Ally Financial Inc.
Form 10-Q
October 31, 2017
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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, 2017, or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-3754
ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

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

Ally Detroit Center
500 Woodward Ave.
Floor 10, Detroit, Michigan
48226
(Address of principal executive offices)
(Zip Code)
(866) 710-4623
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes 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 non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. 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 27, 2017, the number of shares outstanding of the Registrant's common stock was 442,185,905 shares.

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 PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
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	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,486	$1,307	$4,301	$3,807
Interest and dividends on investment securities and other earning assets	157	101	437	302
Interest on cash and cash equivalents	11	3	23	10
Operating leases	434	649	1,465	2,119
Total financing revenue and other interest income	2,088	2,060	6,226	6,238
Interest expense				
Interest on deposits	285	212	766	608
Interest on short-term borrowings	34	14	94	39
Interest on long-term debt	416	430	1,257	1,308
Total interest expense	735	656	2,117	1,955
Net depreciation expense on operating lease assets	272	408	982	1,352
Net financing revenue and other interest income	1,081	996	3,127	2,931
Other revenue				
Insurance premiums and service revenue earned	252	238	720	704
Gain on mortgage and automotive loans, net	15	—	65	4
Loss on extinguishment of debt	(4)	—	(6)	(4)
Other gain on investments, net	23	52	73	145
Other income, net of losses	95	98	313	289
Total other revenue	381	388	1,165	1,138
Total net revenue	1,462	1,384	4,292	4,069
Provision for loan losses	314	258	854	650
Noninterest expense				
Compensation and benefits expense	264	248	814	742
Insurance losses and loss adjustment expenses	65	69	278	287
Other operating expenses	424	418	1,249	1,189
Total noninterest expense	753	735	2,341	2,218
Income from continuing operations before income tax expense	395	391	1,097	1,201
Income tax expense from continuing operations	115	130	350	336
Net income from continuing operations	280	261	747	865
Income (loss) from discontinued operations, net of tax	2	(52)	1	(46)
Net income	282	209	748	819
Other comprehensive income (loss), net of tax	48	(4)	144	262
Comprehensive income	$330	$205	$892	$1,081

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)
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(in dollars) (a)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Basic earnings per common share				
Net income from continuing operations	$0.62	$0.54	$1.63	$1.73
Income (loss) from discontinued operations, net of tax	—	(0.11)	—	(0.10)
Net income	$0.63	$0.43	$1.63	$1.63
Diluted earnings per common share				
Net income from continuing operations	$0.62	$0.54	$1.63	$1.72
Income (loss) from discontinued operations, net of tax	—	(0.11)	—	(0.10)
Net income	$0.63	$0.43	$1.63	$1.63
Cash dividends declared per common share	$0.12	$0.08	$0.28	$0.08

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

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

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Condensed Consolidated Balance Sheet (unaudited)
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($ in millions, except share data)	September 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents		
Noninterest-bearing	$ 810	$ 1,547
Interest-bearing	3,614	4,387
Total cash and cash equivalents	4,424	5,934
Available-for-sale securities (refer to Note 7 for discussion of investment securities pledged as collateral)	23,099	18,926
Held-to-maturity securities (fair value of $1,807 and $789)	1,839	839
Loans held-for-sale, net	18	—
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	118,871	118,944
Allowance for loan losses	(1,286)	(1,144)
Total finance receivables and loans, net	117,585	117,800
Investment in operating leases, net	8,931	11,470
Premiums receivable and other insurance assets	2,054	1,905
Other assets	6,063	6,854
Total assets	$ 164,013	$ 163,728
Liabilities		
Deposit liabilities		
Noninterest-bearing	$ 129	$ 84
Interest-bearing	89,987	78,938
Total deposit liabilities	90,116	79,022
Short-term borrowings	10,175	12,673
Long-term debt	45,122	54,128
Interest payable	552	351
Unearned insurance premiums and service revenue	2,583	2,500
Accrued expenses and other liabilities	1,892	1,737
Total liabilities	150,440	150,411
Contingencies (refer to Note 25)		
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 489,593,314 and 485,707,644; and outstanding 443,796,233 and 467,000,306)	21,223	21,166
Accumulated deficit	(6,533)	(7,151)
Accumulated other comprehensive loss	(197)	(341)
Treasury stock, at cost (45,797,081 and 18,707,338 shares)	(920)	(357)
Total equity	13,573	13,317
Total liabilities and equity	$ 164,013	$ 163,728

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

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

($ in millions)	September 30, 2017	December 31, 2016
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	$ 20,020	$ 24,630
Allowance for loan losses	(134)	(173)
Total finance receivables and loans, net	19,886	24,457
Investment in operating leases, net	704	1,745
Other assets	1,037	1,390
Total assets	$ 21,627	$ 27,592
Liabilities		
Long-term debt	$ 10,046	$ 13,259
Accrued expenses and other liabilities	10	12
Total liabilities	$ 10,056	$ 13,271

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

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Condensed Consolidated Statement of Changes in Equity (unaudited)
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($ in millions)	Common stock and paid-in capital	Preferred stock	Accumulated deficit	Accumulated other comprehensive (loss) income	Treasury stock	Total equity
Balance at January 1, 2016	$21,100	$ 696	$ (8,110)	$ (231)	$ (16)	$13,439
Net income			819			819
Preferred stock dividends			(30)			(30)
Series A preferred stock redemption		(696)				(696)
Share-based compensation	49					49
Other comprehensive income				262		262
Common stock repurchases					(173)	(173)
Common stock dividend ($0.08 per share)			(40)			(40)
Balance at September 30, 2016	$21,149	$ —	$ (7,361)	$ 31	$ (189)	$13,630
Balance at January 1, 2017	$21,166	$ —	$ (7,151)	$ (341)	$ (357)	$13,317
Net income			748			748
Share-based compensation	57					57
Other comprehensive income				144		144
Common stock repurchases					(563)	(563)
Common stock dividends ($0.28 per share)			(130)			(130)
Balance at September 30, 2017	$21,223	$ —	$ (6,533)	$ (197)	$ (920)	$13,573

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)	2017	2016
Operating activities		
Net income	$ 748	$ 819
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	1,434	1,807
Provision for loan losses	854	650
Gain on mortgage and automotive loans, net	(65)	(4)
Other gain on investments, net	(73)	(145)
Loss on extinguishment of debt	6	4
Originations and purchases of loans held-for-sale	(252)	(141)
Proceeds from sales and repayments of loans originated as held-for-sale	236	184
Net change in		
Deferred income taxes	289	322
Interest payable	202	112
Other assets	(57)	16
Other liabilities	(19)	(65)
Other, net	70	30
Net cash provided by operating activities	3,373	3,589
Investing activities		
Purchases of available-for-sale securities	(9,022)	(11,027)
Proceeds from sales of available-for-sale securities	2,926	8,546
Proceeds from maturities and repayments of available-for-sale securities	2,002	2,411
Purchases of held-to-maturity securities	(709)	(650)
Proceeds from maturities and repayments of held-to-maturity securities	32	—
Purchases of finance receivables and loans held-for-investment	(3,125)	(2,924)
Proceeds from sales of finance receivables and loans originated as held-for-investment	1,323	4,221
Originations and repayments of finance receivables and loans held-for-investment and other, net	1,021	(5,384)
Purchases of operating lease assets	(2,844)	(2,360)
Disposals of operating lease assets	4,409	4,631
Acquisitions, net of cash acquired	—	(309)
Net change in restricted cash	497	622
Net change in nonmarketable equity investments	(20)	(401)
Other, net	(159)	(157)
Net cash used in investing activities	(3,669)	(2,781)

Statement continues on the next page.

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Nine months ended September 30, ($ in millions)	2017	2016
Financing activities		
Net change in short-term borrowings	(2,500)	(1,673)
Net increase in deposits	11,050	9,240
Proceeds from issuance of long-term debt	13,302	11,229
Repayments of long-term debt	(22,376)	(20,758)
Repurchase and redemption of preferred stock	—	(696)
Repurchase of common stock	(563)	(173)
Dividends paid	(130)	(70)
Net cash used in financing activities	(1,217)	(2,901)
Effect of exchange-rate changes on cash and cash equivalents	3	2
Net decrease in cash and cash equivalents	(1,510)	(2,091)
Cash and cash equivalents at beginning of year	5,934	6,380
Cash and cash equivalents at September 30,	$4,424	$4,289
Supplemental disclosures		
Cash paid for		
Interest	$1,910	$1,860
Income taxes	32	16
Noncash items		
Held-to-maturity securities received in consideration for loans sold	56	—
Finance receivables and loans transferred to loans held-for-sale	1,326	4,231
Other disclosures		
Proceeds from repayments of mortgage loans held-for-investment originally designated as held-for-sale	29	28

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. (together with its consolidated subsidiaries unless the context requires otherwise, Ally, the Company, or we, us, or our) is a leading digital financial services company and top 25 U.S. financial holding company (FHC) offering diversified financial products for consumers, businesses, automotive dealers, and corporate clients. Our legacy dates back to 1919, and Ally was redesigned in 2009 with a distinctive brand, innovative approach, and relentless focus on our customers. We reconverted to a Delaware corporation in 2009 and are registered as a bank holding company (BHC) under the Bank Holding Company Act of 1956 as amended and an FHC under the Gramm-Leach-Bliley Act of 1999 as amended. We are one of the largest full service automotive finance operations in the country with a deep expertise in automotive lending and a complementary automotive-focused insurance business. Our wholly-owned banking subsidiary, Ally Bank, has received numerous industry awards for its services and capabilities and is one of the largest and most respected online banks, uniquely positioned for the observed shifting trends in consumer and commercial banking preferences for digital banking. We offer a variety of deposit and banking products including CDs, online savings, money market and checking accounts, IRA products, a cash back credit card, and mortgage lending offerings through Ally Home. We have recently integrated a growing digital wealth management and online brokerage platform to enable consumers to have a variety of options in managing their savings and wealth. Additionally, through our corporate finance business, we offer lending solutions to middle-market companies.

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

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

Significant Accounting Policies

Income Taxes

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

Securitizations and Variable Interest Entities

We securitize, transfer, and service consumer and commercial automotive loans and operating leases. Securitization transactions typically involve the use of variable interest entities (VIEs) and are accounted for either as sales or

secured borrowings. We may retain economic interests in securitized and sold assets, which are generally in the form of senior or subordinated interests, other residual interests, and servicing rights.

In order to conclude whether or not a VIE is required to be consolidated, careful consideration and judgment must be given to our continuing involvement with the VIE. In circumstances where we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, we would conclude that we are the primary beneficiary of the VIE, and would consolidate the entity. Consolidation of the VIE would also preclude us from recording an accounting sale on the transaction. In the case of a consolidated VIE, the accounting is consistent with a secured borrowing (e.g., we continue to carry the loans and we record the related securitized debt on our Condensed Consolidated Balance Sheet).

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

Gains or losses on off-balance sheet securitizations take into consideration the fair value of any retained interests, including the value of certain servicing assets or liabilities, if any, which are initially recorded at fair value at the date of sale. The estimate of the fair value of the

retained interests and servicing requires us to exercise significant judgment about the timing and amount of future cash flows from the interests. Refer to Note 21 to the Condensed Consolidated Financial Statements for a discussion of fair value estimates.

Gains or losses on off-balance sheet securitizations and sales are reported in gain on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. Retained interests are classified as securities or as other assets depending on their nature. On December 24, 2016, the risk retention rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010 became effective, requiring us to retain at least five percent of the credit risk of the assets underlying asset-backed securitizations. This note was updated to address the Dodd-Frank Act risk retention rules and differs from our description in Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K.

We retain servicing responsibilities for all of our consumer and commercial automotive loan and operating lease securitizations. We may receive servicing fees for off-balance sheet securitizations based on the securitized loan balances and certain ancillary fees, all of which are reported in servicing fees in the Condensed Consolidated Statement of Comprehensive Income. Typically, the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, does not result in the recognition of a servicing asset or liability.

Whether on- or off-balance sheet, the investors in the securitization trusts generally have no recourse to our assets outside of protections afforded through customary market representation and warranty repurchase provisions.

Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

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

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

Recently Issued Accounting Standards

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

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

originally issued, the amendments in ASU 2014-09 were to be effective beginning on January 1, 2017. However, in August 2015, the FASB issued ASU 2015-14, which deferred the effective date of the guidance until January 1, 2018, and permitted early adoption as of the original effective date in ASU 2014-09. The FASB has issued several additional ASUs to clarify guidance and provide implementation support for ASU 2014-09. Management has considered these additional ASUs when assessing the overall impact of ASU 2014-09. The amendments to the revenue recognition principles can be applied upon adoption either through a full retrospective application or on a modified retrospective basis with a cumulative effect adjustment on the date of initial adoption with certain practical expedients. Our implementation efforts to date related to this standard have included identifying revenue streams that are within the scope of this guidance, the evaluation of associated contracts and accounting policies, the evaluation of processes and systems of internal control, and the assessment of disclosure requirements of the standard. A majority of our revenue streams are not within the scope of this ASU as they are governed by other accounting standards. Management has determined that certain revenue streams and contractual arrangements are in scope of this guidance, including deposit fees, revenue on certain noninsurance contracts, brokering commissions through our insurance operations, sales of off-lease vehicles, remarketing fee income through SmartAuction, and commission and fee income generated through Ally Invest. Management does not expect these amendments to impact current revenue recognition patterns for a majority of the in scope revenue streams and contracts. However, we expect that the application of this guidance to noninsurance contracts within our insurance business will result in the deferral of certain amounts we currently recognize as revenue and expense upon the origination of the contract and the immediate recognition of certain expenses upon the origination of the contract that are currently deferred. Additionally, upon implementation we expect to expand our financial statement disclosures as required by the standard. Our assessment is not final; however, we do not expect the impact of the new guidance to these

specific contracts to be material to the financial statements. We currently plan to adopt this guidance as of January 1, 2018, and expect to use the modified retrospective approach.

