Ally Financial Inc.
Form 10-Q
October 31, 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 September 30, 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).
Yes 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 (Do not check if a smaller reporting company) Smaller reporting company o

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 October 30, 2014, the number of shares outstanding of the Registrant's common stock was 479,818,096 shares.

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Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

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($ in millions)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,114	$1,119	$3,345	$3,393
Interest on loans held-for-sale	—	—	1	19
Interest and dividends on available-for-sale investment securities	94	85	282	229
Interest-bearing cash	2	3	6	8
Operating leases	899	832	2,653	2,354
Total financing revenue and other interest income	2,109	2,039	6,287	6,003
Interest expense				
Interest on deposits	166	163	495	489
Interest on short-term borrowings	12	15	40	47
Interest on long-term debt	493	609	1,576	2,013
Total interest expense	671	787	2,111	2,549
Depreciation expense on operating lease assets	549	515	1,600	1,449
Net financing revenue	889	737	2,576	2,005
Other revenue				
Servicing fees	6	13	22	114
Servicing asset valuation and hedge activities, net	—	—	—	(213)
Total servicing income (loss), net	6	13	22	(99)
Insurance premiums and service revenue earned	246	251	736	768
Gain on mortgage and automotive loans, net	—	15	6	52
Loss on extinguishment of debt	—	(42)	(46)	(42)
Other gain on investments, net	45	41	129	156
Other income, net of losses	78	93	214	324
Total other revenue	375	371	1,061	1,159
Total net revenue	1,264	1,108	3,637	3,164
Provision for loan losses	102	141	302	361
Noninterest expense				
Compensation and benefits expense	241	245	710	782
Insurance losses and loss adjustment expenses	97	85	353	346
Other operating expenses	404	432	1,213	1,393
Total noninterest expense	742	762	2,276	2,521
Income from continuing operations before income tax expense (benefit)	420	205	1,059	282
Income tax expense (benefit) from continuing operations	127	28	285	(55)
Net income from continuing operations	293	177	774	337
Income (loss) from discontinued operations, net of tax	130	(86)	199	(80)
Net income	423	91	973	257
Other comprehensive (loss) income, net of tax	(55)	4	126	(494)
Comprehensive income (loss)	$368	$95	$1,099	$(237)

Statement continues on the next page.

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)
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	Three months ended September 30,		Nine months ended September 30,	
(in dollars)	2014	2013	2014	2013
Basic earnings per common share				
Net income (loss) from continuing operations	$0.47	$(0.06)	$1.19	$(0.64)
Income (loss) from discontinued operations, net of tax	0.27	(0.21)	0.41	(0.19)
Net income (loss)	$0.74	$(0.27)	$1.60	$(0.83)
Diluted earnings per common share				
Net income (loss) from continuing operations	$0.47	$(0.06)	$1.19	$(0.64)
Income (loss) from discontinued operations, net of tax	0.27	(0.21)	0.41	(0.19)
Net income (loss)	$0.74	$(0.27)	$1.60	$(0.83)

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

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

($ in millions, except share data)	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents		
Noninterest-bearing	$1,318	$1,315
Interest-bearing	4,381	4,216
Total cash and cash equivalents	5,699	5,531
Investment securities	16,714	17,083
Loans held-for-sale, net ($3 and $16 fair value-elected)	3	35
Finance receivables and loans, net		
Finance receivables and loans, net ($1 and $1 fair value-elected)	99,518	100,328
Allowance for loan losses	(1,113)	(1,208)
Total finance receivables and loans, net	98,405	99,120
Investment in operating leases, net	19,341	17,680
Premiums receivable and other insurance assets	1,678	1,613
Other assets	6,752	9,589
Assets of operations held-for-sale	603	516
Total assets	$149,195	$151,167
Liabilities		
Deposit liabilities		
Noninterest-bearing	$73	$60
Interest-bearing	56,778	53,290
Total deposit liabilities	56,851	53,350
Short-term borrowings	5,255	8,545
Long-term debt	67,299	69,465
Interest payable	542	888
Unearned insurance premiums and service revenue	2,369	2,314
Accrued expenses and other liabilities	1,689	2,397
Total liabilities	134,005	136,959
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 479,845,945; and outstanding 479,818,096)	21,022	20,939
Preferred stock	1,255	1,255
Accumulated deficit	(6,937)	(7,710)
Accumulated other comprehensive loss	(150)	(276)
Total equity	15,190	14,208
Total liabilities and equity	$149,195	$151,167

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

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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)	September 30, 2014	December 31, 2013
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net	$30,515	$32,265
Allowance for loan losses	(193)	(174)
Total finance receivables and loans, net	30,322	32,091
Investment in operating leases, net	3,581	4,620
Other assets	1,675	3,436
Total assets	$35,578	$40,147
Liabilities		
Short-term borrowings	$—	$250
Long-term debt	24,621	24,147
Accrued expenses and other liabilities	175	43
Total liabilities	$24,796	$24,440

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

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

($ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of 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				257		257
Preferred stock dividends — U.S. Department of the Treasury				(401)		(401)
Preferred stock dividends				(200)		(200)
Other comprehensive loss, net of tax					(494)	(494)
Increase in paid-in capital	1					1
Balance at September 30, 2013	$19,669	$5,685	$1,255	$(7,365)	$(183)	$19,061
Balance at January 1, 2014	$20,939	$—	$1,255	$(7,710)	$(276)	$14,208
Net income				973		973
Preferred stock dividends				(200)		(200)
Share-based compensation	83					83
Other comprehensive income, net of tax					126	126
Balance at September 30, 2014	$21,022	$—	$1,255	$(6,937)	$(150)	$15,190

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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Nine months ended September 30, ($ in millions)	2014	2013
Operating activities		
Net income	$973	$257
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	2,133	2,106
Changes in fair value of mortgage servicing rights	—	102
Provision for loan losses	302	431
Gain on sale of loans, net	(6)	(52)
Net gain on investment securities	(129)	(156)
Loss on extinguishment of debt	46	42
Originations and purchases of loans held-for-sale	—	(6,234)
Proceeds from sales and repayments of loans held-for-sale	59	8,647
Impairment and settlement related to Residential Capital, LLC	(150)	1,350
Loss (gain) on sale of subsidiaries, net	7	(932)
Net change in		
Deferred income taxes	174	(604)
Interest payable	(346)	51
Other assets	42	2,943
Other liabilities	(529)	(3,456)
Other, net	(118)	(130)
Net cash provided by operating activities	2,458	4,365
Investing activities		
Purchases of available-for-sale securities	(4,117)	(12,747)
Proceeds from sales of available-for-sale securities	2,974	4,721
Proceeds from maturities and repayment of available-for-sale securities	1,877	3,893
Net (increase) decrease in finance receivables and loans	(1,267)	2,744
Proceeds from sales of finance receivables and loans	1,557	—
Purchases of operating lease assets	(7,770)	(7,251)
Disposals of operating lease assets	4,505	2,080
Sale of mortgage servicing rights	—	911
Proceeds from sale of business units, net (a)	47	6,937
Net change in restricted cash	2,128	2,297
Other, net	71	(55)
Net cash provided by investing activities	5	3,530

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)
Ally Financial Inc. • Form 10-Q

Nine months ended September 30, ($ in millions)	2014	2013
Financing activities		
Net change in short-term borrowings	(3,298)	(936)
Net increase in deposits	3,501	4,057
Proceeds from issuance of long-term debt	18,942	13,347
Repayments of long-term debt	(21,239)	(26,725)
Dividends paid	(200)	(601)
Net cash used in financing activities	(2,294)	(10,858)
Effect of exchange-rate changes on cash and cash equivalents	(1)	47
Net increase (decrease) in cash and cash equivalents	168	(2,916)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	—	1,952
Cash and cash equivalents at beginning of year	5,531	7,513
Cash and cash equivalents at September 30,	$5,699	$6,549
Supplemental disclosures		
Cash paid for		
Interest	$2,380	$2,890
Income taxes	13	67

(a) The amount at September 30, 2013, is net of cash and cash equivalents of $1,418 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 approximately 95 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 September 30, 2014, and for the three months and nine months ended September 30, 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 our common stock. All proceeds from the offering 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.

