18 million, respectively.

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At March 31, 2014 and December 31, 2013, $252 million and $362 million, respectively, of the derivative contracts in a receivable position were classified as other assets on the Condensed Consolidated Balance Sheet. At March 31, 2014 and December 31, 2013, $252 million and $317 million of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

($ in millions)	March 31, 2014			December 31, 2013		
	Derivative contracts in a		Notional amount	Derivative contracts in a		Notional amount
	receivable position (a)	payable position (b)		receivable position (a)	payable position (b)	
Derivatives qualifying for hedge accounting						
Interest rate contracts						
Swaps (c)	$79	$107	$22,181	$204	$169	$21,606
Foreign exchange contracts						
Forwards	—	2	375	3	—	326
Total derivatives qualifying for hedge accounting	79	109	22,556	207	169	21,932
Economic hedges						
Interest rate contracts						
Swaps	32	43	14,162	36	44	13,613
Futures and forwards	12	2	22,468	11	3	29,836
Written options	—	91	27,839	—	94	11,132
Purchased options	96	—	39,529	95	—	22,962
Total interest rate risk	140	136	103,998	142	141	77,543
Foreign exchange contracts						
Swaps	30	—	1,377	12	1	1,379
Futures and forwards	1	2	445	1	1	330
Written options	—	—	—	—	—	17
Purchased options	—	—	—	—	—	17
Total foreign exchange risk	31	2	1,822	13	2	1,743
Equity contracts						
Written options	—	5	3	—	5	3
Purchased options	2	—	—	—	—	—
Total equity risk	2	5	3	—	5	3
Total economic hedges	173	143	105,823	155	148	79,289
Total derivatives	$252	$252	$128,379	$362	$317	$101,221

(a) Includes accrued interest of $61 million and $120 million at March 31, 2014 and December 31, 2013, respectively.
(b) Includes accrued interest of $9 million and $12 million at March 31, 2014 and December 31, 2013, respectively.
(c) Includes fair value hedges consisting of receive-fixed swaps on fixed-rate debt obligations with $69 million and $196 million in a receivable position, $101 million and $163 million in a payable position, and of a $7.1 billion and $8.5 billion notional amount at March 31, 2014 and December 31, 2013, respectively. Other fair value hedges include pay-fixed swaps on portfolios of held-for-investment automotive loan assets with $10 million and $9

million in a receivable position, $6 million and $5 million in a payable position, and of a $15.1 billion and $12.6 billion notional amount at March 31, 2014 and December 31, 2013, respectively. Also includes cash flow hedges consisting of pay-fixed swaps on floating rate debt obligations with $1 million in a payable position, and of a $495 million notional amount at December 31, 2013.

Statement of Comprehensive Income Presentation

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

	Three months ended March 31,	
($ in millions)	2014	2013
Derivatives qualifying for hedge accounting		
Gain (loss) recognized in earnings on derivatives		
Interest rate contracts		
Interest and fees on finance receivables and loans (a)	$2	$—
Interest on long-term debt (b)	34	(98)
Gain (loss) recognized in earnings on hedged items (c)		
Interest rate contracts		
Interest and fees on finance receivables and loans	11	—
Interest on long-term debt	(32)	101
Total derivatives qualifying for hedge accounting	15	3
Economic derivatives		
(Loss) gain recognized in earnings on derivatives		
Interest rate contracts		
Servicing asset valuation and hedge activities, net	—	(112)
Loss on mortgage and automotive loans, net	—	(32)
Other income, net of losses	(8)	(1)
Total interest rate contracts	(8)	(145)
Foreign exchange contracts (d)		
Interest on long-term debt	(5)	39
Other income, net of losses	—	28
Total foreign exchange contracts	(5)	67
Gain (loss) recognized in earnings on derivatives	$2	$(75)

(a) Amounts exclude losses related to interest for qualifying accounting hedges of portfolios of retail automotive loans held-for-investment of $13 million for the three months ended March 31, 2014. These losses are primarily offset by the fixed coupon receipts on the retail automotive loans held-for-investment.

(b) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $35 million and $33 million for the three months ended March 31, 2014 and 2013, respectively.