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

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

Leases (ASU 2016-02)

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

Financial Instruments — Credit Losses (ASU 2016-13)

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

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

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

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

statement of cash flows. We currently plan to adopt these amendments on January 1, 2018, and expect to use the retrospective approach as required.

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

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

Derivatives and Hedging — Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12)

In August 2017, the FASB issued ASU 2017-12, which enhances the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in this update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The amendments are effective on January 1, 2019, with early adoption permitted. Entities must apply the amendments to cash flow and net investment hedge relationships that exist on the date of adoption using a modified retrospective approach. All transition requirements and elections must be applied to hedging relationships existing as of the adoption date and the effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The presentation and disclosure requirements must be applied prospectively. We are currently evaluating the impact these amendments will have to our financial statements and are evaluating the potential of early adopting the standard on January 1, 2018.

2. Acquisitions

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

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

($ in millions)	
Purchase price	
Cash consideration	$298
Allocation of purchase price to net assets acquired	
Intangible assets (a)	82
Cash and short-term investments (b)	50
Other assets	14
Deferred tax asset, net	4

Employee compensation and benefits	(41)
Other liabilities	(4)
Goodwill	$ 193

(a) We recorded $3 million and $8 million of amortization on these intangible assets during the three months and nine months ended September 30, 2017, respectively, and $3 million during both the three months and nine months ended September 30, 2016.

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

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

On August 1, 2016, we acquired assets that constitute a business from Blue Yield, an online automotive lender exchange which we rebranded as Clearlane, as we continue to expand our automotive finance offerings to include a direct-to-consumer option. We completed the acquisition for $28 million of total consideration. As a result of the purchase, we recognized $20 million of goodwill within Automotive Finance operations.

3. Discontinued Operations

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

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Pretax loss	$(1)	$(46)	$(2)	$(44)
Tax (benefit) expense	(3)	6	(3)	2

4. 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)	2017	2016	2017	2016
Remarketing fees	$ 26	$ 26	$ 82	$ 79
Late charges and other administrative fees	25	25	77	72
Servicing fees	11	18	41	49
Income from equity-method investments	7	3	12	14
Other, net	26	26	101	75
Total other income, net of losses	$ 95	$ 98	$ 313	$ 289

5. Reserves for Insurance Losses and Loss Adjustment Expenses

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

($ in millions)	2017	2016
Total gross reserves for insurance losses and loss adjustment expenses at January 1,	$149	$169
Less: Reinsurance recoverable	108	120
Net reserves for insurance losses and loss adjustment expenses at January 1,	41	49
Net insurance losses and loss adjustment expenses incurred related to:		
Current year	276	291
Prior years (a)	2	(4)
Total net insurance losses and loss adjustment expenses incurred	278	287
Net insurance losses and loss adjustment expenses paid or payable related to:		
Current year	(248)	(266)
Prior years	(31)	(27)
Total net insurance losses and loss adjustment expenses paid or payable	(279)	(293)
Foreign exchange and other	1	1
Net reserves for insurance losses and loss adjustment expenses at September 30,	41	44
Plus: Reinsurance recoverable	132	106
Total gross reserves for insurance losses and loss adjustment expenses at September 30,	$173	$150

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

6. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Insurance commissions	$106	$99	$309	$290
Technology and communications	72	70	212	203
Lease and loan administration	41	34	116	100
Advertising and marketing	33	27	96	75
Vehicle remarketing and repossession	29	24	82	70
Regulatory and licensing fees	27	26	82	68
Professional services	28	25	81	75
Premises and equipment depreciation	22	19	67	61
Occupancy	11	13	34	38
Non-income taxes	6	10	22	27
Other	49	71	148	182
Total other operating expenses	$424	$418	$1,249	$1,189

7. Investment Securities

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

	September 30, 2017				December 31, 2016			
	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 (a)	$2,112	$—	$(39)	$2,073	$1,680	$—	$(60)	$1,620
U.S. States and political subdivisions	849	12	(10)	851	794	7	(19)	782
Foreign government	157	2	(2)	157	157	5	—	162
Agency mortgage-backed residential	14,423	54	(133)	14,344	10,473	29	(212)	10,290
Mortgage-backed residential	2,326	16	(32)	2,310	2,162	5	(70)	2,097
Mortgage-backed commercial	509	2	(2)	509	537	2	(2)	537
Asset-backed	1,036	4	(1)	1,039	1,396	6	(2)	1,400
Corporate debt	1,291	10	(10)	1,291	1,452	7	(16)	1,443
Total debt securities (b) (c)	22,703	100	(229)	22,574	18,651	61	(381)	18,331
Equity securities	563	12	(50)	525	642	7	(54)	595
Total available-for-sale securities	$23,266	$112	$(279)	$23,099	$19,293	$68	$(435)	$18,926
Held-to-maturity securities								
Debt securities								
Agency mortgage-backed residential (d)	$1,799	$4	$(36)	$1,767	$839	$—	$(50)	$789
Asset-backed retained notes	40	—	—	40	—	—	—	—
Total held-to-maturity securities	$1,839	$4	$(36)	$1,807	$839	$—	$(50)	$789

(a) Includes $304 million of U.S. Treasury securities that are included in a fair value hedging relationship as of September 30, 2017. Refer to Note 19 for additional information.

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

(c) Investment securities with a fair value of $6,705 million and $4,881 million at September 30, 2017, and December 31, 2016, respectively, were pledged to secure advances from the Federal Home Loan Bank (FHLB), short-term borrowings or repurchase agreements, or for other purposes as required by contractual obligation or law. Under these agreements, we have granted the counterparty the right to sell or pledge $1,339 million and $737 million of the underlying investment securities at September 30, 2017, and December 31, 2016, respectively.

(d) Agency mortgage-backed residential debt securities are held for liquidity risk management purposes. Securities with a fair value of $115 million and $87 million at September 30, 2017, and December 31, 2016, respectively, were pledged to secure advances from the FHLB.

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

	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	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
September 30, 2017										
Fair value of available-for-sale debt securities (a)										
U.S. Treasury	$2,073	1.8 %	$—	— %	$467	1.7 %	$1,606	1.8 %	$—	— %
U.S. States and political subdivisions	851	2.9	69	1.6	35	2.4	197	2.7	550	3.2
Foreign government	157	2.5	—	—	69	2.6	88	2.4	—	—
Agency mortgage-backed residential	14,344	3.1	—	—	—	—	3	2.9	14,341	3.1
Mortgage-backed residential	2,310	3.0	—	—	—	—	—	—	2,310	3.0
Mortgage-backed commercial	509	3.1	—	—	—	—	31	2.9	478	3.1
Asset-backed	1,039	3.0	2	1.6	762	3.1	137	3.1	138	2.7
Corporate debt	1,291	2.9	135	2.5	595	2.6	515	3.2	46	4.9
Total available-for-sale debt securities	$22,574	2.9	$206	2.2	$1,928	2.6	$2,577	2.2	$17,863	3.1
Amortized cost of available-for-sale debt securities	$22,703		$206		$1,929		$2,609		$17,959	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	$1,799	3.1 %	$—	— %	$—	— %	$—	— %	$1,799	3.1 %
Asset-backed retained notes	40	1.7	—	—	39	1.6	1	3.0	—	—
Total held-to-maturity securities	$1,839	3.1	$—	—	$39	1.6	$1	3.0	$1,799	3.1
December 31, 2016										
Fair value of available-for-sale debt securities (a)										
U.S. Treasury	$1,620	1.7 %	$2	4.6 %	$60	1.6 %	$1,558	1.7 %	$—	— %
U.S. States and political subdivisions	782	3.1	64	1.7	29	2.3	172	2.8	517	3.4
Foreign government	162	2.6	—	—	58	2.8	104	2.4	—	—
Agency mortgage-backed residential	10,290	2.9	—	—	—	—	29	2.6	10,261	2.9
Mortgage-backed residential	2,097	2.9	—	—	—	—	—	—	2,097	2.9
Mortgage-backed commercial	537	2.6	—	—	—	—	3	2.8	534	2.6
Asset-backed	1,400	2.8	—	—	1,059	2.8	143	3.2	198	2.6
Corporate debt	1,443	2.8	72	2.2	840	2.6	489	3.2	42	4.7
Total available-for-sale debt securities	$18,331	2.8	$138	2.0	$2,046	2.7	$2,498	2.2	$13,649	2.9
Amortized cost of available-for-sale debt securities	$18,651		$138		$2,040		$2,563		$13,910	
Amortized cost of held-to-maturity securities (b)	$839	2.9 %	$—	— %	$—	— %	$—	— %	$839	2.9 %

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

(b)

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

The balances of cash equivalents were $304 million and $291 million at September 30, 2017, and December 31, 2016, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents interest and dividends on investment securities.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Taxable interest	$141	$93	$390	$276
Taxable dividends	3	4	8	13
Interest and dividends exempt from U.S. federal income tax	6	4	17	13
Interest and dividends on investment securities	$150	$101	$415	$302

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Gross realized gains	$24	$52	$75	$146
Gross realized losses (a)	(1)	—	(2)	(1)
Other gain on investments, net	$23	$52	$73	$145

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

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

	September 30, 2017				December 31, 2016			
	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	$2,029	$ (39)	$—	$ —	$1,612	$ (60)	$—	$ —
U.S. States and political subdivisions	311	(4)	138	(6)	524	(19)	—	—
Foreign government	78	(2)	—	—	38	—	—	—
Agency mortgage-backed residential	7,444	(115)	730	(18)	8,052	(196)	587	(16)
Mortgage-backed residential	103	(1)	825	(31)	813	(17)	860	(53)
Mortgage-backed commercial	164	(2)	15	—	47	(1)	149	(1)
Asset-backed	341	(1)	86	—	375	(2)	127	—
Corporate debt	388	(6)	108	(4)	744	(14)	46	(2)
Total temporarily impaired debt securities	10,858	(170)	1,902	(59)	12,205	(309)	1,769	(72)
Temporarily impaired equity securities	101	(8)	119	(42)	151	(8)	269	(46)
Total temporarily impaired available-for-sale securities	$10,959	$ (178)	$2,021	$ (101)	$12,356	$ (317)	$2,038	$ (118)

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8. Finance Receivables and Loans, Net

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

($ in millions)	September 30, 2017	December 31, 2016
Consumer automotive (a)	$ 67,077	$ 65,793
Consumer mortgage		
Mortgage Finance (b)	9,760	8,294
Mortgage — Legacy (c)	2,255	2,756
Total consumer mortgage	12,015	11,050
Total consumer	79,092	76,843
Commercial		
Commercial and industrial		
Automotive	31,985	35,041
Other	3,774	3,248
Commercial real estate — Automotive	4,020	3,812
Total commercial	39,779	42,101
Total finance receivables and loans (d)	$ 118,871	$ 118,944

(a) Includes $24 million and $43 million of fair value adjustment for loans in hedge accounting relationships at September 30, 2017, and December 31, 2016, respectively. Refer to Note 19 for additional information.

(b) Includes loans originated as interest-only mortgage loans of $24 million and $30 million at September 30, 2017, and December 31, 2016, respectively, 35% of which are expected to start principal amortization in 2019, and 44% in 2020. The remainder of these loans have already exited the interest-only period.

(c) Includes loans originated as interest-only mortgage loans of $538 million and $714 million at September 30, 2017, and December 31, 2016, respectively, 2% of which are expected to start principal amortization in 2018, and 1% beyond 2020. The remainder of these loans have already exited the interest-only period.

(d) Totals include net increases of $494 million and $359 million at September 30, 2017, and December 31, 2016, respectively, for unearned income, unamortized premiums and discounts, and deferred fees and costs.

