Ally Financial Inc.
Form 10-K
February 24, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015 or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 1-3754
ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

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

200 Renaissance Center
P.O. Box 200 Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)
(866) 710-4623
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act (all listed on the New York Stock Exchange):
Title of each class

Common Stock, par value $0.01 per share	Fixed Rate/Floating Rate Perpetual Preferred Stock, Series A

8.125% Fixed Rate/Floating Rate Trust Preferred
Securities, Series 2 of GMAC Capital Trust I
Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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 such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

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

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

The aggregate market value of the Registrant's common stock (Common Stock) held on June 30, 2015 by non-affiliated entities was approximately $9.9 billion (based on the June 30, 2015 closing price of Common Stock of $22.43 per share as reported on the New York Stock Exchange).

At February 23, 2016, the number of shares outstanding of the Registrant’s common stock was 483,067,645 shares.

Documents incorporated by reference: portions of the Registrant's Proxy Statement for the annual meeting of stockholders to be held on May 3, 2016 are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13, and 14 of Part III.

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Ally Financial Inc. Form 10-K

Item 1. Business

General

Ally Financial Inc. is a leading, independent, diversified financial services firm with $158.6 billion in assets as of December 31, 2015. Founded in 1919, we are a leading financial services company with over 95 years of experience providing a broad array of financial products and services, primarily to automotive dealers and their retail customers. We operate as a financial holding company (FHC) and a bank holding company (BHC). Our banking subsidiary, Ally Bank, is an indirect, wholly-owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market, with total assets of $111.3 billion and deposits of $66.2 billion at December 31, 2015. The terms "Ally," "the Company," "we," "our," and "us" refer to Ally Financial Inc. and its subsidiaries as a consolidated entity, except where it is clear that the terms mean only Ally Financial Inc.

Our Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, and Mortgage are our primary lines of business. Our Dealer Financial Services business is centered on our strong and longstanding relationships with automotive dealers and serves the financial needs of over 17,500 dealers in the United States, including nearly 11,000 dealers outside of the General Motors Company (GM) and Fiat Chrysler Automobiles US LLC (Chrysler) channels, and approximately 4.5 million of their retail customers with a wide range of financial services and insurance products. We believe our dealer-focused business model, with a focus on premium service and deep relationships, value added products and services, and full credit spectrum expertise proven over many credit cycles, makes us the preferred automotive finance company for thousands of our automotive dealer customers. We have developed particularly strong relationships with thousands of dealers resulting from our longstanding relationship with GM as well as relationships with other manufacturers, including Chrysler, providing us with an extensive understanding of the operating needs of these dealers relative to other automotive finance companies. In addition, we have established relationships with thousands of Growth channel (non-GM/Chrysler) dealers through our customer-centric approach and specialized incentive programs. Our Growth channel primarily focuses on franchised and larger, well capitalized dealers.

Ally Bank, our direct banking platform, is focused on the continued prudent expansion of assets while growing a stable deposit base and deepening relationships with its 1.1 million primary customers driven by its compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through direct banking via internet, telephone, mobile, and mail channels. Ally Bank offers a full spectrum of deposit product offerings including savings and money market accounts, certificates of deposit, interest-bearing checking accounts, trust accounts, and individual retirement accounts. We continue to expand the deposit product offerings and accessibility in our banking platform in order to meet customer needs. At December 31, 2015, approximately 70% of Ally's total assets were funded at Ally Bank. Additionally, during 2015, the deposit base at Ally Bank grew $8.4 billion, an increase of over 14% from December 31, 2014. Ally Bank's assets and operating results are divided between our Automotive Finance operations, Mortgage operations, and Corporate Finance business based on its underlying business activities.