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.

Refer to Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K regarding additional significant accounting policies.

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 Accounting Standards Update (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 adoption of this guidance did 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 of 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 Financial Accounting Standards Board (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.

Presentation of Financial Statements and Property, Plant, and Equipment — Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity (ASU 2014-08)

In April 2014, the FASB issued ASU 2014-08. The amendments in this ASU modify the requirements for the reporting of discontinued operations. In order to qualify as a discontinued operation, the disposal of a component of an

entity, a group of components, or a business of an entity must represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The ASU further indicates that the timing for recording a discontinued operation is when one of the following occurs: the component, group of components, or business meets the criteria to be classified as held for sale; the component, group of components, or business is disposed of by sale; or the component, group of components, or business is disposed of other than by sale (for example abandonment or spinoff). In addition, the ASU also requires additional disclosure items about an entity's discontinued operations. The amendments are effective for us beginning on January 1, 2015. The amendments are to be applied prospectively solely to newly identified disposals that qualify as discontinued operations after the effective date. Items previously reported as discontinued operations will maintain their classification based on the prior guidance. Early adoption is permitted, but only for disposals that have not been previously reported as discontinued operations in previously issued financial statements. Because the guidance is prospective only for newly identified disposals that qualify as a discontinued operation, this guidance is not expected to have a material impact to our consolidated financial condition or results of operations upon adoption.

Revenue from Contracts with Customers (ASU 2014-09)

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

contract, and disclosure requirements related to the revenue process. The amendments are effective for us beginning on January 1, 2017. The amendments can be applied either through a full retrospective application or retrospectively with a cumulative effect adjustment on the date of initial adoption. Early adoption is prohibited. Management is assessing the impact of the adoption of this guidance.

Transfers and Servicing — Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosures (ASU 2014-11)

In June 2014, the FASB issued ASU 2014-11. The amendments in this ASU change the accounting for repurchase to maturity transactions and repurchase financing transactions such that both will be reported as secured borrowings when the guidance becomes effective. In addition to the changes to how these transactions are reported, the ASU also includes new disclosure requirements. The amendments are effective for us beginning on January 1, 2015. The amendments are to be applied to all transactions that fall under the guidance as of the date of adoption with a cumulative effect adjustment recorded on the date of initial adoption. Early adoption is prohibited. The guidance is not expected to have a material impact to our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

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

Select Mortgage Operations

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

Select Insurance Operations

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

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. The agreement for the sale of our interest in a motor vehicle finance joint venture in China is subject to certain regulatory and other approvals. We currently expect the sale to be completed in late 2014, or as soon as practicable thereafter.

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

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 September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Select Mortgage operations				
Total net revenue	$—	$—	$—	$—
Pretax loss including direct costs to transact a sale (a) (b)	(1)	(158)	(4)	(1,762)
Tax benefit (c)	(86)	(40)	(87)	(573)
Select Insurance operations				
Total net revenue	$—	$—	$—	$190
Pretax income including direct costs to transact a sale (a)	6	5	6	319
Tax expense (benefit) (c)	7	3	7	(12)
Select Automotive Finance operations				
Total net revenue	$29	$119	$95	$544
Pretax income including direct costs to transact a sale (a)	46	58	101	752
Tax expense (benefit) (c)	—	28	4	(25)
Select Corporate and Other operations				
Total net revenue	$—	$—	$—	$—
Pretax income	—	—	23	1
Tax expense	—	—	3	—

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.
(b) 2013 periods include amounts related to our former Residential Capital, LLC (ResCap) subsidiary.
(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.

($ in millions)	Select Automotive Finance operations (a)
September 30, 2014	
Assets	
Other assets	$603
Total assets	$603
December 31, 2013	
Assets	
Other assets	$516
Total assets	$516

(a) Represents 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 September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Remarketing fees	$28	$20	$85	$59
Late charges and other administrative fees	23	25	66	71
Fair value adjustment on derivatives (a)	(4)	21	(19)	31
Mortgage processing fees and other mortgage income	—	—	—	81
Other, net	31	27	82	82
Total other income, net of losses	$78	$93	$214	$324

(a) Refer to Note 19 for a description of derivative instruments and hedging activities.

4. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Insurance commissions	$95	$93	$279	$278
Technology and communications	77	87	255	250
Lease and loan administration	32	29	92	141
Advertising and marketing	27	33	81	96
Professional services	20	38	73	140
Regulatory and licensing fees	23	25	69	87
Premises and equipment depreciation	23	20	61	61
Vehicle remarketing and repossession	22	15	61	42
Occupancy	12	12	34	34
State and local non-income taxes	12	1	32	17
Mortgage representation and warranty obligation, net	—	22	1	103
Other	61	57	175	144
Total other operating expenses	$404	$432	$1,213	$1,393

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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.

	September 30, 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	$1,313	$1	$(28)	$1,286	$1,495	$1	$(69)	$1,427
U.S. States and political subdivisions	386	16	—	402	316	—	(1)	315
Foreign government	226	6	—	232	287	4	(3)	288
Mortgage-backed residential (a)	11,018	78	(212)	10,884	11,131	49	(398)	10,782
Mortgage-backed commercial	213	—	(1)	212	39	—	—	39
Asset-backed	1,982	8	(3)	1,987	2,207	15	(3)	2,219
Corporate debt	970	18	(5)	983	1,052	23	(6)	1,069
Total debt securities	16,108	127	(249)	15,986	16,527	92	(480)	16,139
Equity securities	721	30	(23)	728	898	74	(28)	944
Total available-for-sale securities (b)	$16,829	$157	$(272)	$16,714	$17,425	$166	$(508)	$17,083

(a) Residential mortgage-backed securities include agency-backed bonds totaling $8,175 million and $8,266 million at September 30, 2014, and December 31, 2013, respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. Amounts deposited totaled $15 million and $15 million at September 30, 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
September 30, 2014										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$1,286	1.3 %	$7	3.1 %	$791	1.2 %	$488	1.5 %	$—	— %
U.S. States and political subdivisions	402	3.5	36	1.2	15	2.0	108	2.8	243	4.3
Foreign government	232	2.7	—	—	124	2.6	108	2.9	—	—
Mortgage-backed residential	10,884	2.8	—	—	65	2.1	—	—	10,819	2.8
Mortgage-backed commercial	212	2.1	—	—	—	—	—	—	212	2.1
Asset-backed	1,987	2.0	26	2.3	1,300	2.0	479	1.9	182	2.5
Corporate debt	983	3.9	34	3.1	480	3.0	413	4.9	56	5.8
Total available-for-sale debt securities	$15,986	2.6	$103	2.2	$2,775	1.9	$1,596	2.6	$11,512	2.8
Amortized cost of available-for-sale debt securities	$16,108		$102		$2,773		$1,596		$11,637	
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 $2.1 billion and $2.4 billion at September 30, 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 September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Gross realized gains	$48	$59	$150	$196
Gross realized losses	(3)	(7)	(11)	(21)
Other-than-temporary impairment	—	(11)	(10)	(19)
Other gain on investments, net	$45	$41	$129	$156

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

($ in millions)	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Taxable interest	$87	$79	$256	$210
Taxable dividends	6	6	18	19
Interest and dividends exempt from U.S. federal income tax	1	—	8	—
Interest and dividends on available-for-sale securities	$94	$85	$282	$229

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 September 30, 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 September 30, 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 September 30, 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.