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

Three months ended September 30, 2017 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at July 1, 2017	$ 1,002	$ 83	$ 140	$ 1,225
Charge-offs (a)	(327)	(7)	(10)	(344)
Recoveries	85	6	—	91
Net charge-offs	(242)	(1)	(10)	(253)
Provision for loan losses	314	—	—	314
Other	—	(1)	1	—
Allowance at September 30, 2017	$ 1,074	$ 81	$ 131	$ 1,286

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

Three months ended September 30, 2016 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at July 1, 2016	$ 862	$ 109	$ 118	$ 1,089

Charge-offs (a)	(293)	(10)	—	(303)
Recoveries	74	16	—	90
Net charge-offs	(219)	6	—	(213)
Provision for loan losses	269	(15)	4	258
Allowance at September 30, 2016	$ 912	$ 100	$ 122	$1,134

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

Nine months ended September 30, 2017 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2017	$ 932	$ 91	$ 121	$ 1,144
Charge-offs (a)	(958)	(22)	(10)	(990)
Recoveries	266	19	—	285
Net charge-offs	(692)	(3)	(10)	(705)
Provision for loan losses	841	(6)	19	854
Other (b)	(7)	(1)	1	(7)
Allowance at September 30, 2017	$ 1,074	$ 81	$ 131	$ 1,286
Allowance for loan losses at September 30, 2017				
Individually evaluated for impairment	$ 35	$ 30	$ 21	$ 86
Collectively evaluated for impairment	1,039	51	110	1,200
Finance receivables and loans at gross carrying value				
Ending balance	$ 67,077	$ 12,015	$ 39,779	$ 118,871
Individually evaluated for impairment	403	237	146	786
Collectively evaluated for impairment	66,674	11,778	39,633	118,085

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

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

Nine months ended September 30, 2016 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2016	$ 834	$ 114	$ 106	$ 1,054
Charge-offs (a)	(773)	(29)	(1)	(803)
Recoveries	233	25	1	259
Net charge-offs	(540)	(4)	—	(544)
Provision for loan losses	644	(10)	16	650
Other (b)	(26)	—	—	(26)
Allowance at September 30, 2016	$ 912	$ 100	$ 122	$ 1,134
Allowance for loan losses at September 30, 2016				
Individually evaluated for impairment	$ 24	$ 35	$ 25	$ 84
Collectively evaluated for impairment	888	65	97	1,050
Finance receivables and loans at gross carrying value				
Ending balance	$ 64,816	$ 10,857	$ 39,286	$ 114,959
Individually evaluated for impairment	349	251	111	711
Collectively evaluated for impairment	64,467	10,606	39,175	114,248

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Consumer automotive	$ 28	$ 57	$ 1,326	$ 4,216
Consumer mortgage	3	6	9	12
Commercial	—	—	—	28
Total sales and transfers	$ 31	$ 63	$ 1,335	$ 4,256

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

($ in millions)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Consumer automotive	$83	$—	$762	$—
Consumer mortgage	1,183	467	2,319	2,855
Total purchases of finance receivables and loans	$1,266	$467	$3,081	$2,855

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

($ in millions)	30–59 days past due	60–89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
September 30, 2017						
Consumer automotive	$ 1,742	$ 414	$ 261	$ 2,417	$64,660	$ 67,077
Consumer mortgage						
Mortgage Finance	75	1	5	81	9,679	9,760
Mortgage — Legacy	40	21	58	119	2,136	2,255
Total consumer mortgage	115	22	63	200	11,815	12,015
Total consumer	1,857	436	324	2,617	76,475	79,092
Commercial						
Commercial and industrial						
Automotive	16	—	13	29	31,956	31,985
Other	—	—	8	8	3,766	3,774
Commercial real estate — Automotive	3	—	—	3	4,017	4,020
Total commercial	19	—	21	40	39,739	39,779
Total consumer and commercial	$ 1,876	$ 436	$ 345	$ 2,657	$116,214	$ 118,871
December 31, 2016						
Consumer automotive	$ 1,850	$ 428	$ 302	$ 2,580	$63,213	$ 65,793
Consumer mortgage						
Mortgage Finance	39	6	4	49	8,245	8,294
Mortgage — Legacy	45	18	57	120	2,636	2,756
Total consumer mortgage	84	24	61	169	10,881	11,050
Total consumer	1,934	452	363	2,749	74,094	76,843
Commercial						
Commercial and industrial						
Automotive	3	—	7	10	35,031	35,041
Other	—	—	—	—	3,248	3,248
Commercial real estate — Automotive	—	—	—	—	3,812	3,812
Total commercial	3	—	7	10	42,091	42,101
Total consumer and commercial	$ 1,937	$ 452	$ 370	$ 2,759	$116,185	$ 118,944

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

($ in millions)	September 30, 2017	December 31, 2016
Consumer automotive	$ 573	$ 598
Consumer mortgage		
Mortgage Finance	7	10
Mortgage — Legacy	81	89
Total consumer mortgage	88	99
Total consumer	661	697
Commercial		
Commercial and industrial		
Automotive	78	33
Other	61	84
Commercial real estate — Automotive	7	5
Total commercial	146	122
Total consumer and commercial finance receivables and loans	$ 807	$ 819

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

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

	September 30, 2017			December 31, 2016		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automotive	$66,504	$ 573	$67,077	$65,195	$ 598	$65,793
Consumer mortgage						
Mortgage Finance	9,753	7	9,760	8,284	10	8,294
Mortgage — Legacy	2,174	81	2,255	2,667	89	2,756
Total consumer mortgage	11,927	88	12,015	10,951	99	11,050
Total consumer	$78,431	$ 661	$79,092	$76,146	$ 697	$76,843

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

	September 30, 2017			December 31, 2016		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial and industrial						
Automotive	$30,189	$ 1,796	$31,985	$33,160	$ 1,881	$35,041
Other	2,913	861	3,774	2,597	651	3,248
Commercial real estate — Automotive	3,891	129	4,020	3,653	159	3,812
Total commercial	$36,993	$ 2,786	$39,779	$39,410	$ 2,691	$42,101

(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 2016 Annual Report on Form 10-K.

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

($ in millions)	Unpaid principal balance (a)	Gross carrying value	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
September 30, 2017					
Consumer automotive	$ 411	$ 403	$ 86	$ 317	$ 35
Consumer mortgage					
Mortgage Finance	8	8	4	4	—
Mortgage — Legacy	234	229	56	173	30
Total consumer mortgage	242	237	60	177	30
Total consumer	653	640	146	494	65
Commercial					
Commercial and industrial					
Automotive	78	78	51	27	3
Other	70	61	10	51	17
Commercial real estate — Automotive	7	7	3	4	1
Total commercial	155	146	64	82	21
Total consumer and commercial finance receivables and loans	$ 808	$ 786	$ 210	$ 576	$ 86
December 31, 2016					
Consumer automotive	$ 407	$ 370	$ 131	$ 239	$ 28
Consumer mortgage					
Mortgage Finance	8	8	3	5	—
Mortgage — Legacy	243	239	56	183	34
Total consumer mortgage	251	247	59	188	34
Total consumer	658	617	190	427	62
Commercial					
Commercial and industrial					
Automotive	33	33	7	26	3
Other	99	84	—	84	19
Commercial real estate — Automotive	5	5	2	3	1
Total commercial	137	122	9	113	23
Total consumer and commercial finance receivables and loans	$ 795	$ 739	$ 199	$ 540	$ 85

(a) Adjusted for charge-offs.

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

Three months ended September 30, ($ in millions)	2017 Average balance	2017 Interest income	2016 Average balance	2016 Interest income
Consumer automotive	$389	$ 5	$347	$ 4
Consumer mortgage				
Mortgage Finance	8	—	8	—
Mortgage — Legacy	231	2	245	2
Total consumer mortgage	239	2	253	2
Total consumer	628	7	600	6
Commercial				
Commercial and industrial				
Automotive	77	1	48	1
Other	63	—	63	—
Commercial real estate — Automotive	7	—	6	—
Total commercial	147	1	117	1
Total consumer and commercial finance receivables and loans	$775	$ 8	$717	$ 7

Nine months ended September 30, ($ in millions)	2017 Average balance	2017 Interest income	2016 Average balance	2016 Interest income
Consumer automotive	$368	$ 15	$340	$ 12
Consumer mortgage				
Mortgage Finance	8	—	8	—
Mortgage — Legacy	236	7	250	7
Total consumer mortgage	244	7	258	7
Total consumer	612	22	598	19
Commercial				
Commercial and industrial				
Automotive	55	2	35	1
Other	73	8	58	1
Commercial real estate — Automotive	6	—	6	—
Total commercial	134	10	99	2
Total consumer and commercial finance receivables and loans	$746	$ 32	$697	$ 21

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. For automotive loans, we may offer several types of assistance to aid our customers, including extension of the loan maturity date and rewriting the loan terms. Additionally, for mortgage loans, as part of certain programs, we offer mortgage loan modifications to qualified borrowers. These programs are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Total TDRs recorded at gross carrying value were $715 million and $663 million at September 30, 2017, and December 31, 2016, respectively. Commercial commitments to lend additional funds to borrowers whose terms had been modified in a TDR were $7 million and $2 million at September 30, 2017, and December 31, 2016, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information.

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

	2017			2016		
Three months ended September 30, ($ in millions)	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value
Consumer automotive	7,165	$ 80	$ 75	4,427	$ 70	$ 58
Consumer mortgage						
Mortgage Finance	2	—	—	2	—	—
Mortgage — Legacy	37	4	4	35	6	6
Total consumer mortgage	39	4	4	37	6	6
Total consumer	7,204	84	79	4,464	76	64
Commercial						
Commercial and industrial						
Automotive	3	13	13	—	—	—
Commercial real estate — Automotive	1	3	3	—	—	—
Total commercial	4	16	16	—	—	—
Total consumer and commercial finance receivables and loans	7,208	$ 100	$ 95	4,464	$ 76	$ 64

	2017			2016		
Nine months ended September 30, ($ in millions)	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value
Consumer automotive	19,374	$ 298	$ 262	14,816	$ 238	$ 202
Consumer mortgage						
Mortgage Finance	3	—	—	5	2	2
Mortgage — Legacy	109	19	18	92	14	14
Total consumer mortgage	112	19	18	97	16	16
Total consumer	19,486	317	280	14,913	254	218
Commercial						
Commercial and industrial						
Automotive	3	13	13	—	—	—
Other	2	44	44	—	—	—
Commercial real estate — Automotive	1	3	3	—	—	—
Total commercial	6	60	60	—	—	—
Total consumer and commercial finance receivables and loans	19,492	$ 377	$ 340	14,913	$ 254	$ 218

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

	2017			2016		
Three months ended September 30, ($ in millions)	Number of loans	Gross carrying value	Charge-off amount	Number of loans	Gross carrying value	Charge-off amount
Consumer automotive	2,222	$ 25	$ 18	1,959	$ 23	$ 14
Consumer mortgage						
Mortgage Finance	—	—	—	—	—	—
Mortgage — Legacy	1	—	—	1	—	—
Total consumer finance receivables and loans	2,223	$ 25	$ 18	1,960	$ 23	$ 14

	2017			2016		
Nine months ended September 30, ($ in millions)	Number of loans	Gross carrying value	Charge-off amount	Number of loans	Gross carrying value	Charge-off amount
Consumer automotive	6,354	$ 74	$ 51	5,617	$ 69	$ 39
Consumer mortgage						
Mortgage Finance	1	1	—	—	—	—
Mortgage — Legacy	1	—	—	4	—	—
Total consumer finance receivables and loans	6,356	$ 75	$ 51	5,621	$ 69	$ 39

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	September 30, 2017	December 31, 2016
Vehicles	$ 11,001	$ 14,584
Accumulated depreciation	(2,070)	(3,114)
Investment in operating leases, net	$ 8,931	$ 11,470

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Depreciation expense on operating lease assets (excluding remarketing gains)	$323	$470	$1,062	$1,555
Remarketing gains	(51)	(62)	(80)	(203)
Net depreciation expense on operating lease assets	$272	$408	$982	$1,352

10. Securitizations and Variable Interest Entities

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

The transaction-specific SPEs involved in our securitization and other financing transactions are often considered VIEs. VIEs are entities that have either a total equity investment at risk that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors at risk lack the ability to control the entity's activities.

We securitize consumer and commercial automotive loans, and operating leases through private-label securitizations. We often securitize these loans and notes secured by operating leases (collectively referred to as financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet.

The pretax gain on sales of financial assets into nonconsolidated consumer automotive securitization trusts was $0 million and $2 million for the three months and nine months ended September 30, 2017, respectively. There were no pretax gains or losses for the three months and nine months ended September 30, 2016.

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

We have involvement with various other nonconsolidated equity investments, including affordable housing entities and venture capital funds and loan funds. We do not consolidate these entities and our involvement is limited to our outstanding investment, additional capital committed to these funds plus any previously recognized low income housing tax credits that are subject to recapture.