Our strategy is to extend our leading position in automotive finance in the United States by continuing to provide automotive dealers and their retail customers with premium service, a comprehensive product suite, consistent funding and competitive pricing, reflecting our commitment to the automotive industry. We are focused on expanding profitable dealer relationships, prudent earning asset growth, and acceptable risk-adjusted returns. Our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as strengthening our network of dealer relationships and on the newer online marketplaces. Over the past several years, we have increased our focus on the Growth channel, which has resulted in increased new standard rate and used vehicle financing volume. We also seek to broaden and deepen the Ally Bank franchise, prudently growing stable, quality deposits while extending our foundation of products and providing a high level of customer service.

In addition, as we look ahead, we are well positioned as the marketplace continues to evolve and are working to build on our existing foundation of approximately 5.6 million customers, strong brand, innovative culture, and leading

digital platform to expand our products and services and to create an integrated customer experience.
Use of the word "loan" in this document is intended to refer to, as the context suggests, retail installment sales contracts that we have acquired or other financing products. The term "originate" generally refers to our acquisition of retail installment sales contracts, other financing products, or leases as the context suggests.
For further details and information related to our business segments and the products and services they provide, refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and Note 27 to the Consolidated Financial Statements.
Industry and Competition
The markets for automotive and mortgage financing, insurance, and banking are highly competitive. We directly compete in the automotive financing market with banks, credit unions, captive automotive finance, direct to consumer, and independent finance companies. Our insurance business also faces significant competition from automotive manufacturers, captive automotive finance companies, insurance carriers, third-party administrators, brokers, and other insurance-related companies. Some of these competitors have certain exclusivity privileges with automotive manufacturing companies whose customers and dealers compose a significant portion of our customer base. In addition, Ally Bank faces significant competition from commercial banks, savings institutions, and other financial institutions. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures,

lower costs of capital, and are less reliant on securitization activities, unsecured debt, and other public markets. We face significant competition in most areas, including product offerings, rates, pricing and fees, and customer service.

Certain Regulatory Matters

We are subject to various regulatory, financial, and other requirements of the jurisdictions in which our businesses operate. Regulators have increased their focus on the regulation of the financial services industry. The following is a description of some of the laws and regulations that currently affect our business.

Bank Holding Company and Financial Holding Company Status

Ally and IB Finance Holding Company, LLC (IB Finance) are currently both BHCs under the BHC Act. IB Finance is the direct holding company for Ally's FDIC-insured depository institution, Ally Bank. As a BHC, Ally is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (FRB). Ally must also comply with regulatory risk-based and leverage capital requirements, as well as various safety and soundness standards imposed by the FRB, and is subject to certain statutory restrictions concerning the types of assets or securities it may own and the activities in which it may engage. Ally Bank, our banking subsidiary, is currently not a member of the Federal Reserve System and is subject to supervision, examination and regulation by the Federal Deposit Insurance Corporation (FDIC) and the Utah Department of Financial Institutions (Utah DFI). This regulatory oversight focuses on the protection of depositors, the FDIC's Deposit Insurance Fund, and the banking system as a whole, not security holders, and in some instances may be contrary to their interests. An application has been filed for Ally Bank to become a Federal Reserve member.

- Permitted Activities — The Gramm-Leach-Bliley Act of 1999 (GLB Act) amended the BHC Act by providing a new regulatory framework applicable to “financial holding companies,” which are bank holding companies that meet certain qualifications and elect FHC status. FHCs are generally permitted to engage in a broader range of financial and related activities than those that are permissible for BHCs, in particular, securities, insurance, and merchant banking activities. The FRB supervises, examines, and regulates FHCs, as it does all BHCs. However, insurance and securities activities conducted by a FHC or its nonbank subsidiaries are also regulated by functional regulators. Our election to become a FHC under the BHC Act was approved by the FRB and became effective on December 20, 2013. Ally's status as a FHC allows us to continue all existing insurance activities, as well as our SmartAuction vehicle remarketing services for third parties. 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 law. Refer to Note 21 to the Consolidated Financial Statements for additional information. See also “Basel Capital Frameworks” below. Under the BHC Act, Ally generally may not, directly or indirectly, acquire more than 5% of any class of voting shares of any nonaffiliated bank or BHC without first obtaining FRB approval.
- Dodd-Frank Wall Street Reform and Consumer Protection Act — On July 21, 2010, the President of the United States signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). The Dodd-Frank Act represents a significant overhaul of many aspects of the regulation of the financial services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, derivatives, restrictions on an insured bank’s transactions with its affiliates, lending limits, and mortgage-lending practices. A number of provisions in the Dodd-Frank Act have entered into effect while others will become effective at a later date after a rulemaking process is completed. While U.S. regulators have finalized many regulations to implement various provisions of the Dodd-Frank Act, they plan to propose or finalize additional implementing regulations in the future.