	September 30, 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	$—	$—	$1,245	$(28)	$1,405	$(69)	$—	$—
U.S. States and political subdivisions	21	—	—	—	212	(1)	—	—
Foreign government	43	—	—	—	114	(3)	—	—
Mortgage-backed	1,428	(12)	4,229	(201)	7,503	(388)	100	(10)
Asset-backed	699	(3)	16	—	407	(3)	1	—
Corporate debt	238	(4)	20	(1)	310	(6)	3	—
Total temporarily impaired debt securities	2,429	(19)	5,510	(230)	9,951	(470)	104	(10)
Temporarily impaired equity securities	255	(21)	14	(2)	167	(12)	100	(16)
Total temporarily impaired available-for-sale securities	$2,684	$(40)	$5,524	$(232)	$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)	September 30, 2014	December 31, 2013
Consumer automobile (a)	$58,675	$56,417
Consumer mortgage (b)(c)	7,595	8,444
Commercial		
Commercial and industrial		
Automobile	28,453	30,948
Other	1,756	1,664
Commercial Real Estate — Automobile	3,039	2,855
Total commercial	33,248	35,467
Total finance receivables and loans (d)	$99,518	$100,328

(a) Includes $16 million and $1 million of fair value adjustment for loans in hedge accounting relationships at September 30, 2014, and December 31, 2013, respectively. Refer to Note 19 for additional information.

(b) Includes interest-only mortgage loans of $1.3 billion and $1.5 billion at September 30, 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 September 30, 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 $392 million and $595 million at September 30, 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 September 30, 2014 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at July 1, 2014	$729	$302	$140	$1,171
Charge-offs	(188)	(13)	—	(201)
Recoveries	51	1	—	52
Net charge-offs	(137)	(12)	—	(149)
Provision for loan losses	112	(7)	(3)	102
Other	(11)	—	—	(11)
Allowance at September 30, 2014	$693	$283	$137	$1,113

Three months ended September 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at July 1, 2013	$610	$431	$142	$1,183
Charge-offs	(168)	(16)	—	(184)
Recoveries	53	5	—	58
Net charge-offs	(115)	(11)	—	(126)
Provision for loan losses	156	(12)	(3)	141
Other	—	(1)	1	—
Allowance at September 30, 2013	$651	$407	$140	$1,198

Nine months ended September 30, 2014 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2014	$673	$389	$146	$1,208
Charge-offs	(511)	(38)	(5)	(554)
Recoveries	170	6	11	187
Net charge-offs	(341)	(32)	6	(367)
Provision for loan losses	372	(55)	(15)	302
Other	(11)	(19)	—	(30)
Allowance at September 30, 2014	$693	$283	$137	$1,113
Allowance for loan losses				
Individually evaluated for impairment	$25	$180	$15	$220
Collectively evaluated for impairment	668	103	122	893
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost				
Ending balance	58,675	7,594	33,248	99,517
Individually evaluated for impairment	289	904	73	1,266
Collectively evaluated for impairment	58,384	6,690	33,175	98,249
Loans acquired with deteriorated credit quality	2	—	—	2

Nine months ended September 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	$575	$452	$143	$1,170
Charge-offs	(443)	(71)	(3)	(517)
Recoveries	155	13	6	174
Net charge-offs	(288)	(58)	3	(343)
Provision for loan losses	355	14	(8)	361
Other	9	(1)	2	10
Allowance at September 30, 2013	$651	$407	$140	$1,198
Allowance for loan losses				
Individually evaluated for impairment	$22	$199	$28	$249
Collectively evaluated for impairment	629	208	112	949
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost				
Ending balance	56,450	8,772	30,059	95,281
Individually evaluated for impairment	269	916	251	1,436
Collectively evaluated for impairment	56,170	7,856	29,808	93,834
Loans acquired with deteriorated credit quality	11	—	—	11

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 September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Consumer automobile	$1,562	$—	$1,562	$—
Consumer mortgage	—	—	40	—
Commercial	—	2	—	47
Total sales and transfers	$1,562	$2	$1,602	$47

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

($ in millions)	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Consumer mortgage	$83	$—	$98	$—
Total purchases	$83	$—	$98	$—

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
September 30, 2014						
Consumer automobile	$1,179	$243	$145	$1,567	$57,108	$ 58,675
Consumer mortgage (a)	110	41	138	289	7,305	7,594
Commercial						
Commercial and industrial						
Automobile	—	—	—	—	28,453	28,453
Other	—	—	—	—	1,756	1,756
Commercial real estate — Automobile	—	—	—	—	3,039	3,039
Total commercial	—	—	—	—	33,248	33,248
Total consumer and commercial	$1,289	$284	$283	$1,856	$97,661	$ 99,517
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

(a) During the three months ended September 30, 2014, we completed a sub-servicing transfer of our mortgage held-for-investment loan portfolio. This caused what is expected to be a temporary increase in the delinquency levels at September 30, 2014, and is not believed to be indicative of a degradation in underlying credit quality.

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)	September 30, 2014	December 31, 2013
Consumer automobile	$355	$329
Consumer mortgage	193	192
Commercial		
Commercial and industrial		
Automobile	21	116
Other	51	74

Commercial real estate — Automobile	1	14
Total commercial	73	204
Total consumer and commercial finance receivables and loans	$621	$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.

	September 30, 2014			December 31, 2013		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	$58,320	$355	$58,675	$56,088	$329	$56,417
Consumer mortgage	7,401	193	7,594	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.

	September 30, 2014			December 31, 2013		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	$26,879	$1,574	$28,453	$29,194	$1,754	$30,948
Other	1,501	255	1,756	1,388	276	1,664
Commercial real estate — Automobile	2,938	101	3,039	2,770	85	2,855
Total commercial	$31,318	$1,930	$33,248	$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
September 30, 2014					
Consumer automobile	$289	$289	$—	$289	$25
Consumer mortgage	909	904	128	776	180
Commercial					
Commercial and industrial					
Automobile	21	21	4	17	1
Other	51	51	—	51	14
Commercial real estate — Automobile	1	1	1	—	—
Total commercial	73	73	5	68	15
Total consumer and commercial finance receivables and loans	$1,271	$1,266	$133	$1,133	$220
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 tables present average balance and interest income for our impaired finance receivables and loans.