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

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

($ in millions)	Carrying value of total assets		Carrying value of total liabilities		Assets sold to nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs	
September 30, 2017							
On-balance sheet variable interest entities							
Consumer automotive	$17,462	(b)	$7,529	(c)			
Commercial automotive	12,590		2,557				
Off-balance sheet variable interest entities							
Consumer automotive	42	(d)	—		$ 2,293	$ 2,334	(e)
Commercial other	575	(f)	238	(g)	—	756	(h)
Total	$30,669		$10,324		$ 2,293	$ 3,090	
December 31, 2016							
On-balance sheet variable interest entities							
Consumer automotive	$20,869	(b)	$8,557	(c)			
Commercial automotive	16,278		4,764				
Off-balance sheet variable interest entities							
Consumer automotive	24	(f)	—		$ 2,899	$ 2,923	(e)
Commercial other	460	(f)	169	(g)	—	651	(h)
Total	$37,631		$13,490		$ 2,899	$ 3,574	

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

(b) Includes $8.4 billion and $9.6 billion of assets that are not encumbered by VIE beneficial interests held by third parties at September 30, 2017, and December 31, 2016, respectively. Ally or consolidated affiliates hold the interests in these assets.

(c) Includes $30 million and $50 million of liabilities that are not obligations to third-party beneficial interest holders at September 30, 2017, and December 31, 2016, respectively.

(d) Represents retained notes and certificated residual interests, of which $40 million is classified as held-to-maturity securities and $2 million is classified as other assets at September 30, 2017. These assets represent our compliance with the risk retention rules under the Dodd-Frank Act, requiring us to retain at least five percent of the credit risk

of the assets underlying asset-backed securitizations, which became effective on December 24, 2016.

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

(f) Amounts are classified as other assets.

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

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

Cash Flows with Off-balance Sheet Securitization Entities

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

Nine months ended September 30, ($ in millions)	Consumer automotive
2017	
Cash proceeds from transfers completed during the period	$ 1,187
Cash disbursements for repurchases during the period (a)	(491)
Servicing fees	25
Cash flows received on retained interests in securitization entities	16
Other cash flows	4
2016	
Cash proceeds from transfers completed during the period	$ 1,659
Servicing fees	27
Other cash flows	6

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

Delinquencies and Net Credit Losses

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

($ in millions)	Total amount		Amount 60 days or more past due	
	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
On-balance sheet finance receivables and loans				
Consumer automotive	$67,077	$ 65,793	$ 675	$ 730
Consumer mortgage	12,015	11,050	85	85
Commercial automotive	36,005	38,853	13	7
Commercial other	3,774	3,248	8	—
Total on-balance sheet finance receivables and loans	118,871	118,944	781	822
Off-balance sheet securitization entities				
Consumer automotive	2,293	2,392	14	13
Total off-balance sheet securitization entities	2,293	2,392	14	13
Whole-loan sales (a)	1,655	3,164	4	6
Total	$122,819	$ 124,500	$ 799	$ 841

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

	Net credit losses			
	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
On-balance sheet finance receivables and loans				
Consumer automotive	$242	$219	$692	$540
Consumer mortgage	1	(6)	3	4
Commercial automotive	1	—	1	—
Commercial other	9	—	9	—
Total on-balance sheet finance receivables and loans	253	213	705	544
Off-balance sheet securitization entities				
Consumer automotive	3	2	9	6
Total off-balance sheet securitization entities	3	2	9	6
Whole-loan sales (a)	1	1	3	2
Total	$257	$216	$717	$552

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

11. Servicing Activities

Automotive Finance Servicing Activities

We service consumer automotive contracts. Historically, we have sold a portion of our consumer automotive contracts. With respect to contracts we sell, we generally retain the right to service and earn a servicing fee for our servicing function. We have concluded that the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automotive servicing fee income of $11 million and $41 million during the three months and nine months ended September 30, 2017, respectively, compared to $18 million and $49 million during the three months and nine months ended September 30, 2016.

Automotive Finance Serviced Assets

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

($ in millions)	September 30, 2017	December 31, 2016
On-balance sheet automotive finance loans and leases		
Consumer automotive	$ 66,721	$ 65,646
Commercial automotive	36,005	38,853
Operating leases	8,853	11,311
Other	71	67
Off-balance sheet automotive finance loans		
Securitizations	2,312	2,412
Whole-loan sales	1,668	3,191
Total serviced automotive finance loans and leases	$ 115,630	$ 121,480

12. Other Assets

The components of other assets were as follows.

($ in millions)	September 30, 2017	December 31, 2016
Property and equipment at cost	$ 1,024	$ 901
Accumulated depreciation	(587)	(525)
Net property and equipment	437	376
Restricted cash collections for securitization trusts (a)	1,260	1,694
Nonmarketable equity investments (b)	1,065	1,046
Net deferred tax assets	659	994
Accrued interest and rent receivables	508	476
Goodwill (c)	240	240
Other accounts receivable	212	100
Cash reserve deposits held for securitization trusts (d)	120	184
Restricted cash and cash equivalents	112	111
Fair value of derivative contracts in receivable position (e)	37	95
Cash collateral placed with counterparties	20	167
Other assets	1,393	1,371
Total other assets	$ 6,063	$ 6,854

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

(b)

Includes investments in FHLB stock of $581 million and $577 million at September 30, 2017, and December 31, 2016, respectively; and Federal Reserve Bank (FRB) stock of $445 million and $435 million at September 30, 2017, and December 31, 2016, respectively.

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

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

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

13. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	September 30, 2017	December 31, 2016
Noninterest-bearing deposits	$ 129	$ 84
Interest-bearing deposits		
Savings and money market checking accounts	50,287	46,976
Certificates of deposit	39,686	31,795
Dealer deposits	14	167
Total deposit liabilities	$ 90,116	$ 79,022

At September 30, 2017, and December 31, 2016, certificates of deposit included $16.2 billion and $12.1 billion, respectively, of those in denominations of $100 thousand or more. At September 30, 2017, and December 31, 2016, certificates of deposit included $4.5 billion and $3.5 billion, respectively, of those in denominations in excess of $250 thousand federal insurance limits.

14. Debt

Short-term Borrowings

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

	September 30, 2017			December 31, 2016		
($ in millions)	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$3,379	$—	$3,379	$3,622	$—	$3,622
Federal Home Loan Bank	—	5,625	5,625	—	7,875	7,875
Financial instruments sold under agreements to repurchase	—	1,171	1,171	—	1,176	1,176
Total short-term borrowings	$3,379	$6,796	$10,175	$3,622	$9,051	$12,673

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

We periodically enter into term repurchase agreements, short-term borrowing agreements in which we sell financial instruments to one or more investors while simultaneously committing to repurchase them at a specified future date, at the stated price plus accrued interest. As of September 30, 2017, the financial instruments sold under agreements to repurchase consisted of $537 million of U.S. Treasury securities set to mature within the next 30 days, and $634 million of agency mortgage-backed residential debt securities set to mature as follows: $480 million within the next 30 days, and $154 million within 31 to 60 days. Refer to Note 7 and Note 22 for further details. Additionally, in December 2016, we sold asset-backed automotive financial instruments, which are our retained interests from certain on-balance sheet securitizations, subject to a repurchase agreement in exchange for $500 million, which was recorded as a short-term secured borrowing. The asset-backed automotive financial instruments that we sold subject to the repurchase agreement were secured by finance receivables that we have securitized. Refer to Note 10 for additional information on our securitization activities. This repurchase agreement was terminated in September 2017.

The primary risk associated with these repurchase agreements is that the counterparty will be unable to perform under the terms of the contract. As the borrower, we are exposed to the excess market value of the securities pledged over the amount borrowed. Daily mark-to-market collateral management is designed to limit this risk to the initial margin. However, should a counterparty declare bankruptcy or become insolvent, we may incur additional delays and costs. As of September 30, 2017, we placed cash collateral totaling $10 million with counterparties under these collateral arrangements associated with our repurchase agreements.

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Long-term Debt

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

($ in millions)	September 30, 2017 Unsecured	Secured	Total	December 31, 2016 Unsecured	Secured	Total
Long-term debt						
Due within one year	$3,828	$6,642	$10,470	$4,274	$10,279	$14,553
Due after one year (a)	13,129	21,249	34,378	15,450	23,810	39,260
Fair value adjustment (b)	289	(15)	274	326	(11)	315
Total long-term debt (c)	$17,246	$27,876	$45,122	$20,050	$34,078	$54,128

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

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

(c) Includes advances from the FHLB of Pittsburgh of $8.4 billion and $6.1 billion at September 30, 2017, and December 31, 2016, respectively.

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

($ in millions)	2017	2018	2019	2020	2021	2022 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$1,590	$3,582	$1,680	$2,252	$637	$8,475	$ 289	$18,505
Original issue discount	(24)	(100)	(39)	(39)	(43)	(1,014)	—	(1,259)
Total unsecured	1,566	3,482	1,641	2,213	594	7,461	289	17,246
Secured								
Long-term debt	1,048	7,379	7,617	6,818	3,179	1,850	(15)	27,876
Total long-term debt	$2,614	$10,861	$9,258	$9,031	$3,773	$9,311	$ 274	$45,122

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

($ in millions)	September 30, 2017 Total (a)	Ally Bank	December 31, 2016 Total (a)	Ally Bank
Investment securities (b)	$6,676	$ 5,482	$4,895	$ 4,231
Mortgage assets held-for-investment and lending receivables	11,888	11,888	10,954	10,954
Consumer automotive finance receivables (b)	21,261	4,818	27,846	5,751
Commercial automotive finance receivables	16,142	16,018	19,487	19,280
Investment in operating leases, net	737	7	2,040	913
Total assets restricted as collateral (c) (d)	$56,704	$ 38,213	$65,222	$ 41,129
Secured debt	$34,672 (e)	$ 18,781	$43,129 (e)	$ 22,149

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

(b) A portion of the restricted investment securities at September 30, 2017, and December 31, 2016, and consumer automotive finance receivables at December 31, 2016, were restricted under repurchase agreements. Refer to the section above titled Short-term Borrowings for information on the repurchase agreements.

(c)

Ally Bank has an advance agreement with the FHLB, and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling $21.4 billion and $19.0 billion at September 30, 2017, and December 31, 2016, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans and investment securities. Ally Bank has access to the FRB Discount Window. Ally Bank had assets pledged and restricted as collateral to the FRB totaling $2.3 billion and $2.4 billion at September 30, 2017, and December 31, 2016, respectively. These assets were composed of consumer automotive finance receivables and loans and operating lease assets. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

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

(e) Includes $6.8 billion and $9.1 billion of short-term borrowings at September 30, 2017, and December 31, 2016, respectively.

Trust Preferred Securities

At September 30, 2017, we have issued and outstanding approximately $2.6 billion in aggregate liquidation preference of 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series 2 (Series 2 TRUPS). Each Series 2 TRUPS security has a liquidation amount of $25.

Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions were payable at an annual rate of 8.125% payable quarterly in arrears, through but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. Ally at any time on or after February 15, 2016, may redeem the Series 2 TRUPS at a redemption price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest through the date of redemption. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Funding Facilities

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

As of September 30, 2017, Ally Bank had exclusive access to $3.7 billion of funding capacity from committed credit facilities. Funding programs supported by the FRB and the FHLB complement Ally Bank's private collateralized funding vehicles.

The total capacity in our committed funding facilities is provided by banks through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At September 30, 2017, all of our $14.7 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, 2017, we had $2.6 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

	Outstanding		Unused capacity (a)		Total capacity	
($ in millions)	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
Bank funding						
Secured (b)	$1,350	$ 3,250	$2,325	$ 350	$3,675	$ 3,600
Parent funding						
Secured	8,180	11,550	2,820	1,975	11,000	13,525
Unsecured	—	—	—	1,250	—	1,250
Total committed facilities	$9,530	$ 14,800	$5,145	$ 3,575	$14,675	$ 18,375

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

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

15. Accrued Expenses and Other Liabilities

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

($ in millions)	September 30, 2017	December 31, 2016

Accounts payable	$ 863	$ 649
Employee compensation and benefits	227	232
Reserves for insurance losses and loss adjustment expenses	173	149
Deferred revenue	34	56
Fair value of derivative contracts in payable position (a)	30	95
Cash collateral received from counterparties	14	10
Other liabilities	551	546
Total accrued expenses and other liabilities	$ 1,892	$ 1,737

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

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16. Accumulated Other Comprehensive (Loss) Income

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

($ in millions)	Unrealized (losses) gains on investment securities (a)	Translation adjustments and net investment hedges (b)	Cash flow hedges (b)	Defined benefit pension plans	Accumulated other comprehensive (loss) income
Balance at December 31, 2015	$ (159)	$ 9	$ 8	$ (89)	$ (231)
2016 net change	258	5	—	(1)	262
Balance at September 30, 2016	$ 99	$ 14	$ 8	$ (90)	$ 31
Balance at December 31, 2016	$ (273)	$ 14	$ 8	$ (90)	$ (341)
2017 net change	142	2	1	(1)	144
Balance at September 30, 2017	$ (131)	$ 16	$ 9	$ (91)	$ (197)

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

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

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

Three months ended September 30, 2017 ($ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized gains arising during the period	$ 95	$ (22)	$ 73
Less: Net realized gains reclassified to income from continuing operations	25 (a)	2 (b)	27
Net change	70	(24)	46
Translation adjustments			
Net unrealized gains arising during the period	8	(3)	5
Net investment hedges (c)			
Net unrealized losses arising during the period	(6)	3	(3)
Cash flow hedges (c)			
Net unrealized gains arising during the period	1	(1)	—
Other comprehensive income	$ 73	$ (25)	$ 48

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

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

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

Three months ended September 30, 2016 ($ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized gains arising during the period	$ 41	$ (4)	$ 37
Less: Net realized gains reclassified to income from continuing operations	52 (a)	(11) (b)	41
Net change	(11)	7	(4)
Translation adjustments			

Net unrealized losses arising during the period	(2)	1	(1)
Net investment hedges (c)			
Net unrealized gains arising during the period	2	(1)	1
Other comprehensive income	$ (11)	$ 7	$ (4)

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

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

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

Nine months ended September 30, 2017 ($ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized gains arising during the period	$278	$(64)	$214
Less: Net realized gains reclassified to income from continuing operations	75 (a)	(3) (b)	72
Net change	203	(61)	142
Translation adjustments			
Net unrealized gains arising during the period	14	(5)	9
Net investment hedges (c)			
Net unrealized losses arising during the period	(12)	5	(7)
Cash flow hedges (c)			
Net unrealized gains arising during the period	2	(1)	1
Defined benefit pension plans			
Net unrealized losses arising during the period	(1)	—	(1)
Other comprehensive income	$206	$(62)	$144

(a) Includes gains reclassified to other gain on investments, net in our Condensed Consolidated Statement of Comprehensive Income.
(b) Includes amounts reclassified to income tax expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.
(c) For additional information on derivative instruments and hedging activities, refer to Note 19.