The Dodd-Frank Act has had, and will have as its provisions are further implemented, material implications for Ally and the entire financial services industry. Among other things, the Dodd-Frank Act and its implementing regulations:

- subject Ally to enhanced prudential standards, oversight, and scrutiny as a result of being a BHC with $50 billion or more in total consolidated assets (a large BHC);
- have increased the levels of capital and liquidity with which Ally must operate and affect how it plans capital and liquidity levels;
-

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

- require Ally to provide to the FRB and FDIC an annual plan for its rapid and orderly resolution in the event of material financial distress;
- subject Ally to regulation and examination by the Consumer Financial Protection Bureau (CFPB), which has very broad rule-making, examination, and enforcement authorities; and
- subject derivatives that Ally enters into for hedging, risk management and other purposes to a comprehensive new regulatory regime which, when fully implemented, will require central clearing and execution on designated markets or execution facilities for certain standardized derivatives and impose margin, documentation, trade reporting, and other new requirements.

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These and other requirements may, either currently or in the future, impact Ally's business and risk management strategies and/or restrict the revenue that Ally generates from certain businesses.

- Enhanced Prudential Standards — In February 2014, the FRB issued a final rule to implement certain enhanced prudential standards under the Dodd-Frank Act for large bank holding companies such as Ally. The final rule generally became effective on January 1, 2015. Among other things, the final rule requires Ally to maintain a buffer of unencumbered highly liquid assets to meet projected net cash outflows for 30 days over the range of liquidity stress scenarios used in internal stress tests and to comply with a number of risk management and governance requirements, including liquidity risk management standards. The Federal Reserve has stated that it will issue, at a later date, final rules to implement certain other enhanced prudential standards under the Dodd-Frank Act for large bank holding companies, including single counterparty credit limits and an early remediation framework.
- Liquidity Coverage Ratio Requirements — To complement the above-mentioned internal liquidity stress testing and liquidity buffer requirements, the FRB and other U.S. banking regulators issued a final rule in September 2014 to implement the Basel III liquidity coverage ratio (LCR) requirements for large bank holding companies. The LCR was developed by the Basel Committee on Banking Supervision (Basel Committee) to ensure banking organizations maintain an amount of high-quality liquid assets that is no less than 100 percent of their total net cash outflows arising from significant stress over a prospective 30 calendar-day period. The U.S. LCR rule is more stringent in certain respects compared to the Basel Committee's version of the LCR, and includes a generally narrower definition of debt and equity securities that qualify as high-quality liquid assets and a two-year phase-in period that began on January 1, 2015, and ends on January 1, 2017. A simpler, less stringent U.S. LCR requirement (Modified LCR) applies to depository institution holding companies with $50 billion or more in total consolidated assets that are not covered by the LCR. The Modified LCR requires depository institution holding companies to calculate their Modified LCR on a monthly basis beginning January 1, 2016, subject to a transition period (phased-in implementation with a minimum ratio of 90% in 2016 and 100% in 2017 and beyond). Because Ally's total assets are less than $250 billion but greater than $50 billion, and because it has immaterial foreign exposure, Ally is subject to the requirements of the Modified LCR.
- Capital Adequacy Requirements — Ally and Ally Bank are subject to various capital adequacy requirements as established under FRB and FDIC regulations. Refer to Note 21 to the Consolidated Financial Statements for additional information. See also "Basel Capital Frameworks" below.
- Capital Planning and Stress Tests — Pursuant to the Dodd-Frank Act, the FRB has adopted capital planning and stress test requirements for large bank holding companies, including Ally, which form part of the FRB's Comprehensive Capital Analysis and Review (CCAR) process. Under the FRB's capital plan rule, Ally must submit an annual capital plan to the FRB, taking into account the results of stress tests conducted by Ally based on scenarios prescribed by the FRB. The capital plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The capital plan must also include a discussion of how Ally will maintain capital above the U.S. Basel III minimum regulatory capital ratios for each period over the nine-quarter planning horizon, and serve as a source of strength to Ally Bank. The FRB will either object to Ally's capital plan, in whole or in part, or provide a notice of non-objection. If the FRB objects to the capital plan, or if certain material events occur after approval of the plan, Ally must submit a revised capital plan within 30 days. In addition, even with an approved capital plan, Ally must seek the approval of the FRB before making a capital distribution if, among other factors, Ally would not meet its regulatory capital requirements after making the proposed capital distribution.