Three months ended September 30, ($ in millions)	2014		2013	
	Average balance	Interest income	Average balance	Interest income
Consumer automobile	$297	$5	$275	$5
Consumer mortgage	914	7	924	7
Commercial				
Commercial and industrial				
Automobile	32	—	163	2
Other	51	—	84	—
Commercial real estate — Automobile	3	—	29	—
Total commercial	86	—	276	2
Total consumer and commercial finance receivables and loans	$1,297	$12	$1,475	$14

Nine months ended September 30, ($ in millions)	2014 Average balance	2014 Interest income	2013 Average balance	2013 Interest income
Consumer automobile	$298	$14	$274	$14
Consumer mortgage	923	22	905	22
Commercial				
Commercial and industrial				
Automobile	68	1	160	5
Other	62	4	69	1
Commercial real estate — Automobile	7	—	33	1
Total commercial	137	5	262	7
Total consumer and commercial finance receivables and loans	$1,358	$41	$1,441	$43

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 September 30, 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 tables present information related to finance receivables and loans recorded at historical cost modified in connection with a TDR during the period.

Three months ended September 30, ($ in millions)	2014 Number of loans	2014 Pre-modification carrying value before allowance	2014 Post-modification carrying value before allowance	2013 Number of loans	2013 Pre-modification carrying value before allowance	2013 Post-modification carrying value before allowance
Consumer automobile	4,361	$ 72	$ 63	4,610	$ 69	$ 57
Consumer mortgage	37	7	6	121	33	32
Commercial						
Commercial and industrial						
Automobile	—	—	—	2	5	5
Other	—	—	—	1	27	27
Commercial real estate — Automobile	—	—	—	1	7	7
Total commercial	—	—	—	4	39	39
Total consumer and commercial finance receivables and loans	4,398	$ 79	$ 69	4,735	$ 141	$ 128

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Nine months ended September 30, ($ in millions)	2014 Number of loans	2014 Pre-modification carrying value before allowance	2014 Post-modification carrying value before allowance	2013 Number of loans	2013 Pre-modification carrying value before allowance	2013 Post-modification carrying value before allowance
Consumer automobile	13,681	$ 223	$ 193	14,309	$ 216	$ 182
Consumer mortgage	350	71	66	853	246	203
Commercial						
Commercial and industrial						
Automobile	3	23	23	8	37	37
Other	3	48	48	4	80	78
Commercial real estate — Automobile	—	—	—	5	20	20
Total commercial	6	71	71	17	137	135
Total consumer and commercial finance receivables and loans	14,037	$ 365	$ 330	15,179	$ 599	$ 520

The following tables present 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.

Three months ended September 30, ($ in millions)	2014 Number of loans	2014 Carrying value before allowance	2014 Charge-off amount	2013 Number of loans	2013 Carrying value before allowance	2013 Charge-off amount
Consumer automobile	1,790	$ 22	$ 12	1,562	$ 19	$ 9
Consumer mortgage	5	1	—	4	2	—
Commercial						
Commercial and industrial — Automobile	—	—	—	—	—	—
Commercial real estate — Automobile	—	—	—	—	—	—
Total commercial	—	—	—	—	—	—
Total consumer and commercial finance receivables and loans	1,795	$ 23	$ 12	1,566	$ 21	$ 9

Nine months ended September 30, ($ in millions)	2014 Number of loans	2014 Carrying value before allowance	2014 Charge-off amount	2013 Number of loans	2013 Carrying value before allowance	2013 Charge-off amount
Consumer automobile	5,020	$ 62	$ 33	4,309	$ 53	$ 26
Consumer mortgage	10	2	—	16	4	—
Commercial						
Commercial and industrial — Automobile	—	—	—	—	—	—
Commercial real estate — Automobile	—	—	—	—	—	—
Total commercial	—	—	—	—	—	—
	5,030	$ 64	$ 33	4,325	$ 57	$ 26

Total consumer and commercial
finance receivables and loans

At September 30, 2014, and December 31, 2013, commercial commitments to lend additional funds to borrowers 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)	September 30, 2014	December 31, 2013
Vehicles and other equipment	$22,845	$21,125
Accumulated depreciation	(3,504)	(3,445)
Investment in operating leases, net	$19,341	$17,680

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 September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Depreciation expense on operating lease assets (excluding remarketing gains)	$654	$610	$1,982	$1,699
Remarketing gains	(105)	(95)	(382)	(250)
Depreciation expense on operating lease assets	$549	$515	$1,600	$1,449

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 at risk 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 September 30, 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 typically, 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 redeem 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 26 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the nine months ended September 30, 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 limited to the carrying value of the consolidated VIE assets. Generally, all assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 22 for discussion of the assets and liabilities for which the fair value option has been elected.

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		Assets of nonconsolidated VIEs (a)		Maximum exposure to loss in nonconsolidated VIEs	
September 30, 2014						
On-balance sheet variable interest entities						
Consumer automobile	$33,331	(b)				
Commercial automobile	16,499					
Commercial other	—					
Off-balance sheet variable interest entities						
Consumer automobile	—		$2,032		$2,032	(c)
Commercial other	121	(d)	—	(e)	291	
Total	$49,951		$2,032		$2,323	
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	(c)
Commercial other	(24	)(d)	—	(e)	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) Includes $14.3 billion of unsecuritized involvement with VIEs and thus not restricted for use as collateral to beneficial interest holders at September 30, 2014.

(c) 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.

(d) Includes $143 million and $0 million classified as other assets, offset by $22 million and $24 million classified as accrued expenses and other liabilities at September 30, 2014, and December 31, 2013, respectively.

(e) Includes VIEs 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 nine months ended September 30, 2014 and 2013. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Nine months ended September 30, ($ in millions)	Consumer automobile	Consumer mortgage GSEs
2014		
Cash proceeds from transfers completed during the period	$1,557	$—
Servicing fees	6	—

Representations and warranties obligations	—	(9)
2013		
Cash proceeds from transfers completed during the period	$—	$8,676
Servicing fees	10	68
Representations and warranties obligations	—	(65)
Other cash flows	—	70

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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 (a)	
($ in millions)	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
On-balance sheet loans (b)				
Consumer automobile	$58,675	$56,417	$388	$412
Consumer mortgage	7,598	8,460	181	164
Commercial automobile	31,492	33,803	—	42
Commercial other	1,756	1,683	—	—
Total on-balance sheet loans	99,521	100,363	569	618
Off-balance sheet securitization entities (c)				
Consumer automobile	2,032	899	3	3
Total off-balance sheet securitization entities	2,032	899	3	3
Whole-loan transactions (d)	1,238	2,848	37	69
Total	$102,791	$104,110	$609	$690

(a) Includes both accruing and non-accruing loans 60 days or more past due.
(b) Includes current unpaid principal balance and any related unamortized deferred fees and costs.
(c) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.
(d) 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 September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
On-balance sheet loans				
Consumer automobile	$137	$115	$341	$288
Consumer mortgage	12	11	32	58
Commercial automobile	—	—	1	—
Commercial other	—	—	(7)	(3)
Total on-balance sheet loans	149	126	367	343
Off-balance sheet securitization entities				
Consumer automobile	—	1	1	3
Total off-balance sheet securitization entities	—	1	1	3
Whole-loan transactions	1	3	5	8
Total	$150	$130	$373	$354

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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.