Nine months ended September 30, 2016 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$506	$(133)	$373
Less: Net realized gains reclassified to income from continuing operations	145 (a)	(30) (b)	115
Net change	361	(103)	258
Translation adjustments			
Net unrealized gains arising during the period	10	(4)	6
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(1)	—	(1)
Net change	11	(4)	7
Net investment hedges (c)			
Net unrealized losses arising during the period	(4)	2	(2)
Defined benefit pension plans			
Net unrealized losses arising during the period	(1)	—	(1)
Other comprehensive income	$367	$(105)	$262

(a) Includes gains reclassified to other gain on investments, net in our Condensed Consolidated Statement of Comprehensive Income.
(b) Includes amounts reclassified to income tax expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.
(c) For additional information on derivative instruments and hedging activities, refer to Note 19.

17. Earnings per Common Share

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

($ in millions, except per share data; shares in thousands) (a)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net income from continuing operations	$280	$261	$747	$865
Preferred stock dividends	—	—	—	(30)
Net income from continuing operations attributable to common shareholders	280	261	747	835
Income (loss) from discontinued operations, net of tax	2	(52)	1	(46)
Net income attributable to common shareholders	$282	$209	$748	$789
Basic weighted-average common shares outstanding (b)	449,169	482,393	457,612	483,993
Diluted weighted-average common shares outstanding (b)	451,078	483,575	458,848	484,762
Basic earnings per common share				
Net income from continuing operations	$0.62	$0.54	$1.63	$1.73
Income (loss) from discontinued operations, net of tax	—	(0.11)	—	(0.10)
Net income	$0.63	$0.43	$1.63	$1.63
Diluted earnings per common share				
Net income from continuing operations	$0.62	$0.54	$1.63	$1.72
Income (loss) from discontinued operations, net of tax	—	(0.11)	—	(0.10)
Net income	$0.63	$0.43	$1.63	$1.63

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

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

18. Regulatory Capital and Other Regulatory Matters

As a BHC, we and our wholly-owned state-chartered banking subsidiary, Ally Bank, are subject to capital requirements issued by U.S. banking regulators that require us to maintain risk-based and leverage capital ratios above minimum levels. A risk-based capital ratio is a ratio of a banking organization's regulatory capital to its risk-weighted assets. A leverage capital ratio is a ratio of a banking organization's regulatory capital to a measure of assets or exposures that is not risk-weighted. As of January 1, 2015, Ally and Ally Bank became subject to the rules implementing the 2010 Basel III capital framework in the United States (U.S. Basel III), which generally reflects higher capital requirements, capital buffers, and changes to regulatory capital definitions, deductions and adjustments, relative to the predecessor requirements implementing the Basel I capital framework in the United States. Certain aspects of U.S. Basel III, including the capital buffers and certain regulatory capital deductions, are subject to a phase-in period through December 31, 2018.

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

and its bank subsidiary, Ally Bank, must remain “well-capitalized” and “well-managed,” as defined under applicable laws. The “well-capitalized” standard for insured depository institutions, such as Ally Bank, reflects the capital requirements under U.S. Basel III.

Under U.S. Basel III, Ally must maintain a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum Total risk-based capital ratio of 8%. In addition to these minimum requirements, Ally is also subject to a Common Equity Tier 1 capital conservation buffer of more than 2.5%, subject to a phase-in period from January 1, 2016, through December 31, 2018. Failure to maintain the full amount of the buffer will result in restrictions on Ally’s ability to make capital distributions, including dividend payment and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. In addition to these new risk-based capital standards, U.S. Basel III subjects all U.S. banking organizations, including Ally, to a minimum Tier 1 leverage ratio of 4%, the denominator of which takes into account only on-balance sheet assets.

U.S. Basel III also revised the eligibility criteria for regulatory capital instruments and provides for the phase-out of instruments that had previously been recognized as capital but that do not satisfy these criteria. Subject to certain exceptions (e.g., for certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other “hybrid” securities are no longer included in a BHC's Tier 1 capital as of January 1, 2016. Also, subject to a phase-in schedule, certain items are deducted from Common Equity Tier 1

capital that had not previously been deducted from regulatory capital, and certain other deductions from regulatory capital have been modified. Among other things, U.S. Basel III requires significant investments in the common shares of unconsolidated financial institutions, mortgage servicing assets, and certain deferred tax assets that exceed specified individual and aggregate thresholds to be deducted from Common Equity Tier 1 capital. U.S. Basel III also revised the standardized approach for calculating risk-weighted assets by, among other things, modifying certain risk weights and the methods for calculating risk-weighted assets for certain types of assets and exposures.

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

On September 27, 2017, the FRB released a proposal to simplify certain capital requirements, including the requirements related to the above-mentioned capital deductions and adjustments for investments in unconsolidated financial institutions, mortgage servicing assets, and certain deferred tax assets. In addition, on August 22, 2017, the FRB proposed an amendment to the transition provisions of the U.S. Basel III capital rules that would, in anticipation of the simplification proposal, indefinitely postpone certain phase-in requirements for provisions related to the simplification proposal, including the provisions related to the above-mentioned capital deductions and adjustments. Both the simplification proposal and the proposed transitions amendments would primarily apply to non-advanced approaches banking organizations such as Ally. We are evaluating the effect these proposals would have on our regulatory capital position.

On March 7, 2016, Ally Bank received approval from the FRB to become a state member bank. Ally Bank is now regulated by the FRB through the Federal Reserve Bank of Chicago, as well as the Utah Department of Financial Institutions (UDFI). As a requirement of FRB membership, we held $445 million of FRB stock at September 30, 2017. In addition, in connection with the application for membership in the Federal Reserve System, Ally Bank made commitments to the FRB relating to capital, liquidity, and business plan requirements. These commitments were consistent with the prior requirements under the now-terminated Capital and Liquidity Maintenance Agreement with the Federal Deposit Insurance Corporation (FDIC), including the requirement to maintain capital at a level such that Ally Bank's Tier 1 leverage ratio was at least 15%.

On August 22, 2017, the FRB lifted the capital, liquidity, and business plan commitments that Ally Bank made in connection with its application for membership in the Federal Reserve System, including the commitment to maintain a Tier 1 leverage ratio of at least 15%. As a result of this development, during the three months ended September 30, 2017, Ally Bank paid a dividend of $2.9 billion to Ally Financial Inc., which was utilized to reduce less cost-efficient borrowings and further enhance our funding profile.

Compliance with 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 under the U.S. Basel III capital framework.

($ in millions)	September 30, 2017 Amount	September 30, 2017 Ratio	December 31, 2016 Amount	December 31, 2016 Ratio	Required minimum	Well-capitalized minimum
Capital ratios						
Common Equity Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	$13,175	9.72 %	$12,978	9.37 %	4.50 %	(a)
Ally Bank	16,454	15.39	17,888	16.70	4.50	6.50 %
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	$15,539	11.46%	$15,147	10.93%	6.00 %	6.00 %
Ally Bank	16,454	15.39	17,888	16.70	6.00	8.00
Total (to risk-weighted assets)						

Ally Financial Inc.	$17,891	13.19%	$17,419	12.57%	8.00	%	10.00	%
Ally Bank	17,215	16.10	18,458	17.24	8.00		10.00	
Tier 1 leverage (to adjusted quarterly average assets) (b)								
Ally Financial Inc.	$15,539	9.51 %	$15,147	9.54 %	4.00	%	(a)	
Ally Bank	16,454	12.89	17,888	15.21	4.00	(c)	5.00	%

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

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

(c) On August 22, 2017, the FRB lifted the capital, liquidity, and business plan commitments that Ally Bank made in connection with its application for membership in the Federal Reserve System, including the commitment to maintain a Tier 1 leverage ratio of at least 15%. Ally Bank now manages its capital and liquidity subject to applicable regulatory requirements.

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

Capital Planning and Stress Tests

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

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

As part of the 2017 Comprehensive Capital Analysis and Review (CCAR) process, on April 5, 2017, we submitted our 2017 capital plan and stress test results to the FRB. On June 23, 2017, we publicly disclosed summary results of the stress test under the most severe scenario in accordance with regulatory requirements. On June 28, 2017, we received a non-objection to our capital plan from the FRB, including the proposed capital actions contained in our submission. The capital actions included a 50% increase in the quarterly cash dividend on common stock from $0.08 per share to $0.12 per share, and a 9% increase in our share repurchase program, which has been authorized by the Ally Board of Directors, permitting us to repurchase up to $760 million of our common stock from time to time from the third quarter of 2017 through the second quarter of 2018. In addition, we submitted to the FRB the results of our company-run mid-cycle stress test conducted under multiple macroeconomic scenarios and disclosed the results of this stress test under the most severe scenario on October 5, 2017, in accordance with regulatory requirements.

The following table presents information related to our common shares for each quarter since the commencement of our common share repurchase programs and initiation of a quarterly cash dividend on common stock.

($ in millions, except per share data; shares in thousands)	3rd quarter 2017	2nd quarter 2017	1st quarter 2017	4th quarter 2016	3rd quarter 2016
Common shares repurchased during period (a)					
Approximate dollar value	$ 190	$ 204	$ 169	$ 167	$ 159
Number of shares	8,507	10,485	8,097	8,745	8,298
Number of common shares outstanding					
Beginning of period	452,292	462,193	467,000	475,470	483,753
End of period	443,796	452,292	462,193	467,000	475,470
Cash dividends declared per common share (b)	$ 0.12	$ 0.08	$ 0.08	$ 0.08	$ 0.08

(a) Includes shares of common stock withheld to cover income taxes owed by participants in our share-based incentive plans.

(b) On October 10, 2017, the Ally Board of Directors declared a quarterly cash dividend payment of $0.12 per share on all common stock, payable on November 15, 2017. Refer to Note 26 for further information regarding this common share dividend.

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

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

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

19. Derivative Instruments and Hedging Activities

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

Interest Rate Risk

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

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

We may also execute economic hedges, which consist of interest rate swaps and interest rate caps held to mitigate interest rate risk associated with our debt portfolio. We may also use interest rate swaps to economically hedge our net fixed-versus-variable interest rate exposure. We enter into economic hedges in the form of short-dated, exchange-traded Eurodollar futures to hedge the interest rate exposure of our fixed-rate automotive loans, as well as forwards, options, and swaptions to economically hedge our net fixed-versus-variable interest rate exposure.

We also enter into interest rate lock commitments and forward-sale commitments that are executed as part of our mortgage business that meet the accounting definition of a derivative.

Foreign Exchange Risk

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

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

Market Risk

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

Counterparty Credit Risk

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

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

standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. These payments are characterized as collateral for over-the-counter (OTC) derivatives.

We execute certain derivatives such as interest rate swaps with clearinghouses, which requires us to post collateral. For these clearinghouse derivatives, these payments are recognized as settlements rather than collateral.

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

We placed cash collateral totaling $10 million and securities collateral totaling $145 million at September 30, 2017, and $122 million and $72 million at December 31, 2016, respectively, in accounts maintained by counterparties. This amount primarily relates to collateral posted to support our derivative positions. This amount also excludes cash and securities pledged as collateral under repurchase agreements. At September 30, 2017, and December 31, 2016, we placed cash collateral totaling $10 million and $45 million, respectively, with

counterparties under collateral arrangements associated with repurchase agreements. Refer to Note 14 for details on the repurchase agreements. The receivables for cash collateral placed are included on our Condensed Consolidated Balance Sheet in other assets.