Ally received a non-objection to its 2014 and 2015 capital plans. Under a new rule effective for the 2016 capital planning cycle and subsequent cycles, Ally expects to submit its 2016 capital plan by April 5, 2016, with a response expected from the FRB by June 30, 2016.

The FRB final stress test rule requires Ally to conduct semi-annual (annual and mid-cycle) company-run stress tests under baseline, adverse, and severely adverse economic scenarios over a planning horizon that spans nine quarters.

The rule also subjects Ally to an annual supervisory stress test conducted by the FRB. For the 2015 stress testing cycle, Ally submitted the results of its semi-annual stress test to the FRB in January and July 2015. Under a new rule effective for the 2016 and subsequent cycles, Ally expects to submit its 2016 company-run stress tests by April 5, 2016 and October 5, 2016. In addition, an FDIC final rule requires Ally Bank to conduct an annual company-run stress test under baseline, adverse, and severely adverse economic scenarios over a planning horizon that spans nine quarters. Ally Bank expects to submit its 2016 company-run stress test by April 5, 2016.

In addition, the FRB publishes summary results of the supervisory stress tests of each large BHC, including Ally, conducted by the FRB pursuant to the Dodd-Frank Act. The supervisory stress tests are intended to provide supervisors with forward-looking information to help identify downside risk and the potential effect of adverse conditions on capital adequacy.

- Limitations on Bank and Bank Holding Company Dividends and Capital Distributions — Utah law (and, in certain instances, federal law) places restrictions and limitations on dividends or other distributions payable by our banking subsidiary, Ally Bank, to Ally. Under the FRB’s capital plan rule, an objection to a large BHC's capital plan generally prohibits it from paying dividends or making certain other capital distributions without specific FRB non-objection to such action. Even if a large BHC receives a non-objection to its capital plan, it may not pay a dividend or make certain other capital distributions without FRB approval under certain circumstances (e.g., where the BHC would not meet certain minimum regulatory capital ratios after giving effect to the dividend or distribution). In addition, FRB supervisory guidance requires BHCs such as Ally to consult with the FRB prior to increasing dividends, implementing common stock repurchase programs or redeeming or repurchasing capital instruments. The U.S. banking regulators are also authorized to prohibit a banking subsidiary or BHC from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or making a capital distribution would constitute an unsafe or unsound banking practice.

- Transactions with Affiliates — Certain transactions between Ally Bank and any of its nonbank "affiliates," including but not limited to Ally, are subject to federal statutory and regulatory restrictions. Pursuant to these restrictions, unless otherwise exempted, "covered transactions" including Ally Bank's extensions of credit to and asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Ally Bank's capital stock and surplus with respect to transactions with any individual affiliate, with an aggregate limit of 20% of Ally Bank's capital stock and surplus for all affiliates and all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a "low quality asset" under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction Restrictions). In addition, transactions between Ally Bank and a nonbank affiliate generally must be on market terms and conditions.