(c) Amounts exclude gains related to amortization of deferred basis adjustments on the de-designated hedged item of $45 million and $38 million for the three months ended March 31, 2014 and 2013, respectively.

(d) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of $4 million and losses of $65 million were recognized for the three months ended March 31, 2014 and 2013, respectively.

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

	Three months ended March 31,	
($ in millions)	2014	2013
Cash flow hedges		
Interest rate contracts		
Loss reclassified from accumulated other comprehensive income to interest on long-term debt (a)	$—	$(7)
Total interest on long-term debt	$—	$(7)
Gain recognized in other comprehensive income	$—	$7
Net investment hedges		
Foreign exchange contracts		
Loss reclassified from accumulated other comprehensive income (loss) to income from discontinued operations, net	$—	$(149)
Total income (loss) from discontinued operations, net	$—	$(149)
Gain recognized in other comprehensive income (b)	$11	$169

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

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were losses of $19 million and $519 million for the three months ended March 31, 2014 and 2013, respectively.

20. Income Taxes

We recognized total income tax expense from continuing operations of $94 million during the three months ended March 31, 2014, compared to income tax benefit of $123 million for the same period in 2013. The increase in income tax expense for the three months ended March 31, 2014, compared to the same period in 2013, was driven by tax expense attributable to higher pretax earnings and certain tax benefits recorded in the three months ended March 31, 2013, which did not occur in the three months ended March 31, 2014, related to the 2013 retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the 2013 release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for 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.

With the extension of the active financing exception tax law being reasonably possible during 2014, the successful completion of the sale of our joint venture in China during 2014, which is currently held-for-sale, may result in additional capital gains that would allow us to realize additional capital loss carryforwards. Any resulting reversal of valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such reversal.

We expect the unrecognized tax benefits disclosed in our 2013 Annual Report to change over the next 12 months. If certain tax matters ultimately settle with the applicable taxing jurisdiction as anticipated, the impact of these changes to previously recorded uncertain tax positions is expected to result in a tax benefit of approximately $70 million.

21. Fair Value

Fair Value Measurements

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

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

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

Level 2	Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.
Transfers	Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. During the three months ended March 31, 2014, transfers from Level 3 into Level 2 included $78 million of derivative contracts in a receivable position and $81 million of derivative contracts in a payable position based on increased observability of significant inputs related to the valuation of our interest rate caps. There were no additional transfers between any levels during the three months ended March 31, 2014.

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 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 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. During the three months ended March 31, 2014, we began to value our bilateral interest rate swap and interest rate cap portfolio using Overnight Index Swap discount curves. We previously valued this portfolio using London Interbank Offered Rate (LIBOR) discount curves.

Because we continued to use a third-party-developed valuation model in which all significant inputs were market observable, these contracts remained classified as Level 2.

Historically, we had a cross-currency swap and interest rate caps accounted for as derivative instruments that were classified as Level 3. However, as of March 31, 2014, we no longer have any positions classified as Level 3.

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

Recurring Fair Value

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

	Recurring fair value measurements			
March 31, 2014 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$310	$938	$—	$1,248
U.S. State and political subdivisions	—	338	—	338
Foreign government	7	273	—	280
Mortgage-backed residential	—	10,244	—	10,244
Mortgage-backed commercial	—	62	—	62
Asset-backed	—	2,134	—	2,134
Corporate debt securities	—	1,083	—	1,083
Total debt securities	317	15,072	—	15,389
Equity securities (a)	938	—	—	938
Total available-for-sale securities	1,255	15,072	—	16,327
Mortgage loans held-for-sale, net (b)	—	3	—	3
Other assets				
Interests retained in financial asset sales	—	—	84	84
Derivative contracts in a receivable position (c)				
Interest rate	45	174	—	219
Foreign currency	—	31	—	31
Other	2	—	—	2
Total derivative contracts in a receivable position	47	205	—	252
Collateral placed with counterparties	—	25	—	25
Total assets	$1,302	$15,305	$84	$16,691
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$(22)	$(221)	$—	$(243)
Foreign currency	—	(4)	—	(4)
Other	(5)	—	—	(5)
Total derivative contracts in a payable position	(27)	(225)	—	(252)
Total liabilities	$(27)	$(225)	$—	$(252)

(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 19.