Nine months ended September 30, ($ in millions)	2014	2013
Estimated fair value at January 1,	$—	$952
Additions	—	60
Sales (a)	—	(911)
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	—	(32)
Other changes in fair value	—	(69)
Estimated fair value at September 30,	$—	$—

(a) Includes the sales of agency MSRs during the second quarter of 2013.

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 September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Change in estimated fair value of mortgage servicing rights	$—	$—	$—	$(101)
Change in fair value of derivative financial instruments	—	—	—	(112)
Servicing asset valuation and hedge activities, net	$—	$—	$—	$(213)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Contractual servicing fees, net of guarantee fees and including subservicing	$—	$—	$—	$61
Late fees	—	—	—	1
Ancillary fees	—	—	—	4
Total mortgage servicing fees	$—	$—	$—	$66

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 $6 million and $22 million during the three months and nine months ended September 30, 2014, respectively, compared to $13 million and $48 million for the three months and nine months ended September 30, 2013, respectively.

Automobile Finance Serviced Assets

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

($ in millions)	September 30, 2014	December 31, 2013
On-balance sheet automobile finance loans and leases		
Consumer automobile	$58,675	$56,417
Commercial automobile	31,492	33,803
Operating leases	19,341	17,680
Other	52	54
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	2,052	887
Whole-loan	1,189	2,748
Total serviced automobile finance loans and leases	$112,801	$111,589

10. Other Assets

The components of other assets were as follows.

($ in millions)	September 30, 2014	December 31, 2013
Property and equipment at cost	$754	$709
Accumulated depreciation	(529)	(474)
Net property and equipment	225	235
Deferred tax assets	1,788	2,040
Restricted cash collections for securitization trusts (a)	1,724	3,664
Other accounts receivable	369	290
Cash reserve deposits held-for-securitization trusts (b)	296	402
Nonmarketable equity securities	275	337
Unamortized debt issuance cost	254	312
Collateral placed with counterparties	243	328
Fair value of derivative contracts in receivable position (c)	235	362
Restricted cash and cash equivalents	123	205
Other assets	1,220	1,414
Total other assets	$6,752	$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)	September 30, 2014	December 31, 2013
Noninterest-bearing deposits	$73	$ 60
Interest-bearing deposits		
Savings and money market checking accounts	25,383	21,210
Certificates of deposit	31,027	31,640
Dealer deposits	368	440
Total deposit liabilities	$56,851	$ 53,350

At both September 30, 2014, and December 31, 2013, certificates of deposit included $13.1 billion 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.

	September 30, 2014			December 31, 2013		
($ in millions)	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$3,376	$—	$3,376	$3,225	$—	$3,225
Federal Home Loan Bank	—	1,300	1,300	—	3,570	3,570
Securities sold under agreements to repurchase (b)	—	579	579	—	1,500	1,500
Other (c)	—	—	—	—	250	250
Total short-term borrowings	$3,376	$1,879	$5,255	$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 Corporate Finance at December 31, 2013.

13. Long-term Debt

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

	September 30, 2014			December 31, 2013		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	$6,572	$11,798	$18,370	$5,321	$11,851	$17,172
Due after one year (a)	17,065	31,450	48,515	21,425	30,423	51,848
Fair value adjustment (b)	414	—	414	445	—	445
Total long-term debt	$24,051	$43,248	$67,299	$27,191	$42,274	$69,465

(a) Includes $2.6 billion of trust preferred securities at both September 30, 2014 and December 31, 2013, respectively.

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

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	$1,746	$4,920	$1,934	$4,377	$1,278	$10,837	$414	$25,506
Original issue discount	(40)	(58)	(68)	(80)	(93)	(1,116)	—	(1,455)
Total unsecured	1,706	4,862	1,866	4,297	1,185	9,721	414	24,051
Secured								
Long-term debt	2,848	12,832	10,408	9,699	3,778	3,683	—	43,248
Total long-term debt	$4,554	$17,694	$12,274	$13,996	$4,963	$13,404	$414	$67,299

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.

	September 30, 2014		December 31, 2013	
($ in millions)	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities	$584	$584	$2,864	$2,864
Mortgage finance receivables and loans	7,708	7,708	8,524	8,524
Consumer automobile finance receivables	33,749	12,047	32,947	12,332
Commercial automobile finance receivables	19,286	18,770	21,249	21,249
Investment in operating leases, net	4,925	3,967	5,810	3,190
Other assets	—	—	563	—
Total assets restricted as collateral (b)(c)	$66,252	$43,076	$71,957	$48,159
Secured debt (d)	$45,127	$24,420	$47,594	$27,818

(a) Ally Bank is a component of the total column.
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 $10.7 billion and $12.7 billion at September 30, 2014, and December 31, 2013, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window.

(b) Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling $3.3 billion and $3.2 billion at September 30, 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) Excludes restricted cash and cash reserves for securitization trusts recorded within other assets on the Condensed Consolidated Balance Sheet. Refer to Note 10 for additional information.

(d) Includes $1.9 billion and $5.3 billion of short-term borrowings at September 30, 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 September 30, 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 September 30, 2014, $20.9 billion of our $22.6 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of September 30, 2014, we had $15.1 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

($ in millions)	Outstanding		Unused Capacity (a)		Total Capacity	
	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013	September 30, 2014	December 31, 2013
Bank funding						
Secured	$3,000	$ 2,750	$500	$ 250	$3,500	$ 3,000
Parent funding						
Secured (b)	14,613	15,159	4,517	6,497	19,130	21,656
Total committed facilities	$17,613	$ 17,909	$5,017	$ 6,747	$22,630	$ 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 facility of Corporate Finance at December 31, 2013.

14. Accrued Expenses and Other Liabilities

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

($ in millions)	September 30, 2014	December 31, 2013
Accounts payable	$333	$ 414
Fair value of derivative contracts in payable position (a)	299	317
Employee compensation and benefits	255	437
Reserves for insurance losses and loss adjustment expenses	229	275
Deferred revenue	147	122
Collateral received from counterparties	17	159
Other liabilities (b)	409	673
Total accrued expenses and other liabilities	$1,689	$ 2,397

(a) For additional information on derivative instruments and hedging activities, refer to Note 19.
(b) Included $150 million accrual for insurance proceeds to be contributed to the ResCap estate at December 31, 2013. The outstanding accrual was paid in April 2014.

15. Preferred Stock

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.