Furthermore, there is an "attribution rule" that provides that a transaction between Ally Bank and a third party must be treated as a transaction between Ally Bank and a nonbank affiliate to the extent that the proceeds of the transaction are used for the benefit of or transferred to a nonbank affiliate of Ally Bank. For example, because Ally controls Ally Bank, Ally is an affiliate of Ally Bank for purposes of the Affiliate Transaction Restrictions. Thus, retail financing transactions by Ally Bank involving vehicles for which Ally provided floorplan financing are subject to the Affiliate Transaction Restrictions because the proceeds of the retail financings are deemed to benefit, and are ultimately transferred to, Ally.

Under the Dodd-Frank Act, among other changes to the Affiliate Transaction Restrictions, credit exposures arising from derivatives transactions, securities lending and borrowing transactions, and acceptance of affiliate-issued debt obligations (other than securities) as collateral for a loan or extension of credit will be treated as "covered transactions." The Dodd-Frank Act also expands the scope of covered transactions required to be collateralized, requires that collateral be maintained at all times for covered transactions required to be collateralized, and places limits on acceptable collateral.

Historically, the FRB was authorized to exempt, at its discretion, transactions or relationships from the requirements of these rules if it found such exemptions to be in the public interest and consistent with the purposes of the rules. As a result of the Dodd-Frank Act, exemptions now may be granted by the FDIC if the FDIC and FRB jointly find that the exemption is in the public interest and consistent with the purposes of the rules, and the FDIC finds that the exemption does not present an unacceptable risk to the Deposit Insurance Fund. The FRB granted several such exemptions to Ally Bank in the past. However, the existing exemptions are subject to various conditions and, particularly in light of the statutory changes made by the Dodd-Frank Act, any requests for future exemptions might not be granted. Moreover, these limited exemptions generally do not encompass consumer leasing or used vehicle financing. Since there is no assurance that Ally Bank will be able to obtain future exemptions or waivers with respect to these restrictions, the ability to grow Ally Bank's business will be affected by the Affiliate Transaction Restrictions and the conditions set forth in the existing exemption letters.

- Source of Strength — Pursuant to the Federal Deposit Insurance Act, as amended by the Dodd-Frank Act, FRB policy and regulations, and the Parent Company Agreement and the Capital and Liquidity Maintenance Agreement described in Note 21 to the Consolidated Financial Statements, Ally is required to act as a source of financial and managerial strength to Ally Bank and is required to commit necessary capital and liquidity to support Ally Bank. This support may be required at inopportune times for Ally.
- Single Point of Entry Resolution Authority — Under the Dodd-Frank Act, certain financial institutions, including BHCs such as Ally, are eligible to be subjected to a new FDIC-administered resolution regime called orderly liquidation authority, an alternative to bankruptcy. The FDIC's orderly liquidation authority became effective in July 2010, with

implementing regulations adopted thereafter in stages, with some rulemakings still to come. If Ally were to become insolvent and be placed into receivership under the orderly liquidation authority, the FDIC would be appointed as receiver, giving the FDIC considerable rights and powers that it must exercise with the goal of liquidating and winding up Ally, including the ability to assign assets and liabilities without the need for creditor consent or prior court review and the ability of the FDIC to differentiate and determine priority among creditors. In December 2013, the FDIC released its proposed Single Point of Entry strategy for resolution of a systemically important financial institution under the orderly liquidation authority. The FDIC's release outlines how it would use its powers under the orderly liquidation authority to resolve a systemically important financial institution by placing its top-tier U.S. holding company in receivership and keeping its operating subsidiaries open and out of insolvency proceedings by transferring the operating subsidiaries to a new bridge holding company, recapitalizing the operating subsidiaries, and imposing losses on the shareholders and creditors of the holding company in receivership according to their statutory order of priority.