	Recurring fair value measurements			
December 31, 2013 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$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
Liabilities				
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 19.

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

	Level 3 recurring fair value measurements									
		Net realized/unrealized gains								
($ in millions)	Fair value at Jan. 1, 2014	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out of Level 3	Fair value at March 31, 2014	Net unrealized gains included in earnings still held at March 31, 2014
Assets										
Other assets										
Interests retained in financial asset sales	$100	$1 (a)	$—	$—	$—	$—	$(17)	$—	$84	$—
Interest rate derivative contracts, net	(1)	—	—	—	—	—	(2)	3	—	—
Total assets	$99	$1	$—	$—	$—	$—	$(19)	$3	$84	$—

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

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

(a) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.

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

(c) Refer to Note 19 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

Nonrecurring Fair Value

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

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

March 31, 2014 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	
Assets							
Commercial finance receivables and loans, net (a)							
Automotive	$—	$—	$31	$31	$ (6)	n/m	(b)
Other	—	—	53	53	(20)	n/m	(b)
Total commercial finance receivables and loans, net	—	—	84	84	(26)	n/m	(b)
Other assets							
Repossessed and foreclosed assets (c)	—	—	11	11	1	n/m	(b)
Other	—	—	2	2	—	n/m	(b)
Total assets	$—	$—	$97	$97	$ (25)	n/m	

n/m = not meaningful

(a) Represents the portion of the portfolio specifically impaired during 2014. 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.

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

n/m = not meaningful

(a)

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

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

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

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

March 31, 2014 ($ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	$31	Fair value of collateral	Adjusted appraisal value	65.0-95.0%
Other	53	Discounted cash flow	Non-public/non-rated credits	92.0-108.0%

Fair Value Option for Financial Assets

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. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

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

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

	Changes included in the Condensed Consolidated Statement of Comprehensive Income		
Three months ended March 31, ($ in millions)	Interest on loans held-for-sale (a)	Gain on mortgage loans, net	Total included in earnings
2014			
Assets			
Mortgage loans held-for-sale, net	$—	$—	$—
2013			
Assets			
Mortgage loans held-for-sale, net	$16	$(41)	$(25)

(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.

($ in millions)	March 31, 2014 Unpaid principal balance	March 31, 2014 Fair value (a)	December 31, 2013 Unpaid principal balance	December 31, 2013 Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	$7	$3	$31	$16
Nonaccrual loans	3	2	18	9
Loans 90+ days past due (b)	3	2	15	8

(a) Excludes accrued interest receivable.
(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled Recurring Fair Value. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at March 31, 2014 and December 31, 2013.

($ in millions)	Carrying value	Estimated fair value Level 1	Level 2	Level 3	Total
March 31, 2014					
Financial assets					
Loans held-for-sale, net (a)	$43	$—	$43	$—	$43
Finance receivables and loans, net (a)	98,432	—	—	99,440	99,440
Nonmarketable equity investments	236	—	205	44	249
Financial liabilities					
Deposit liabilities	$55,367	$—	$—	$56,085	$56,085
Short-term borrowings	5,163	—	—	5,163	5,163
Long-term debt (a)(b)	68,665	—	27,852	44,391	72,243
December 31, 2013					
Financial assets					
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
Financial liabilities					
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

(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 $370 million and $359 million at March 31, 2014, and December 31, 2013, 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 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 and loans was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables and loans (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 consumer mortgage loans, 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.

22. Offsetting Assets and Liabilities

Our qualifying master netting agreements are written, legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the agreement to the non-defaulting entity upon an event of default of the counterparty, including bankruptcy, insolvency, or similar proceeding, and (2) provide the non-defaulting entity the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to liquidate or set off collateral promptly upon an event of default of the counterparty. As it relates to derivative instruments, in certain instances we have the option to report derivatives that are subject to a qualifying master netting agreement on a net basis, we have elected to report these instruments as gross assets and liabilities on the Condensed Consolidated Balance Sheet.

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

and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls, such that the net replacement cost of the non-defaulting party is covered in the event of counterparty default.