	September 30, 2014	December 31, 2013
Preferred stock		
Series A preferred stock (a)		
Carrying value ($ in millions)	$1,021	$1,021
Par value (per share)	0.01	0.01
Liquidation preference (per share)	25	25
Number of shares authorized (b)	40,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5 %	8.5 %
On and after May 15, 2016	Three month LIBOR + 6.243%	Three month LIBOR + 6.243%
Series G preferred stock (c)		
Carrying value ($ 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) 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	(323)	(216)	3	42	(494)
Balance at September 30, 2013	$(247)	$152	$5	$(93)	$ (183)
Balance at December 31, 2013	$(269)	$65	$5	$(77)	$ (276)
2014 net change	148	(27)	1	4	126
Balance at September 30, 2014	$(121)	$38	$6	$(73)	$ (150)

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

Three months ended September 30, 2014 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized losses arising during the period	$(15)	$5	$(10)
Less: Net realized gains reclassified to income from continuing operations	45 (a)	(1) (b)	44
Net change	(60)	6	(54)
Translation adjustments			
Net unrealized losses arising during the period	(11)	4	(7)
Net investment hedges			
Net unrealized gains arising during the period	8	(3)	5
Cash flow hedges			
Net unrealized gains arising during the period	1	—	1
Other comprehensive loss	$(62)	$7	$(55)

(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 September 30, 2013 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$46	$7	$53
Less: Net realized gains reclassified to income from continuing operations	41 (a)	—	41
Net change	5	7	12
Translation adjustments			
Net unrealized gains arising during the period	5	(2)	3
Net investment hedges			
Net unrealized losses arising during the period	(14)	6	(8)
Cash flow hedges			
Net unrealized losses arising during the period	(4)	1	(3)
Other comprehensive (loss) income	$(8)	$12	$4

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

Nine months ended September 30, 2014 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$358	$(89)	$269
Less: Net realized gains reclassified to income from continuing operations	129 (a)	(8) (b)	121
Net change	229	(81)	148
Translation adjustments			
Net unrealized losses arising during the period	(21)	8	(13)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	23	(3)	20
Net change	(44)	11	(33)
Net investment hedges			
Net unrealized gains arising during the period	10	(4)	6
Cash flow hedges			
Net unrealized gains arising during the period	1	—	1
Defined benefit pension plans			
Less: Net losses reclassified to income from continuing operations	(7) (c)	3	(4)
Other comprehensive income	$203	$(77)	$126

(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 compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income.

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Nine months ended September 30, 2013 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized losses arising during the period	$(289)	$128	$(161)
Less: Net realized gains reclassified to income from continuing operations	156 (a)	(2) (b)	154
Less: Net realized gains reclassified to income from discontinued operations, net of tax	10	(2)	8
Net change	(455)	132	(323)
Translation adjustments			
Net unrealized losses arising during the period	(98)	21	(77)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	345	2	347
Net change	(443)	19	(424)
Net investment hedges			
Net unrealized gains arising during the period	52	(19)	33
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(261)	86	(175)
Net change	313	(105)	208
Cash flow hedges			
Net unrealized gains arising during the period	(1)	—	(1)
Less: Net realized losses reclassified to income from continuing operations	(7) (c)	3 (b)	(4)
Net change	6	(3)	3
Defined benefit pension plans			
Net unrealized gains, prior service costs, and transition obligation arising during the period	2	—	2
Less: Net losses reclassified to income from continuing operations	(2) (d)	—	(2)
Less: Net losses reclassified to income from discontinued operations, net of tax	(49)	11	(38)
Net change	53	(11)	42
Other comprehensive loss	$(526)	$32	$(494)

(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 September 30,		Nine months ended September 30,	
($ in millions, except share data)	2014	2013	2014	2013
Net income from continuing operations	$293	$177	$774	$337
Preferred stock dividends — U.S. Department of the Treasury	—	(134)	—	(401)
Preferred stock dividends	(67)	(67)	(200)	(200)
Net income (loss) from continuing operations attributable to common shareholders	226	(24)	574	(264)
Income (loss) from discontinued operations, net of tax	130	(86)	199	(80)
Net income (loss) attributable to common shareholders	$356	$(110)	$773	$(344)
Basic weighted-average common shares outstanding (a)	481,611,138	412,600,700	480,916,395	412,600,700
Diluted weighted-average common shares outstanding (a) (b)	482,506,091	412,600,700	481,545,506	412,600,700
Basic earnings per common share				
Net income (loss) from continuing operations	$0.47	$(0.06)	$1.19	$(0.64)
Income (loss) from discontinued operations, net of tax	0.27	(0.21)	0.41	(0.19)
Net income (loss)	$0.74	$(0.27)	$1.60	$(0.83)
Diluted earnings per common share				
Net income (loss) from continuing operations	$0.47	$(0.06)	$1.19	$(0.64)
Income (loss) from discontinued operations, net of tax	0.27	(0.21)	0.41	(0.19)
Net income (loss)	$0.74	$(0.27)	$1.60	$(0.83)

(a) Includes shares related to share-based compensation that have vested but have not been issued for the three months and nine months ended September 30, 2014.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares for the three months and nine months ended September 30, 2013 and the net loss from continuing operations attributable to common shareholders for the three months and nine months ended September 30, 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 and nine months ended September 30, 2013, as the effects would be antidilutive for these periods. Accordingly, 178 million of the potential common shares were excluded from the diluted earnings per share calculation for the three months and nine months ended September 30, 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 Federal Deposit Insurance Corporation (FDIC) entered into a Capital and Liquidity Maintenance Agreement (CLMA). The effective date of the CLMA was August 24, 2010. The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank's leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance.

The 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.

	September 30, 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.	$16,227	12.65	%	$15,165	11.79	%	4.00	%	6.00	%
Ally Bank	15,898	17.32		15,159	16.73		4.00		6.00	
Total (to risk-weighted assets)										
Ally Financial Inc.	$17,275	13.47	%	$16,405	12.76	%	8.00	%	10.00	%
Ally Bank	16,493	17.97		15,809	17.45		8.00		10.00	
Tier 1 leverage (to adjusted quarterly average assets) (a)										
Ally Financial Inc.	$16,227	10.91	%	$15,165	10.23	%	3.00–4.00%		(b)	
Ally Bank	15,898	15.71		15,159	15.77		15.00	(c)	5.00	%
Tier 1 common (to risk-weighted assets)										
Ally Financial Inc.	$12,427	9.69	%	$11,366	8.84	%	n/a		n/a	
Ally Bank	15,898	17.32		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 September 30, 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 Board of Governors of the Federal Reserve System (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. On July 7, 2014, in accordance with the requirements of the Dodd-Frank Act, Ally submitted to the FRB its results of a mid-year stress test conducted under multiple macroeconomic scenarios. Ally disclosed the results of the most severe scenario in September in accordance with regulatory requirements. On October 17, 2014 the FRB issued a final rule that modifies the capital plan rule and stress testing requirements. The final rule adjusts when bank holding companies must submit their capital plans to the FRB. For CCAR 2015, the bank holding companies are required to submit capital plans on or before January 5, 2015, unchanged from prior years. Beginning in 2016, bank holding companies will be required to submit their capital plans to the Federal Reserve on or before April 5.

In addition, each January, Ally Bank must conduct a stress test and submit the results to the FDIC.

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, as well as prepaid equity forward contracts to hedge the price risk related to certain of our executive share-based compensation plans. Our primary objective for utilizing derivative financial instruments is to manage interest rate risk associated with our fixed and variable rate assets and liabilities, foreign exchange risks related to our foreign-currency denominated assets and liabilities, and market risks related to our investment portfolio and certain of our executive share-based compensation plans.

Interest Rate Risk

We monitor our mix of fixed- and variable-rate assets and liabilities. 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. Other economic hedges include interest rate swaps, futures, forwards, options, and swaptions to 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 our foreign-denominated debt, our centralized lending program, and foreign-denominated third party loans. 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 September 30, 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, such as hedges of foreign-denominated third party loans, 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.

During the quarter ended September 30, 2014, we also entered into prepaid equity forward contracts to economically hedge the price risk associated with certain of our executive share-based compensation plans described in Note 21. The prepaid equity forward contracts are hybrid instruments containing an embedded forward contract, which is considered a derivative instrument. The embedded derivative instrument is bifurcated from the host contract and is recorded at fair value with changes in fair value recorded in compensation and benefits expense. The balance of the prepaid component of these equity forward contracts is $89 million as of September 30, 2014, and was recorded within other assets on the Condensed Consolidated Balance Sheet.