- Enforcement Authority — The FDIC and FRB have broad authority to issue orders to banks and bank holding companies to cease and desist from unsafe or unsound banking practices and from violations of laws, rules, regulations, or conditions imposed in writing by the banking agencies. The FDIC and FRB also are empowered to require affirmative actions to correct any violation or practice; issue administrative orders that can be judicially enforced; direct increases in capital; limit dividends and distributions; restrict growth; assess civil money penalties against institutions or individuals who violate any laws, regulations, orders, or written agreements with the banking agencies; order termination of certain activities of BHCs or their subsidiaries; remove officers and directors; order divestiture of ownership or control of a nonbanking subsidiary by a BHC (in the case of the FRB); terminate deposit insurance (in the case of the FDIC); and/or place a bank into receivership (in the case of the FDIC).

Basel Capital Frameworks

Until January 1, 2015, the U.S. risk-based and leverage capital standards applicable to Ally and Ally Bank were based on the Basel Committee's Basel I capital accord (Basel I).

In December 2010, the Basel Committee reached an agreement on the Basel III capital framework, which was designed to increase the quality and quantity of regulatory capital by introducing new risk-based and leverage capital standards. In July 2013, the U.S. banking regulators finalized rules implementing the Basel III capital framework and related Dodd-Frank Act provisions (U.S. Basel III). U.S. Basel III represents a substantial revision to the regulatory capital standards for U.S. banking organizations. Ally became subject to U.S. Basel III on January 1, 2015. Certain aspects of the U.S. Basel III final rules, including the new capital buffers and regulatory capital deductions, will be phased in over several years.

U.S. Basel III subjects Ally to a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum Total risk-based capital ratio of 8%. In addition to these minimum requirements, Ally will also be subject to a Common Equity Tier 1 capital conservation buffer of more than 2.5%, subject to a phase-in 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 payments 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.

In addition to introducing new capital ratios, U.S. Basel III revises 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 the new criteria. Subject to certain exceptions (e.g., for certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other "hybrid" securities are no longer included in a BHC's Tier 1 capital as of January 1, 2016. Also, subject to a phase-in schedule, certain new items will be deducted from Common Equity Tier 1 capital, and certain other deductions from regulatory capital will be modified. Among other things, U.S. Basel III requires certain deferred tax assets (DTAs) that exceed specified individual and aggregate thresholds to be deducted from Common Equity Tier 1 capital. U.S. Basel III also revises the U.S. Basel I-based standardized approach for calculating risk-weighted assets by, among other things, modifying certain risk weights and introducing new 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 counterparty credit risk. It is not subject to the U.S. Basel III advanced approaches for counterparty 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.

At December 31, 2015, Ally was in compliance with its regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 21 to the Consolidated Financial Statements.

Depository Institutions

Ally Bank's deposits are insured by the FDIC, under applicable rules, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were $111.3 billion and $104.4 billion at December 31, 2015, and 2014, respectively. As a commercial nonmember bank chartered by the State of Utah, Ally Bank is subject to various regulatory capital adequacy requirements administered by state and federal banking agencies. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), among other things, identifies five capital categories for insured depository institutions ("well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized") and requires the respective federal regulatory agencies to implement systems for "prompt corrective action" for insured depository institutions

that do not meet minimum capital requirements within such categories. Depending on the category in which an institution is classified, FDICIA imposes progressively more restrictive constraints on operations, management, and capital distributions.
Failure to meet minimum capital requirements can initiate certain mandatory and discretionary actions by regulators that, if undertaken, could have a direct material effect on Ally Bank's results of operations and financial condition. FDICIA generally prohibits a depository institution from making any capital distribution, including payment of a cash dividend or paying any management fee to its holding company, if the depository institution would become under-capitalized after such payment. Under-capitalized institutions are also subject to growth limitations and are required by the appropriate federal banking agency to submit a capital restoration plan. If any depository institution subsidiary of a holding company is required to submit a capital restoration plan, the holding company would be required to provide a limited guarantee regarding compliance with the plan as a condition of approval of such plan. Failure to meet the capital guidelines could also subject a banking institution to capital raising requirements.
At December 31, 2015, Ally Bank was in compliance with its regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 21 to the Consolidated Financial Statements.