We received cash collateral from counterparties totaling $14 million and $10 million at September 30, 2017, and December 31, 2016, respectively, primarily to support these derivative positions. This amount also excludes cash and securities pledged as collateral under repurchase agreements. Refer to Note 14 for details on the repurchase agreements. The payables for cash collateral received are included on our Condensed Consolidated Balance Sheet in accrued expenses and other liabilities. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At September 30, 2017, and December 31, 2016, we received noncash collateral of $2 million and $6 million, respectively. Included in these amounts is noncash collateral where we have been granted the right to sell or pledge the underlying assets. We have not sold or pledged any of the noncash collateral received under these agreements.

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Balance Sheet Presentation

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

	September 30, 2017			December 31, 2016		
	Derivative contracts in a			Derivative contracts in a		
($ in millions)	receivable position (a)	payable position (b)	Notional amount	receivable position (a)	payable position (b)	Notional amount
Derivatives designated as accounting hedges						
Interest rate contracts						
Swaps (c) (d) (e) (f) (g)	$ —	$ —	$ 6,140	$ 19	$ 21	$ 4,731
Futures (h)	1	—	60	—	—	—
Foreign exchange contracts						
Forwards	3	—	176	1	—	171
Total derivatives designated as accounting hedges	4	—	6,376	20	21	4,902
Derivatives not designated as accounting hedges						
Interest rate contracts						
Swaps	—	—	—	—	—	137
Futures and forwards	—	—	116	—	—	—
Written options	1	30	9,452	—	73	14,518
Purchased options	30	—	9,335	73	—	14,517
Total interest rate risk	31	30	18,903	73	73	29,172
Foreign exchange contracts						
Futures and forwards	2	—	130	1	—	92
Total foreign exchange risk	2	—	130	1	—	92
Equity contracts						
Written options	—	—	—	—	1	—
Purchased options	—	—	—	1	—	—
Total equity risk	—	—	—	1	1	—
Total derivatives not designated as accounting hedges	33	30	19,033	75	74	29,264
Total derivatives	$ 37	$ 30	$ 25,409	$ 95	$ 95	$ 34,166

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

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

(c) Includes fair value hedges consisting of receive-fixed swaps on fixed-rate unsecured debt obligations with $0 million and $8 million in a receivable position, $0 million and $14 million in a payable position, and a $3.1 billion and $1.7 billion notional amount at September 30, 2017, and December 31, 2016, respectively. The hedge notional

amount of $3.1 billion at September 30, 2017, is associated with debt maturing in approximately five or more years.

(d) Includes fair value hedges consisting of receive-fixed swaps on fixed-rate secured debt obligations (FHLB advances) with $0 million and $0 million in a receivable position, $0 million and $7 million in a payable position, and a $1.6 billion and $240 million notional amount at September 30, 2017, and December 31, 2016, respectively. Other fair value hedges include pay-fixed swaps on portfolios of held-for-investment automotive loan assets with $0 million and $10 million in a receivable position, $0 million and $1 million in a payable position, and a $0.0 billion and $2.8 billion notional amount at September 30, 2017, and December 31, 2016, respectively.

(e) Includes cash flow hedge of pay-fixed swap on variable-rate borrowings of a secured credit facility with $0 million in a receivable and payable position, and $1.3 billion of notional amount at September 30, 2017.

(f) Includes fair value hedge of pay-fixed swaps on fixed-rate U.S. Treasury securities with $0 million in a receivable and payable position, and $225 million of notional amount at September 30, 2017.

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

(h) Includes fair value hedge of future contract on fixed-rate U.S. Treasury securities with $1 million in a receivable position, $0 million in a payable position, and $60 million of notional amount at September 30, 2017.

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)	2017	2016	2017	2016
Derivatives qualifying for hedge accounting				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Interest and fees on finance receivables and loans (a)	$—	$16	$1	$(18)
Interest and dividends on investment securities	4	—	1	—
Interest on long-term debt (b)	(5)	(31)	19	211
(Loss) gain recognized in earnings on hedged items				
Interest rate contracts				
Interest and fees on finance receivables and loans (c)	—	(17)	(3)	16
Interest and dividends on investment securities	(4)	—	(1)	—
Interest on long-term debt (d)	5	32	(18)	(214)
Total derivatives qualifying for hedge accounting	—	—	(1)	(5)
Derivatives not designated as accounting hedges				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Gain on mortgage and automotive loans, net	—	—	1	—
Other income, net of losses	—	(5)	(3)	(2)
Total interest rate contracts	—	(5)	(2)	(2)
Foreign exchange contracts (e)				
Interest on long-term debt	—	—	—	(2)
Other income, net of losses	(3)	(1)	(7)	(4)
Total foreign exchange contracts	(3)	(1)	(7)	(6)
Equity contracts				
Compensation and benefits expense	—	2	—	—
Total equity contracts	—	2	—	—
Loss recognized in earnings on derivatives	$(3)	$(4)	$(10)	$(13)

(a) Amounts exclude losses related to interest for qualifying accounting hedges of retail automotive loans held-for-investment, which are primarily offset by the fixed coupon payments of the loans. The losses were $0 million and $4 million for the three months ended September 30, 2017, and 2016, respectively, and $1 million and $16 million for the nine months ended September 30, 2017, and 2016, respectively.

(b) Amounts exclude gains related to interest for qualifying accounting hedges of unsecured debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $7 million for both the three months ended September 30, 2017, and 2016, and $19 million and $34 million for the nine months ended September 30, 2017, and 2016, respectively. Amounts also exclude gains related to interest for qualifying accounting hedges of secured debt (FHLB advances), which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $0 million and $1 million for the three months

ended September 30, 2017, and 2016, respectively, and $1 million and $4 million for the nine months ended September 30, 2017, and 2016, respectively.

(c) Amounts exclude losses related to amortization of deferred loan basis adjustments on the de-designated hedged item of $6 million for both the three months ended September 30, 2017, and 2016, and $17 million and $15 million for the nine months ended September 30, 2017, and 2016, respectively.

(d) Amounts exclude gains related to amortization of deferred debt basis adjustments on the de-designated hedged item of $19 million and $23 million for the three months ended September 30, 2017, and 2016, respectively, and $59 million and $62 million for the nine months ended September 30, 2017, and 2016, respectively. Amounts also exclude losses related to amortization of deferred debt basis adjustments (FHLB advances) on the de-designated hedge item of $1 million for the three months ended September 30, 2017, and $2 million for the nine months ended September 30, 2017.

(e) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of $3 million and $1 million were recognized for the three months ended September 30, 2017, and 2016, respectively, and gains of $8 million and $4 million were recognized for the nine months ended September 30, 2017, and 2016, 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)	2017	2016	2017	2016
Cash flow hedges				
Interest rate contracts				
Gain recognized in other comprehensive loss	$ 2	$ —	$ 2	$ —
Net investment hedges				
Foreign exchange contracts				
(Loss) gain recognized in other comprehensive loss (a)	$ (6)	$ 2	$ (12)	$ (4)

(a) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive loss related to the revaluation of the related net investment in foreign operations, including the tax impacts of the hedge and related net investment, as disclosed separately in Note 16. There were gains of $7 million and losses of $2 million for the three months ended September 30, 2017, and 2016, respectively, and gains of $14 million and $9 million for the nine months ended September 30, 2017, and 2016.

20. Income Taxes

We recognized total income tax expense from continuing operations of $115 million and $350 million for the three months and nine months ended September 30, 2017, respectively, compared to $130 million and $336 million for the same periods in 2016. The decrease in income tax expense for the three months ended September 30, 2017, compared to the same period in 2016, was primarily driven by the realization of capital gains allowing for a partial release of valuation allowance. The increase in income tax expense for the nine months ended September 30, 2017, compared to the same period in 2016, was primarily driven by a nonrecurring tax benefit in the second quarter of 2016 due to a U.S. tax reserve release related to a prior-year federal return that reduced our liability for unrecognized tax benefits by $175 million. This benefit was partially offset by the establishment of a valuation allowance on capital loss carryforwards in the second quarter of 2016, and a decrease in pretax earnings.

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

21. Fair Value

Fair Value Measurements

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

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

based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels.

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.

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

- Available-for-sale securities — All classes of available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- Interests retained in financial asset sales — Includes certain noncertificated interests retained from the sale of automotive finance receivables. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).
- Derivative instruments — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, options of Eurodollar futures, and equity options. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

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

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

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

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, 2017 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury	$2,073	$—	$ —	$2,073
U.S. States and political subdivisions	—	851	—	851
Foreign government	8	149	—	157
Agency mortgage-backed residential	—	14,344	—	14,344
Mortgage-backed residential	—	2,310	—	2,310
Mortgage-backed commercial	—	509	—	509
Asset-backed	—	1,039	—	1,039
Corporate debt	—	1,291	—	1,291
Total debt securities	2,081	20,493	—	22,574
Equity securities (a)	525	—	—	525
Total available-for-sale securities	2,606	20,493	—	23,099
Mortgage loans held-for-sale	—	—	9	9
Interests retained in financial asset sales	—	—	5	5
Derivative contracts in a receivable position				
Interest rate	1	30	1	32
Foreign currency	—	5	—	5
Total derivative contracts in a receivable position	1	35	1	37
Total assets	$2,607	$20,528	$ 15	$23,150
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$—	$(30)	$ —	$(30)
Total derivative contracts in a payable position	—	(30)	—	(30)
Total liabilities	$—	$(30)	$ —	$(30)

(a) Our investment in any one industry did not exceed 15%.

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

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

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

	Level 3 recurring fair value measurements								
		Net realized/unrealized gains							Net unrealized gains
($ in millions)	Fair value at July 1, 2017	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2017	included in earnings still held at September 30, 2017
Assets									
Mortgage loans held-for-sale	$3	$ 1	$ —	$ 49	$ (44)	$ —	$ —	$ 9	$ —
Other assets									
Interests retained in financial asset sales	5	—	—	—	—	—	—	5	—
Derivative assets	1	—	—	—	—	—	—	1	—
Total assets	$9	$ 1	$ —	$ 49	$ (44)	$ —	$ —	$ 15	$ —

	Level 3 recurring fair value measurements								
		Net realized/unrealized gains							Net unrealized gains
($ in millions)	Fair value at July 1, 2016	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2016	included in earnings still held at September 30, 2016
Assets									
Other assets									
Interests retained in financial asset sales	$31	$ 1 (a)	$ —	$ —	$ 2	$ —	$ (2)	$ 32	$ —
Total assets	$31	$ 1	$ —	$ —	$ 2	$ —	$ (2)	$ 32	$ —

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

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

	Fair value at Jan. 1, 2017	included in earnings	included in OCI						in earnings still held at September 30, 2017
Assets									
Mortgage loans held-for-sale	$—	$ 1	$ —	$ 72	$ (64)	$ —	$ —	$ 9	$ —
Other assets									
Interests retained in financial asset sales	29	1	—	—	8	—	(33)	5	—
Derivative assets	—	1	—	—	—	—	—	1	1
Total assets	$ 29	$ 3	$ —	$ 72	$ (56)	$ —	$ (33)	$ 15	$ 1

($ in millions)	Level 3 recurring fair value measurements								
	Fair value at Jan. 1, 2016	Net realized/unrealized gains included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at September 30, 2016	Net unrealized gains included in earnings still held at September 30, 2016
Assets									
Other assets									
Interests retained in financial asset sales	$ 40	$ 4 (a)	$ —	$ —	$ 8	$ —	$ (20)	$ 32	$ —
Total assets	$ 40	$ 4	$ —	$ —	$ 8	$ —	$ (20)	$ 32	$ —

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

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Nonrecurring Fair Value

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

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

September 30, 2017 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total gain (loss) included in earnings for the three months ended	Total gain (loss) included in earnings for the nine months ended
Assets							
Loans held-for-sale, net	$—	$ —	$ 9	$ 9	$ —	n/m (a)	n/m (a)
Commercial finance receivables and loans, net (b)							
Automotive	—	—	29	29	$ (4)	n/m (a)	n/m (a)
Other	—	—	35	35	(16)	n/m (a)	n/m (a)
Total commercial finance receivables and loans, net	—	—	64	64	(20)	n/m (a)	n/m (a)
Other assets							
Repossessed and foreclosed assets (c)	—	—	13	13	(2)	n/m (a)	n/m (a)
Other	—	—	3	3	—	n/m (a)	n/m (a)
Total assets	$—	$ —	$ 89	$ 89	$ (22)	n/m	n/m

n/m = not meaningful

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

(b) Represents the portion of the portfolio specifically impaired during 2017. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

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

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September 30, 2016 ($ in millions)	Nonrecurring fair value measurements				Lower-of-cost or fair value or valuation reserve allowance	Total gain included in earnings for the three months ended		Total gain included in earnings for the nine months ended	
	Level 1	Level 2	Level 3	Total					
Assets									
Loans held-for-sale, net	$ —	$ —	$ 56	$ 56	$ —	n/m	(a)	n/m	(a)
Commercial finance receivables and loans, net (b)									
Commercial and industrial									
Automotive	—	—	30	30	(7)	n/m	(a)	n/m	(a)
Other	—	—	45	45	(17)	n/m	(a)	n/m	(a)
Total commercial finance receivables and loans, net	—	—	75	75	(24)	n/m	(a)	n/m	(a)
Other assets									
Repossessed and foreclosed assets (c)	—	—	15	15	(4)	n/m	(a)	n/m	(a)
Other	—	—	7	7	—	n/m	(a)	n/m	(a)
Total assets	$ —	$ —	$ 153	$ 153	$ (28)	n/m		n/m	

n/m = not meaningful

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

(b) Represents the portion of the portfolio specifically impaired during 2016. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

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

Fair Value Option for Financial Assets

We elected the fair value option for an insignificant amount of conforming mortgage loans held-for-sale. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges. Our intent in electing fair value measurement was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled Recurring Fair Value. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting current market data to develop the market assumptions and inputs necessary to estimate fair value. As such, the actual amount received to sell an asset or the amount paid to settle a liability could differ from our estimates. Fair value information presented herein was based on information available at September 30, 2017, and December 31, 2016.