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 generally maintain collateral agreements with our 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 $243 million and $328 million at September 30, 2014 and December 31, 2013, respectively, in accounts maintained by counterparties, $18 million of which relates to non-derivative collateral at September 30, 2014 and December 31, 2013. We received cash collateral from counterparties totaling $17 million and $159 million at September 30, 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 September 30, 2014 and December 31, 2013, we received noncash collateral of $7 million and $18 million, respectively.

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Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At September 30, 2014 and December 31, 2013, $235 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 September 30, 2014 and December 31, 2013, $299 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)	September 30, 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)	$71	$51	$19,959	$204	$169	$21,606
Foreign exchange contracts						
Forwards	3	—	304	3	—	326
Total derivatives qualifying for hedge accounting	74	51	20,263	207	169	21,932
Economic hedges						
Interest rate contracts						
Swaps	33	49	12,649	36	44	13,613
Futures and forwards	6	—	12,253	11	3	29,836
Written options	—	94	28,651	—	94	11,132
Purchased options	95	—	30,097	95	—	22,962
Total interest rate risk	134	143	83,650	142	141	77,543
Foreign exchange contracts						
Swaps	15	92	1,263	12	1	1,379
Futures and forwards	7	4	286	1	1	330
Written options	—	—	—	—	—	17
Purchased options	—	—	—	—	—	17
Total foreign exchange risk	22	96	1,549	13	2	1,743
Equity contracts						
Forwards	—	6	89	—	—	—
Written options	—	3	1	—	5	3
Purchased options	5	—	—	—	—	—
Total equity risk	5	9	90	—	5	3
Total economic hedges	161	248	85,289	155	148	79,289
Total derivatives	$235	$299	$105,552	$362	$317	$101,221

(a) Includes accrued interest of $51 million and $120 million at September 30, 2014 and December 31, 2013, respectively.

(b) Includes accrued interest of $9 million and $12 million at September 30, 2014 and December 31, 2013, respectively.

(c)

Includes fair value hedges consisting of receive-fixed swaps on fixed-rate debt obligations with $43 million and $196 million in a receivable position, $46 million and $163 million in a payable position, and of a $5.9 billion and $8.5 billion notional amount at September 30, 2014 and December 31, 2013, respectively. Other fair value hedges include pay-fixed swaps on portfolios of held-for-investment automotive loan assets with $28 million and $9 million in a receivable position, $5 million and $5 million in a payable position, and of a $14.1 billion and $12.6 billion notional amount at September 30, 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 September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	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)	$28	$3	$22	$3
Interest on long-term debt (b)	(39)	11	102	(302)
(Loss) gain recognized in earnings on hedged items (c)				
Interest rate contracts				
Interest and fees on finance receivables and loans	(15)	(3)	14	(3)
Interest on long-term debt	49	(15)	(90)	311
Total derivatives qualifying for hedge accounting	23	(4)	48	9
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	—	—	—	(37)
Other income, net of losses	(5)	20	(24)	26
Total interest rate contracts	(5)	20	(24)	(123)
Foreign exchange contracts (d)				
Interest on long-term debt	(108)	52	(117)	71
Other income, net of losses	8	(4)	8	25
Total foreign exchange contracts	(100)	48	(109)	96
Equity contracts				
Compensation and benefits expense	(6)	—	(6)	—
Total equity contracts	(6)	—	(6)	—
(Loss) gain recognized in earnings on derivatives	$(88)	$64	$(91)	$(18)

(a) Amounts exclude losses related to interest for qualifying accounting hedges of portfolios of retail automotive loans held-for-investment of $16 million and $1 million for the three months ended September 30, 2014 and 2013, respectively, and $43 million and $1 million for the nine months ended September 30, 2014 and 2013, respectively. 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 $27 million and $33 million for the three months ended September 30, 2014 and 2013, respectively, and $89 million and $94 million for the nine months ended September 30, 2014 and 2013, respectively.

(c) Amounts exclude gains related to amortization of deferred basis adjustments on the de-designated hedged item of $38 million and $112 million for the three months ended September 30, 2014 and 2013, respectively, and $120 million and $188 million for the nine months ended September 30, 2014 and 2013, respectively.

(d) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of $102 million and losses of $47 million were recognized for the three months ended September 30, 2014 and 2013, respectively. Gains of $112 million and losses of $94 million were recognized for the nine months ended September 30, 2014 and 2013, respectively.

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Cash flow hedges				
Interest rate contracts				
Loss reclassified from accumulated other comprehensive income to interest on long-term debt (a)	$(1)	$—	$(1)	$(7)
Gain recorded directly to interest on long-term debt	—	—	—	1
Total interest on long-term debt	$(1)	$—	$(1)	$(6)
Gain (loss) recognized in other comprehensive income	$1	$(4)	$1	$6
Net investment hedges				
Foreign exchange contracts				
Loss reclassified from accumulated other comprehensive income (loss) to income from discontinued operations, net	$—	$—	$—	$(261)
Total loss from discontinued operations, net	$—	$—	$—	$(261)
Gain (loss) recognized in other comprehensive income (b)	$8	$(14)	$10	$313

(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 $10 million and gains of $9 million for the three months ended September 30, 2014 and 2013, respectively. There were losses of $37 million and $530 million for the nine months ended September 30, 2014 and 2013, respectively.

20. Income Taxes

We recognized total income tax expense from continuing operations of $127 million and $285 million during the three months and nine months ended September 30, 2014, compared to income tax expense of $28 million and an income tax benefit of $55 million for the same periods in 2013. The increase in income tax expense for the three months ended September 30, 2014, compared to the same period in 2013, was driven primarily by tax expense attributable to higher pretax earnings. The increase in income tax expense for the nine months ended September 30, 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 nine months ended September 30, 2013, which did not occur in the nine months ended September 30, 2014, related to the 2013 retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from a 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.

The successful completion of the sale of our joint venture in China, which is currently classified as held-for-sale as of September 30, 2014, 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.

21. Share-based Compensation Plans

Based on our transactions with Treasury during 2009, we are required to comply with certain limitations on executive pay as determined by the Special Master of TARP Compensation (Special Master). We have established stock salary, or Deferred Stock Units (DSUs), and TARP Stock, or Incentive Restricted Stock Units (IRSUs), as forms of compensation to our senior executives, which have been approved by the Special Master. We also granted Restricted Stock Units (RSUs) to executives under the Long-Term Equity Compensation Incentive Plan (LTIP), and have adopted the Ally Financial 2014 Incentive Compensation Plan, which allows us to grant an array of equity-based and cash incentive awards to our named executive officers and other employees and service providers (other than our non-employee directors). Each of our approved compensation plans and awards were designed to provide our executives with an opportunity to share in the future growth in value of Ally, which is necessary to attract and retain key executives.