The composition of offsetting derivative instruments, financial assets, and financial liabilities was as follows.

March 31, 2014 ($ in millions)	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/(Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
				Financial Instruments	Collateral (a)	Net Amount
Assets						
Derivative assets in net asset positions	$ 180	$—	$ 180	$(33)	$(48)	$99
Derivative assets in net liability positions	72	—	72	(72)	—	—
Total assets (b)	$ 252	$—	$ 252	$(105)	$(48)	$99
Liabilities						
Derivative liabilities in net liability positions	$ (219)	$—	$ (219)	$72	$83	$(64)
Derivative liabilities in net asset positions	(33)	—	(33)	33	—	—
Total derivative liabilities (b)	(252)	—	(252)	105	83	(64)
Securities sold under agreements to repurchase (c)	(759)	—	(759)	—	759	—
Total liabilities	$ (1,011)	$—	$ (1,011)	$105	$842	$(64)

(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 19.
(c) For additional information on securities sold under agreements to repurchase, refer to Note 12.

December 31, 2013 ($ in millions)	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/(Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
				Financial Instruments	Collateral (a)	Net Amount
Assets						
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
Liabilities						
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 19.

(c) For additional information on securities sold under agreements to repurchase, refer to Note 12.

23. 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 offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' vehicle inventories in the United States.
Mortgage operations — Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio.
Corporate and Other primarily consists of our Commercial Finance Group, centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, 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.
Financial information for our reportable operating segments is summarized as follows.

Three months ended March 31, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2014					
Net financing revenue (loss)	$820	$15	$14	$(28)	$821
Other revenue (loss)	64	272	4	(19)	321
Total net revenue (loss)	884	287	18	(47)	1,142
Provision for loan losses	159	—	(23)	1	137
Total noninterest expense	386	213	24	90	713
Income (loss) from continuing operations before income tax expense	$339	$74	$17	$(138)	$292
Total assets	$109,307	$7,184	$7,937	$24,024	$148,452
2013					
Net financing revenue (loss)	$773	$12	$34	$(179)	$640
Other revenue (loss)	82	308	(19)	15	386
Total net revenue (loss)	855	320	15	(164)	1,026
Provision for loan losses	112	—	20	(1)	131

Total noninterest expense	400	259	199	100	958
Income (loss) from continuing operations before income tax expense	$343	$61	$(204)	$(263)	$(63)
Total assets	$118,882	$8,331	$11,284	$27,702	$166,199

(a) Total assets for the Commercial Finance Group were $1.7 billion and $1.4 billion at March 31, 2014 and 2013, respectively.

(b) Net financing revenue after the provision for loan losses totaled $0.7 billion and $0.5 billion for the three months ended March 31, 2014 and 2013, respectively.

Information concerning principal geographic areas were as follows.

Three months ended March 31, ($ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2014			
Canada	$31	$13	$10
Europe	2	2	3
Latin America	—	—	—
Asia-Pacific	—	—	33
Total foreign	33	15	46
Total domestic (d)	1,109	277	181
Total	$1,142	$292	$227
2013			
Canada	$49	$14	$1,230
Europe (e)	(10)	(18)	60
Latin America	—	(4)	80
Asia-Pacific	1	(2)	25
Total foreign	40	(10)	1,395
Total domestic (d)	986	(53)	(302)
Total	$1,026	$(63)	$1,093

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.
(b) The domestic amounts include original discount amortization of $48 million and $60 million for the three months ended March 31, 2014 and 2013, respectively.
(c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.
(d) Amounts include eliminations between our domestic and foreign operations.
(e) Amounts include eliminations between our foreign operations.

24. Parent and Guarantor Condensed Consolidating Financial Statements

Certain of our senior notes issued by the parent are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of March 31, 2014, the Guarantors include Ally US LLC and IB Finance Holding Company, LLC (IB Finance), each of which fully and unconditionally guarantee the senior notes on a joint and several basis.
The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company-only basis), (ii) the Guarantors, (iii) the nonguarantor subsidiaries (all other subsidiaries), and (iv) an elimination column for adjustments to arrive at (v) the information for the parent company, the Guarantors, and nonguarantors on a consolidated basis. As of March 31, 2014, the financial statements have been restated to reflect the dissolution of a former nonguarantor subsidiary, GMAC Mortgage Group LLC.
Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company's and the Guarantors' investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, the Guarantors, and nonguarantors.