		Estimated fair value			
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total
September 30, 2017					
Financial assets					
Held-to-maturity securities	$1,839	$—	$1,807	$—	$1,807
Loans held-for-sale, net	9	—	—	9	9
Finance receivables and loans, net	117,585	—	—	119,498	119,498
Nonmarketable equity investments (a)	1,053	—	1,026	26	1,052
Financial liabilities					
Deposit liabilities	$90,116	$—	$—	$88,151	$88,151
Short-term borrowings	10,175	—	—	10,177	10,177
Long-term debt	45,122	—	29,776	17,880	47,656
December 31, 2016					
Financial assets					
Held-to-maturity securities	$839	$—	$789	$—	$789
Finance receivables and loans, net	117,800	—	—	118,750	118,750
Nonmarketable equity investments	1,046	—	1,012	55	1,067
Financial liabilities					
Deposit liabilities	$79,022	$—	$—	$78,469	$78,469
Short-term borrowings	12,673	—	—	12,675	12,675
Long-term debt	54,128	—	22,036	34,084	56,120

(a) Excludes investments with a carrying value of $12 million and fair value of $35 million at September 30, 2017, for which fair value is measured at net asset value (or its equivalent) as a practical expedient.

The following describes the methodologies and assumptions used to determine fair value for the significant classes of financial instruments. In addition to the valuation methods discussed below, we also followed guidelines for determining whether a market was not active and a transaction was not distressed. We assumed the price that would be received in an orderly transaction (including a market-based return) and not in forced liquidation or distressed sale.

- Cash and cash equivalents — Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. Classified as Level 1 under the fair value hierarchy, cash and cash equivalents generally expose us to limited credit risk and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Accordingly, the carrying value approximates the fair value of these instruments.
- Held-to-maturity securities — Held-to-maturity securities, which consist of asset-backed retained notes and residential mortgage-backed debt securities issued by government agencies, are carried at amortized cost. For fair value

disclosure purposes, held-to-maturity securities are classified as Level 2, with fair value based on observable market prices, when available.

- Finance receivables and loans, net — With the exception of mortgage loans held-for-investment, the fair value of finance receivables and loans was based on discounted future cash flows using applicable spreads to approximate current rates applicable to each category of finance receivables and loans (an income approach using Level 3 inputs). The carrying value of commercial receivables in certain markets and certain automotive and other receivables for which interest rates reset on a short-term basis with applicable market indices are assumed to approximate fair value either because of the short-term nature or because of the interest rate adjustment feature. The fair value of commercial receivables in other markets was based on discounted future cash flows using applicable spreads to approximate current rates applicable to similar assets in those markets.

The fair value of mortgage loans held-for-investment was based on a discounted cash flow basis utilizing cash flow projections from models that utilized prepayment, default, and discount rate assumptions. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors.

- Nonmarketable equity investments — Nonmarketable equity investments primarily include investments in FHLB and FRB stock and other equity investments carried at cost. As a member of the FHLB and FRB, Ally Bank is required to hold FHLB and FRB stock. The stock can be sold only to the FHLB and FRB upon termination of membership, or redeemed at the sole discretion of the FHLB and FRB, respectively. The fair value of FHLB and FRB stock is equal to the stock's par value since the stock is bought, sold, and/or redeemed at par. FHLB and FRB stock is carried at cost, which generally represents the stock's par value.
- Deposit liabilities — Deposit liabilities represent certain consumer and brokered bank deposits, mortgage escrow deposits, and dealer deposits. The fair value of deposits at Level 3 was estimated by discounting projected cash flows based on discount factors derived from the forward interest rate swap curve.
- Short-term borrowings and Long-term debt — Level 2 debt was valued using quoted market prices for similar instruments, when available, or other means for substantiation with observable inputs. Debt valued by discounting projected cash flows using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3. For our credit facilities, which are floating rate in nature and where pricing occurs on a more frequent basis, the carrying amount or par value is considered to be a reasonable estimate of fair value. As of June 30, 2017, we began using quoted market prices of similar instruments for certain of our long-term debt associated with asset-backed securitizations for which observable market information exists. As a result, the corresponding financial instruments have been transferred from Level 3 to Level 2 within the fair value hierarchy following the change in valuation technique driven by the availability of an independent pricing service.
- Financial instruments for which carrying value approximates fair value — Certain financial instruments that are not carried at fair value on the consolidated balance sheet are carried at amounts that approximate fair value primarily due to their short term nature and limited credit risk. These instruments include restricted cash, cash collateral, accrued interest receivable, accrued interest payable, trade receivables and payables, and other short term receivables and payables.

22. Offsetting Assets and Liabilities

Our derivative contracts and repurchase/reverse repurchase transactions are supported by qualifying master netting and master repurchase agreements. These agreements are legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the agreement to the nondefaulting entity upon an event of default of the counterparty, including bankruptcy, insolvency, or similar proceeding, and (2) provide the nondefaulting entity the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to liquidate or set off collateral promptly upon an event of default of the counterparty.

To further mitigate the risk of counterparty default related to derivative instruments, we maintain collateral agreements with certain counterparties. The agreements require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the obligation. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. A party posts additional collateral when their obligation rises or removes collateral when it falls, such that the net replacement cost of the nondefaulting party is covered in the event of counterparty default.

In certain instances as it relates to our derivative instruments, we have the option to report derivative assets and liabilities as well as assets and liabilities associated with cash collateral received or delivered that is governed by a master netting agreement on a net basis as long as certain qualifying criteria are met. Similarly, for our

repurchase/reverse repurchase transactions, we have the option to report recognized assets and liabilities subject to a master netting agreement on a net basis if certain qualifying criteria are met. At September 30, 2017, these instruments are reported as gross assets and gross liabilities on the Condensed Consolidated Balance Sheet.

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

September 30, 2017 ($ in millions)	Gross amounts of recognized assets/(liabilities)	Gross amounts offset in the Condensed Consolidated Balance Sheet	Net amounts of assets/(liabilities) presented in the Condensed Consolidated Balance Sheet	Gross amounts not offset in the Condensed Consolidated Balance Sheet		Net amount
				Financial instruments	Collateral (a)(b)(c)	
Assets						
Derivative assets in net asset positions	$ 36	$ —	$ 36	$ —	$ (4)	$ 32
Derivative assets in net liability positions	—	—	—	—	—	—
Derivative assets with no offsetting arrangements	1	—	1	—	—	1
Total assets (d)	$ 37	$ —	$ 37	$ —	$ (4)	$ 33
Liabilities						
Derivative liabilities in net liability positions	$ (30)	$ —	$ (30)	$ —	$ —	$ (30)
Derivative liabilities in net asset positions	—	—	—	—	—	—
Total derivative liabilities (d)	(30)	—	(30)	—	—	(30)
Securities sold under agreements to repurchase (e)	(1,171)	—	(1,171)	—	1,171	—
Total liabilities	$ (1,201)	$ —	$ (1,201)	$ —	$ 1,171	$ (30)

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

(b) Amounts disclosed are limited to the financial asset or liability balance and, accordingly, exclude excess collateral received or pledged and noncash collateral received. $2 million of noncash derivative collateral pledged to us was excluded at September 30, 2017. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.

(c) Certain agreements grant us the right to sell or pledge the noncash assets we receive as collateral. Noncash collateral pledged to us where the agreement grants us the right to sell or pledge the underlying assets had a fair value of $2 million at September 30, 2017. We have not sold or pledged any of the noncash collateral received under these agreements as of September 30, 2017.

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

(e) For additional information on securities sold under agreements to repurchase, refer to Note 14.

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Ally Financial Inc. • Form 10-Q

December 31, 2016 ($ in millions)	Gross amounts of recognized assets/(liabilities)	Gross amounts offset in the Condensed Consolidated Balance Sheet	Net amounts of assets/(liabilities) presented in the Condensed Consolidated Balance Sheet	Gross amounts not offset in the Condensed Consolidated Balance Sheet		
				Financial instruments	Collateral (a) (b) (c)	Net amount
Assets						
Derivative assets in net asset positions	$ 87	$ —	$ 87	$ (4)	$ (9)	$ 74
Derivative assets in net liability positions	8	—	8	(8)	—	—
Total assets (d)	$ 95	$ —	$ 95	$ (12)	$ (9)	$ 74
Liabilities						
Derivative liabilities in net liability positions	$ (91)	$ —	$ (91)	$ 8	$ 13	$ (70)
Derivative liabilities in net asset positions	(4)	—	(4)	4	—	—
Total derivative liabilities (d)	(95)	—	(95)	12	13	(70)
Securities sold under agreements to repurchase (e)	(676)	—	(676)	—	676	—
Total liabilities	$ (771)	$ —	$ (771)	$ 12	$ 689	$ (70)

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

(b) Amounts disclosed are limited to the financial asset or liability balance and, accordingly, exclude excess collateral received or pledged and noncash collateral received. $6 million of noncash derivative collateral pledged to us was excluded at December 31, 2016. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.

(c) Certain agreements grant us the right to sell or pledge the noncash assets we receive as collateral. Noncash collateral pledged to us where the agreement grants us the right to sell or pledge the underlying assets had a fair value of $6 million at December 31, 2016. We have not sold or pledged any of the noncash collateral received under these agreements as of December 31, 2016.

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

(e) For additional information on securities sold under agreements to repurchase, refer to Note 14.

23. Segment Information

Operating segments are defined as components of an enterprise that engage in business activity from which revenues are earned and expenses incurred for which discrete financial information is available that is evaluated regularly by our chief operating decision maker in deciding how to allocate resources and in assessing performance.

We report our results of operations on a line-of-business basis through four operating segments: Automotive Finance operations, Insurance operations, Mortgage Finance operations, and Corporate Finance operations, with the remaining activity reported in Corporate and Other. The operating segments are determined based on the products and services offered, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

Automotive Finance operations — One of the largest full service automotive finance operations in the U.S. providing automotive financing services to consumers and automotive dealers, and automotive and equipment financing services to companies and municipalities. Our automotive finance services include providing retail installment sales contracts, loans and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers,

warehouse lines to companies, fleet financing, providing financing to companies and municipalities for the purchase or lease of vehicles and equipment, and vehicle remarketing services.
Insurance operations — A complementary automotive-focused business offering both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer financial and insurance products, we provide vehicle service contracts, vehicle maintenance contracts, and guaranteed asset protection products. We also underwrite select commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory.
Mortgage Finance operations — Primarily consists of the management of a held-for-investment consumer mortgage finance loan portfolio, which includes bulk purchases of high-quality jumbo and low-to-moderate income (LMI) mortgage loans originated by third parties. In late 2016, we introduced our direct-to-consumer mortgage offering, named Ally Home, consisting of a variety of jumbo and conforming fixed- and adjustable-rate mortgage products through a third-party fulfillment partner. Under our current arrangement, conforming mortgages are originated as held-for-sale and sold, while jumbo mortgages are originated as held-for-investment. Servicing is performed by a third party and no mortgage servicing rights are created.

Corporate Finance operations — Primarily provides senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle market companies. Our primary focus is on businesses owned by private equity sponsors with loans typically used for leveraged buyouts, mergers and acquisitions, debt refinancing, restructurings, and working capital. In 2017, we introduced a commercial real estate product to serve companies in the healthcare industry.
Corporate and Other primarily consists of activity related to centralized corporate treasury activities such as management of the cash and corporate investment securities and loan portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with debt issuances, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes certain equity investments, which primarily consist of FHLB and FRB stock, the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, and reclassifications and eliminations between the reportable operating segments. Additionally, financial results related to Ally Invest are currently included within Corporate and Other.
We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the benchmark rate curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other.
The information presented in our reportable operating segments is based in part on internal allocations, which involve management judgment.
Financial information for our reportable operating segments is summarized as follows.