Prior to our initial public offering (IPO) in April 2014, all share-based awards were settled in cash and required liability treatment under the accounting guidance. Accounting treatment for liability-classified awards requires compensation expense to be adjusted each period until the awards are settled based on the value of the underlying share price. Pursuant to the terms of the LTIP, the Ally Board of Directors is required to determine a share price valuation (Share Price Valuation) for share-based compensation awards not less than annually. The Share Price Valuation determined by the Board prior to the IPO, assisted by an independent advisor, considered, among other things, the stock price performance, on an indexed basis, of publicly traded common stock issued by certain comparative companies and considered Ally's common

stock as if it were freely tradable in the public markets. After the IPO, the share price valuation is based on the trading price for our stock. Also, after the IPO, certain awards, both existing and future grants, will be settled in stock and, as a result, will be accounted for as equity awards under the accounting guidance. For equity-classified awards, the compensation expense to be recognized over the vesting and service period is determined on the grant date. Certain awards will continue to require liability treatment and receive the same treatment as previously noted. For valuation purposes, we utilize Ally's share price as of the grant date and the end of each reporting period for determining the necessary share-based compensation expense, depending on the classification of the awards. The per-share fair value based on market price for purposes of share-based compensation was $23.14 as of September 30, 2014.

During the three months ended September 30, 2014, we entered into prepaid equity forward contracts to economically hedge a portion of the price risk driven by fluctuations in the fair value of our DSU and IRSU awards. The prepaid equity forward contracts are hybrid instruments containing an embedded forward contract, which is considered a derivative instrument. The embedded derivative instrument is bifurcated from the host contract and is recorded at fair value with changes in fair value recorded as compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income. For further information on our derivative instruments, refer to Note 19.

RSU Awards

RSU awards are incentive awards that have been granted to employees as phantom shares of Ally. Prior to our IPO, these awards were paid in cash. As a result, RSU awards required liability treatment and were remeasured quarterly at the Share Price Valuation until they were paid. The compensation costs related to these awards were ratably charged to expense over the applicable service period. Changes in the value related to the portion of the awards that had vested and had not been paid were recognized in earnings in the period in which the changes occurred. After the IPO, the majority of existing RSU awards will settle in the form of Ally common stock, which changed the award classification from a liability award to an equity award. As a result of this classification change, a modification to the accounting for the existing awards was required. As part of the modification, the stock closing price on the date of the IPO (April 10, 2014) of $23.98 was used as the modification date value, which resulted in the recording of an increase to additional paid-in capital of $62 million, with a corresponding decrease in the liability. The remaining RSU cost for these awards, based on the modification date value, will be ratably charged to expense over the applicable service periods with an offset to additional paid-in capital. RSU awards granted in 2011 and 2012 can vest in one of two different methods. The first method allows vesting ratably over a three-year period starting on the date the award was issued, with awards fully vesting in February 2014 and February 2015. The second method allows vesting ratably over a two-year period, starting on the date the award was issued, with awards fully vesting in February 2013 and February 2014. RSU awards granted in 2013 and 2014 vest using a single method where vesting is ratable over a two-year period starting on the date the award was issued, with the majority of the awards fully vesting in January 2015 and January 2016. At September 30, 2014, there were a total of approximately 4 million award shares outstanding. We recognized expense related to RSU awards of $9 million and $35 million for the three months and nine months ended September 30, 2014, respectively. These costs were recorded as compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income.

DSU Awards

DSU awards are granted to senior executives as phantom shares of Ally and are included as part of their base salary. DSU awards are generally granted ratably each pay period throughout the year, vest immediately upon grant, and are paid in cash. DSUs awarded in 2012, 2013 and 2014 will generally be redeemable in three equal installments: the first on the final payroll date of the respective year of grant, the second ratably over the first year following the grant date, and the third ratably over the second year following the grant date. The DSU awards require liability treatment and are remeasured monthly at fair value based on market price until they are paid, with each change in value fully charged to compensation expense in the period in which the change occurs. At September 30, 2014, there were a total of approximately 3 million DSU award shares outstanding. We recognized expense related to DSU awards of $11 million and $27 million for the three months and nine months ended September 30, 2014, respectively, for the

outstanding awards, recorded as compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income.

IRSU Awards

IRSU awards are incentive awards that have been granted to senior executives as phantom shares of Ally and vest based on continued service with Ally. IRSU awards from 2009 and 2010 have fully vested. The majority of IRSU awards from 2011 are also fully vested, with any remaining awards scheduled to vest by the end of 2014. There were no IRSU awards granted to senior executives in 2012. IRSU awards from 2013 vest two-thirds after two years from grant date and in full three years from grant date. After the vesting requirement is met, IRSU awards are paid in cash, and payouts are made only as we repay our TARP obligations. Payouts are allowed in 25% increments based on the percentage of TARP obligations that have been repaid, as determined in accordance with the established guidelines for determining "repayment." As of September 30, 2014, Ally had repaid 75% of its TARP obligations. Payouts are based on fair value of Ally shares at the time of the payout. The awards require liability treatment and are remeasured monthly at fair value based on market price until they are paid. The compensation costs related to these awards are ratably charged to expense over the requisite service period. Changes in value relating to the portion of the awards that have vested and have not been paid are recognized in earnings in the period in which the changes occur. At September 30, 2014, there were a total of approximately 1 million IRSU award shares outstanding. We recognized an immaterial amount of expense related to IRSU awards for the three months ended September 30, 2014, and a reduction of expense related to IRSU awards of $3 million for the nine months ended September 30, 2014, for the outstanding awards, recorded as compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income.

22. Fair Value

Fair Value Measurements

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

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

Level 1	Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.
Level 2	Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.
Transfers	Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. During the nine months ended September 30, 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 nine months ended September 30, 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, foreign-currency denominated forward contracts, prepaid equity forward contracts, 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, interpolated volatility assumptions, or equity pricing) 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, at September 30, 2014, we do not 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 the credit default swap 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			
September 30, 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	$332	$954	$—	$1,286
U.S. State and political subdivisions	—	402	—	402
Foreign government	10	222	—	232
Mortgage-backed residential	—	10,884	—	10,884
Mortgage-backed commercial	—	212	—	212
Asset-backed	—	1,987	—	1,987
Corporate debt securities	—	983	—	983
Total debt securities	342	15,644	—	15,986
Equity securities (a)	728	—	—	728
Total available-for-sale securities	1,070	15,644	—	16,714
Mortgage loans held-for-sale, net (b)	—	3	—	3
Other assets				
Interests retained in financial asset sales	—	—	61	61
Derivative contracts in a receivable position (c)				
Interest rate	38	167	—	205
Foreign currency	—	25	—	25
Other	5	—	—	5
Total derivative contracts in a receivable position	43	192	—	235
Collateral placed with counterparties	—	81	—	81
Total assets	$1,113	$15,920	$61	$17,094
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$(42)	$(152)	$—	$(194)
Foreign currency	—	(96)	—	(96)
Other	(3)	(6)	—	(9)
Total derivative contracts in a payable position (c)	(45)	(254)	—	(299)
Other liabilities	(95)	—	—	(95)
Total liabilities	$(140)	$(254)	$—	$(394)

(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.

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						Fair value at	Net unrealized gains
($ in millions)	included	included	Purchases	Sales	Issuances	Settlements	September 30, 2014	included

	Fair value at July 1, 2014	in earnings	in OCI					Transfers out of Level 3		in earnings still held at September 30, 2014
Assets										
Other assets										
Interests retained in financial asset sales	$74	$4 (a)	$—	$—	$—	$—	$(17)	$—	$61	$—