Condensed Consolidating Statements of Comprehensive Income

Three months ended March 31, 2014 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$(9)	$—	$1,116	$—	$1,107
Interest and fees on finance receivables and loans — intercompany	11	—	21	(32)	—
Interest and dividends on available-for-sale investment securities	—	—	95	—	95
Interest-bearing cash	—	—	3	—	3
Interest-bearing cash — intercompany	—	—	1	(1)	—
Operating leases	91	—	779	—	870
Total financing revenue and other interest income	93	—	2,015	(33)	2,075
Interest expense					
Interest on deposits	4	—	159	—	163
Interest on short-term borrowings	11	—	4	—	15
Interest on long-term debt	388	—	146	—	534
Interest on intercompany debt	22	—	11	(33)	—
Total interest expense	425	—	320	(33)	712
Depreciation expense on operating lease assets	65	—	477	—	542
Net financing (loss) revenue	(397)	—	1,218	—	821
Dividends from subsidiaries					
Nonbank subsidiaries	121	—	—	(121)	—
Other revenue					
Servicing fees	9	—	—	—	9
Servicing asset valuation and hedge activities, net	—	—	—	—	—
Total servicing income, net	9	—	—	—	9
Insurance premiums and service revenue earned	—	—	241	—	241
Loss on extinguishment of debt	(39)	—	—	—	(39)
Other gain on investments, net	—	—	43	—	43
Other income, net of losses	186	—	336	(455)	67
Total other revenue	156	—	620	(455)	321
Total net (loss) revenue	(120)	—	1,838	(576)	1,142
Provision for loan losses	48	—	89	—	137
Noninterest expense					
Compensation and benefits expense	154	—	226	(126)	254
Insurance losses and loss adjustment expenses	—	—	68	—	68
Other operating expenses	176	—	544	(329)	391
Total noninterest expense	330	—	838	(455)	713
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(498)	—	911	(121)	292
	(114)	—	208	—	94

Income tax (benefit) expense from continuing operations					
Net (loss) income from continuing operations	(384)	—	703	(121)	198
Income from discontinued operations, net of tax	29	—	—	—	29
Undistributed income of subsidiaries					
Bank subsidiary	239	239	—	(478)	—
Nonbank subsidiaries	343	1	—	(344)	—
Net income	227	240	703	(943)	227
Other comprehensive income, net of tax	92	69	86	(155)	92
Comprehensive income	$319	$309	$789	$(1,098)	$319

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Three months ended March 31, 2013 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$ 159	$—	$ 976	$ —	$ 1,135
Interest and fees on finance receivables and loans — intercompany	24	—	5	(29)	—
Interest on loans held-for-sale	—	—	16	—	16
Interest and dividends on available-for-sale investment securities	—	—	68	—	68
Interest-bearing cash	1	—	2	—	3
Interest-bearing cash - intercompany	—	—	2	(2)	—
Operating leases	96	—	638	—	734
Total financing revenue and other interest income	280	—	1,707	(31)	1,956
Interest expense					
Interest on deposits	9	—	155	—	164
Interest on short-term borrowings	12	—	4	—	16
Interest on long-term debt	560	—	146	(5)	701
Interest on intercompany debt	(1)	—	26	(25)	—
Total interest expense	580	—	331	(30)	881
Depreciation expense on operating lease assets	62	—	373	—	435
Net financing (loss) revenue	(362)	—	1,003	(1)	640
Dividends from subsidiaries					
Nonbank subsidiaries	3,299	3,254	—	(6,553)	—
Other revenue					
Servicing fees	44	—	38	—	82
Servicing asset valuation and hedge activities, net	—	—	(201)	—	(201)
Total servicing income (loss), net	44	—	(163)	—	(119)
Insurance premiums and service revenue earned	—	—	259	—	259
Gain on mortgage and automotive loans, net	—	—	38	—	38
Other gain on investments, net	—	—	51	—	51
Other income, net of losses	51	—	425	(319)	157
Total other revenue	95	—	610	(319)	386
Total net revenue	3,032	3,254	1,613	(6,873)	1,026
Provision for loan losses	124	—	7	—	131
Noninterest expense					
Compensation and benefits expense	192	—	223	(130)	285
Insurance losses and loss adjustment expenses	—	—	115	—	115
Other operating expenses	58	—	688	(188)	558
Total noninterest expense	250	—	1,026	(318)	958
Income (loss) from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries	2,658	3,254	580	(6,555)	(63)
	(329)	—	206	—	(123)