Consumer Financial Laws

The CFPB has issued various rules to implement consumer financial protection provisions of the Dodd-Frank Act and related requirements. Many of these rules impose new requirements on Ally and its business operations. In addition, as an insured depository institution with total assets of more than $10 billion, Ally Bank is subject to the examination and enforcement authority of the CFPB with respect to its compliance with federal consumer financial protection laws and regulations.

- Mortgage Operations — Our mortgage business is subject to extensive federal, state, and local laws, rules, and regulations, in addition to judicial and administrative decisions that impose requirements and restrictions on this business. The mortgage business is also subject to examination by the Federal Housing Commissioner to assure compliance with Federal Housing Administration regulations, policies, and procedures. The federal, state, and local laws, rules, and regulations to which our mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

The future of the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs) and the role of government agencies in the U.S. mortgage markets remain uncertain. The Executive Branch has committed to work with the Federal Housing Finance Agency (FHFA) to develop a plan to responsibly reduce the role of the GSEs in the mortgage market and, ultimately, wind down Fannie Mae and Freddie Mac. In addition, proposals have been introduced in both houses of Congress to reform the role of the GSEs in the U.S. housing sector and move toward a private sector model.

- Automotive Lending Business — The CFPB has focused on the area of automotive finance, particularly with respect to indirect financing arrangements and fair lending compliance. In March 2013, the CFPB provided guidance about compliance with the fair lending requirements of the Equal Credit Opportunity Act and its implementing regulations for indirect automotive finance companies that permit dealers to charge annual percentage rates to consumers in excess of buy rates used by the finance company to calculate the price paid to acquire an assignment of the retail installment sale contract. In December 2013, Ally Financial Inc. and Ally Bank entered into Consent Orders issued by the CFPB and the U.S. Department of Justice (DOJ) pertaining to the allegation of disparate impact in the automotive finance business. For further information, refer to Note 30 to the Consolidated Financial Statements.

Asset-backed Securitizations

Section 941 of the Dodd-Frank Act requires securitizers of different types of asset-backed securitizations, including transactions backed by residential mortgages, commercial mortgages, and commercial, credit card, and automotive loans, to retain no less than 5% of the credit risk of the assets being securitized, with an exemption for securitizations that are wholly composed of “qualified residential mortgages” (QRMs). Federal regulators issued final rules implementing this Dodd-Frank Act requirement in October 2014. The final rules aligned the definition of QRMs with the CFPB’s definition of “Qualified Mortgage” and also included an exemption for the GSEs’ mortgage-backed securities (MBS). The regulations took effect on February 23, 2015. Compliance was required with respect to new securitization transactions backed by residential mortgages beginning December 24, 2015, and will be required with respect to new securitization transactions backed by other types of assets beginning December 24, 2016. Ally continues to evaluate the final rules and assess their impact on our securitization activities.

Insurance Companies

Certain of our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance laws, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. Our insurance operations are also subject to applicable state laws generally governing insurance companies, as well as laws and regulations for products that are not regulated as insurance, such as vehicle service contracts and guaranteed asset protection waivers.

Investments in Ally

Because Ally Bank is a FDIC-insured bank and Ally and IB Finance are BHCs, acquisitions of our voting stock above certain thresholds may be subject to regulatory approval or notice under federal or state law. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that may be acquired without regulatory approval under the Change in Bank Control Act, the BHC Act, and Utah state law. Further, refer to the Tax Assets Protective Measures section of MD&A for details of certain actions taken by us during January 2014, which are intended to prevent persons from acquiring Ally common stock that exceeds certain ownership thresholds. These measures are intended to protect certain tax benefits that may be significantly limited under an "ownership change" as defined under the applicable tax regulations.