Three months ended September 30, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2017						
Net financing revenue and other interest income	$ 950	$ 15	$ 32	$ 39	$ 45	$ 1,081
Other revenue	82	272	2	5	20	381
Total net revenue	1,032	287	34	44	65	1,462
Provision for loan losses	312	—	4	3	(5)	314
Total noninterest expense	420	218	28	19	68	753
Income from continuing operations before income tax expense	$ 300	$ 69	$ 2	$ 22	$ 2	$ 395
Total assets	$ 112,141	$ 7,432	$ 9,804	$ 3,699	$ 30,937	$ 164,013
2016						
Net financing revenue and other interest income (loss)	$ 933	$ 14	$ 25	$ 30	$ (6)	$ 996
Other revenue	74	264	—	4	46	388
Total net revenue	1,007	278	25	34	40	1,384
Provision for loan losses	270	—	1	3	(16)	258
Total noninterest expense	418	222	16	16	63	735
Income (loss) from continuing operations before income tax expense	$ 319	$ 56	$ 8	$ 15	$ (7)	$ 391
Total assets	$ 113,669	$ 7,259	$ 7,933	$ 3,232	$ 25,304	$ 157,397

(a)

Net financing revenue and other interest income after the provision for loan losses totaled $767 million and $738 million for the three months ended September 30, 2017, and 2016, respectively.

Nine months ended September 30, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2017						
Net financing revenue and other interest income	$ 2,774	$ 44	$ 98	$ 121	$ 90	$ 3,127
Other revenue	290	781	3	33	58	1,165
Total net revenue	3,064	825	101	154	148	4,292
Provision for loan losses	846	—	6	15	(13)	854
Total noninterest expense	1,283	737	77	57	187	2,341
Income (loss) from continuing operations before income tax expense	$ 935	$ 88	$ 18	$ 82	$ (26)	$ 1,097
Total assets	$ 112,141	$ 7,432	$ 9,804	$ 3,699	$ 30,937	$ 164,013
2016						
Net financing revenue and other interest income (loss)	$ 2,758	$ 44	$ 71	$ 87	$ (29)	$ 2,931
Other revenue	228	777	—	14	119	1,138
Total net revenue	2,986	821	71	101	90	4,069
Provision for loan losses	649	—	4	12	(15)	650
Total noninterest expense	1,255	733	48	49	133	2,218
Income (loss) from continuing operations before income tax expense	$ 1,082	$ 88	$ 19	$ 40	$ (28)	$ 1,201
Total assets	$ 113,669	$ 7,259	$ 7,933	$ 3,232	$ 25,304	$ 157,397

(a) Net financing revenue and other interest income after the provision for loan losses totaled $2,273 million and $2,281 million for the nine months ended September 30, 2017, and 2016, respectively.

24. Parent and Guarantor Condensed Consolidating Financial Statements

Certain of our senior notes issued by the parent are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of September 30, 2017, the Guarantors include Ally US LLC and IB Finance Holding Company, LLC (IB Finance), each of which fully and unconditionally guarantee the senior notes on a joint and several basis.

The following financial statements present condensed consolidating financial data for (i) Ally Financial Inc. (on a parent company-only basis); (ii) the Guarantors; (iii) the nonguarantor subsidiaries (all other subsidiaries); and (iv) an elimination column for adjustments to arrive at (v) the information for the parent company, the Guarantors, and nonguarantors on a consolidated basis.

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company’s and Guarantors’ investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, the Guarantors, and nonguarantors.

Condensed Consolidating Statements of Comprehensive Income

Three months ended September 30, 2017 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$13	$ —	$ 1,473	$ —	$ 1,486
Interest and fees on finance receivables and loans — intercompany	2	—	1	(3)	—
Interest and dividends on investment securities and other earning assets	—	—	157	—	157
Interest on cash and cash equivalents	2	—	9	—	11
Interest-bearing cash — intercompany	1	—	2	(3)	—
Operating leases	3	—	431	—	434
Total financing revenue and other interest income	21	—	2,073	(6)	2,088
Interest expense					
Interest on deposits	—	—	286	(1)	285
Interest on short-term borrowings	16	—	18	—	34
Interest on long-term debt	278	—	138	—	416
Interest on intercompany debt	3	—	2	(5)	—
Total interest expense	297	—	444	(6)	735
Net depreciation expense on operating lease assets	3	—	269	—	272
Net financing revenue	(279)	—	1,360	—	1,081
Cash dividends from subsidiaries					
Bank subsidiary	2,900	2,900	—	(5,800)	—
Nonbank subsidiaries	101	—	—	(101)	—
Other revenue					
Insurance premiums and service revenue earned	—	—	252	—	252
Gain on mortgage and automotive loans, net	9	—	6	—	15
Loss on extinguishment of debt	(1)	—	(3)	—	(4)
Other gain on investments, net	—	—	23	—	23
Other income, net of losses	138	—	199	(242)	95
Total other revenue	146	—	477	(242)	381
Total net revenue	2,868	2,900	1,837	(6,143)	1,462
Provision for loan losses	161	—	153	—	314
Noninterest expense					
Compensation and benefits expense	17	—	247	—	264
Insurance losses and loss adjustment expenses	—	—	65	—	65
Other operating expenses	208	—	459	(243)	424
Total noninterest expense	225	—	771	(243)	753
Income from continuing operations before income tax (benefit) expense and undistributed (loss) income of subsidiaries	2,482	2,900	913	(5,900)	395
Income tax (benefit) expense from continuing operations	(135)	—	250	—	115
Net income from continuing operations	2,617	2,900	663	(5,900)	280
Income (loss) from discontinued operations, net of tax	4	—	(2)	—	2
Undistributed (loss) income of subsidiaries					

Bank subsidiary	(2,524)	(2,524)	—	5,048	—
Nonbank subsidiaries	185	—	—	(185)	—
Net income	282	376	661	(1,037)	282
Other comprehensive income, net of tax	48	36	51	(87)	48
Comprehensive income	$ 330	$ 412	$ 712	$ (1,124)	$ 330

Three months ended September 30, 2016 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing (loss) revenue and other interest income					
Interest and fees on finance receivables and loans	$(15)	$ —	$ 1,322	$ —	$ 1,307
Interest and fees on finance receivables and loans — intercompany	2	—	2	(4)	—
Interest and dividends on investment securities and other earning assets	—	—	102	(1)	101
Interest on cash and cash equivalents	1	—	2	—	3
Interest-bearing cash — intercompany	—	—	2	(2)	—
Operating leases	4	—	645	—	649
Total financing (loss) revenue and other interest income	(8)	—	2,075	(7)	2,060
Interest expense					
Interest on deposits	2	—	210	—	212
Interest on short-term borrowings	10	—	4	—	14
Interest on long-term debt	289	—	141	—	430
Interest on intercompany debt	5	—	2	(7)	—
Total interest expense	306	—	357	(7)	656
Net depreciation expense on operating lease assets	3	—	405	—	408
Net financing revenue	(317)	—	1,313	—	996
Cash dividends from subsidiaries					
Nonbank subsidiaries	170	—	—	(170)	—
Other revenue					
Insurance premiums and service revenue earned	—	—	238	—	238
(Loss) gain on mortgage and automotive loans, net	(7)	—	7	—	—
Other gain on investments, net	—	—	52	—	52
Other income, net of losses	298	—	231	(431)	98
Total other revenue	291	—	528	(431)	388
Total net revenue	144	—	1,841	(601)	1,384
Provision for loan losses	147	—	111	—	258
Noninterest expense					
Compensation and benefits expense	143	—	105	—	248
Insurance losses and loss adjustment expenses	—	—	69	—	69
Other operating expenses	307	—	541	(430)	418
Total noninterest expense	450	—	715	(430)	735
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income of subsidiaries	(453)	—	1,015	(171)	391
Income tax (benefit) expense from continuing operations	(88)	—	218	—	130
Net (loss) income from continuing operations	(365)	—	797	(171)	261
Loss from discontinued operations, net of tax	(47)	—	(5)	—	(52)
Undistributed income of subsidiaries					
Bank subsidiary	325	325	—	(650)	—
Nonbank subsidiaries	296	—	—	(296)	—
Net income	209	325	792	(1,117)	209

Other comprehensive loss, net of tax	(4)	(3)	(9)	12	(4)
Comprehensive income	$205	$ 322	$ 783	$ (1,105)	$ 205

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Nine months ended September 30, 2017 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing (loss) revenue and other interest income					
Interest and fees on finance receivables and loans	$(57)	$—	$ 4,358	$—	$ 4,301
Interest and fees on finance receivables and loans — intercompany	10	—	5	(15)	—
Interest and dividends on investment securities and other earning assets	—	—	439	(2)	437
Interest on cash and cash equivalents	6	—	17	—	23
Interest-bearing cash — intercompany	1	—	5	(6)	—
Operating leases	9	—	1,456	—	1,465
Total financing (loss) revenue and other interest income	(31)	—	6,280	(23)	6,226
Interest expense					
Interest on deposits	2	—	765	(1)	766
Interest on short-term borrowings	52	—	42	—	94
Interest on long-term debt	834	—	423	—	1,257
Interest on intercompany debt	12	—	10	(22)	—
Total interest expense	900	—	1,240	(23)	2,117
Net depreciation expense on operating lease assets	8	—	974	—	982
Net financing revenue	(939)	—	4,066	—	3,127
Cash dividends from subsidiaries					
Bank subsidiary	2,900	2,900	—	(5,800)	—
Nonbank subsidiaries	528	—	—	(528)	—
Other revenue					
Insurance premiums and service revenue earned	—	—	720	—	720
Gain on mortgage and automotive loans, net	39	—	26	—	65
Loss on extinguishment of debt	(1)	—	(5)	—	(6)
Other gain on investments, net	—	—	73	—	73
Other income, net of losses	569	—	635	(891)	313
Total other revenue	607	—	1,449	(891)	1,165
Total net revenue	3,096	2,900	5,515	(7,219)	4,292
Provision for loan losses	350	—	504	—	854
Noninterest expense					
Compensation and benefits expense	157	—	657	—	814
Insurance losses and loss adjustment expenses	—	—	278	—	278
Other operating expenses	709	—	1,431	(891)	1,249
Total noninterest expense	866	—	2,366	(891)	2,341
Income from continuing operations before income tax (benefit) expense and undistributed (loss) income of subsidiaries	1,880	2,900	2,645	(6,328)	1,097
Income tax (benefit) expense from continuing operations	(362)	—	712	—	350
Net income from continuing operations	2,242	2,900	1,933	(6,328)	747
Income (loss) from discontinued operations, net of tax	6	—	(5)	—	1
Undistributed (loss) income of subsidiaries					
Bank subsidiary	(1,760)	(1,760)	—	3,520	—

Nonbank subsidiaries	260	—	—	(260)	—
Net income	748	1,140	1,928	(3,068)	748
Other comprehensive income, net of tax	144	91	140	(231)	144
Comprehensive income	$892	$ 1,231	$ 2,068	$ (3,299)	$ 892

Nine months ended September 30, 2016 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing (loss) revenue and other interest income					
Interest and fees on finance receivables and loans	$ (82)	$ —	$ 3,889	$ —	$ 3,807
Interest and fees on finance receivables and loans — intercompany	8	—	6	(14)	—
Interest and dividends on investment securities and other earning assets	—	—	303	(1)	302
Interest on cash and cash equivalents	4	—	6	—	10
Interest-bearing cash — intercompany	—	—	7	(7)	—
Operating leases	14	—	2,105	—	2,119
Total financing (loss) revenue and other interest income	(56)	—	6,316	(22)	6,238
Interest expense					
Interest on deposits	6	—	602	—	608
Interest on short-term borrowings	31	—	8	—	39
Interest on long-term debt	868	—	440	—	1,308
Interest on intercompany debt	14	—	8	(22)	—
Total interest expense	919	—	1,058	(22)	1,955
Net depreciation expense on operating lease assets	11	—	1,341	—	1,352
Net financing revenue	(986)	—	3,917	—	2,931
Cash dividends from subsidiaries					
Nonbank subsidiaries	800	—	—	(800)	—
Other revenue					
Insurance premiums and service revenue earned	—	—	704	—	704
(Loss) gain on mortgage and automotive loans, net	(11)	—	15	—	4
Loss on extinguishment of debt	(2)	—	(2)	—	(4)
Other gain on investments, net	—	—	145	—	145
Other income, net of losses	989	—	661	(1,361)	289
Total other revenue	976	—	1,523	(1,361)	1,138
Total net revenue	790	—	5,440	(2,161)	4,069
Provision for loan losses	295	—	355	—	650
Noninterest expense					
Compensation and benefits expense	430	—	312	—	742
Insurance losses and loss adjustment expenses	—	—	287	—	287
Other operating expenses	963	—	1,586	(1,360)	1,189
Total noninterest expense	1,393	—	2,185	(1,360)	2,218
(Loss) income from continuing operations before income tax (benefit) expense and undistributed income (loss) of subsidiaries	(898)	—	2,900	(801)	1,201
Income tax (benefit) expense from continuing operations	(196)	(82)	614	—	336
Net (loss) income from continuing operations	(702)	82	2,286	(801)	865
Loss from discontinued operations, net of tax	(39)	—	(7)	—	(46)
Undistributed income (loss) of subsidiaries					
Bank subsidiary	932	932	—	(1,864)	—
Nonbank subsidiaries	628	(2)	—	(626)	—

Net income	819	1,012	2,279	(3,291)	819
Other comprehensive income, net of tax	262	143			