Income tax (benefit) expense from continuing operations					
Net income from continuing operations	2,987	3,254	374	(6,555)	60
(Loss) income from discontinued operations, net of tax	(265)	13	1,284	1	1,033
Undistributed income (loss) of subsidiaries					
Bank subsidiary	226	226	—	(452)	—
Nonbank subsidiaries	(1,855)	(2,052)	—	3,907	—
Net income	1,093	1,441	1,658	(3,099)	1,093
Other comprehensive loss, net of tax	(317)	(578)	(601)	1,179	(317)
Comprehensive income	$776	$863	$ 1,057	$ (1,920)	$ 776

Condensed Consolidating Balance Sheet

March 31, 2014 ($ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
Cash and cash equivalents					
Noninterest-bearing	$1,010	$26	$306	$—	$1,342
Interest-bearing	1,350	—	3,201	—	4,551
Interest-bearing — intercompany	—	—	411	(411)	—
Total cash and cash equivalents	2,360	26	3,918	(411)	5,893
Investment securities	—	—	16,327	—	16,327
Loans held-for-sale, net	—	—	43	—	43
Finance receivables and loans, net					
Finance receivables and loans, net	4,697	—	94,927	—	99,624
Intercompany loans to					
Bank subsidiary	500	—	—	(500)	—
Nonbank subsidiaries	3,661	—	2,008	(5,669)	—
Allowance for loan losses	(110)	—	(1,082)	—	(1,192)
Total finance receivables and loans, net	8,748	—	95,853	(6,169)	98,432
Investment in operating leases, net	1,807	—	16,380	—	18,187
Intercompany receivables from					
Bank subsidiary	448	—	—	(448)	—
Nonbank subsidiaries	337	—	484	(821)	—
Investment in subsidiaries					
Bank subsidiary	15,228	15,228	—	(30,456)	—
Nonbank subsidiaries	11,364	14	—	(11,378)	—
Premiums receivable and other insurance assets	—	—	1,660	(21)	1,639
Other assets	4,390	—	5,016	(2,016)	7,390
Assets of operations held-for-sale	541	—	—	—	541
Total assets	$45,223	$15,268	$139,681	$(51,720)	$148,452
Liabilities					
Deposit liabilities					
Noninterest-bearing	$—	$—	$71	$—	$71
Interest-bearing	421	—	54,875	—	55,296
Total deposit liabilities	421	—	54,946	—	55,367
Short-term borrowings	3,404	—	1,759	—	5,163
Long-term debt	22,533	—	45,762	—	68,295
Intercompany debt to					
Nonbank subsidiaries	2,419	—	4,161	(6,580)	—
Intercompany payables to					
Bank subsidiary	529	—	—	(529)	—
Nonbank subsidiaries	554	—	207	(761)	—
Interest payable	654	—	239	—	893
Unearned insurance premiums and service revenue	—	—	2,312	—	2,312
Accrued expenses and other liabilities	250	82	3,647	(2,016)	1,963

Total liabilities	30,764	82	113,033	(9,886)	133,993
Total equity	14,459	15,186	26,648	(41,834)	14,459
Total liabilities and equity	$45,223	$15,268	$139,681	$ (51,720)	$ 148,452

(a) Amounts presented are based upon the legal transfer of the underlying assets to VIEs in order to reflect legal ownership.

December 31, 2013 ($ in millions)	Parent (a)	Guarantors	Nonguarantors (a)	Consolidating adjustments	Ally consolidated
Assets					
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)	—			