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Other Regulations

Some of the other more significant regulations that we are subject to include:

- Privacy — The GLB Act imposes additional obligations on us to safeguard the information we maintain on our customers, requires us to provide notice of our privacy practices, and permits customers to “opt-out” of information sharing with unaffiliated parties. The U.S. banking regulators and the Federal Trade Commission have issued regulations that establish obligations to safeguard information. In addition, several states have enacted even more stringent privacy and safeguarding legislation. If a variety of inconsistent state privacy rules or requirements are enacted, our compliance costs could increase substantially.
- Volcker Rule — On December 10, 2013, the U.S. Commodity Futures Trading Commission, FDIC, Federal Reserve Board, Office of the Comptroller of the Currency and the SEC issued final rules to implement the Volcker Rule required by the Dodd-Frank Act. The Volcker Rule prohibits an insured depository institution and its affiliates from (1) engaging in “proprietary trading” and (2) investing in or sponsoring certain types of funds (covered funds) subject to certain limited exceptions. The final rules contain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations and also permit certain ownership interests in certain types of funds to be retained. They also permit the offering and sponsoring of funds under certain conditions. The final rules extend the conformance period to July 21, 2015, and in December of 2014 the Federal Reserve Board issued an order to extend the relevant conformance date for certain covered funds activities to July 21, 2016. The final Volcker Rule regulations impose significant compliance and reporting obligations on banking entities. The impact of the Volcker Rule will not be material to Ally’s business operations.
- Fair Credit Reporting Act — The Fair Credit Reporting Act regulates the use of credit reports and the reporting of information to credit reporting agencies, and also provides a national legal standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. In late 2003, the Fair and Accurate Credit Transactions Act was enacted, making this preemption of conflicting state and local law permanent. The Fair Credit Reporting Act was also amended to place further restrictions on the use of information shared between affiliates, to provide new disclosures to consumers when risk-based pricing is used in the credit decision, and to help protect consumers from identity theft. All of these provisions impose additional regulatory and compliance costs on us and reduce the effectiveness of our marketing programs.
- Truth in Lending Act — The Truth in Lending Act (TILA), as amended, and Regulation Z, which implements TILA, requires lenders to provide borrowers with uniform, understandable information concerning terms and conditions in certain credit transactions. These rules apply to Ally and its subsidiaries in transactions in which they extend credit to consumers and require, in the case of certain mortgage and automotive financing transactions, conspicuous disclosure of the finance charge and annual percentage rate, if any. In addition, if an advertisement for credit states specific credit terms, Regulation Z requires that such advertisement state only those terms that actually are or will be arranged or offered by the creditor. The CFPB has recently issued substantial amendments to the mortgage requirements under Regulation Z, and additional changes are likely in the future. Amendments to Regulation Z and Regulation X, which implements the Real Estate Settlement Procedures Act, require new integrated mortgage loan disclosures to be provided for applications received on or after October 3, 2015. Failure to comply with TILA can result in liability for damages as well as criminal and civil penalties.
- Sarbanes-Oxley Act — The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate governance and accounting measures designed to promote honesty and transparency in corporate America. The principal provisions of the act include, among other things, (1) the creation of an independent accounting oversight board; (2) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (3) additional corporate governance and responsibility measures including the requirement that the principal executive and financial officers certify financial statements; (4) the potential forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement; (5) an increase in the oversight of and enhancement of certain requirements relating to audit committees and how they interact with the

independent auditors; (6) requirements that audit committee members must be independent and are barred from accepting consulting, advisory, or other compensatory fees from the issuer; (7) requirements that companies disclose whether at least one member of the audit committee is a “financial expert” (as defined by the Securities and Exchange Commission (SEC)) and, if not, why the audit committee does not have a financial expert; (8) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions, on nonpreferential terms and in compliance with other bank regulatory requirements; (9) disclosure of a code of ethics; (10) requirements that management assess the effectiveness of internal control over financial reporting and that the Independent Registered Public Accounting firm attest to the assessment; and (11) a range of enhanced penalties for fraud and other violations.

- USA PATRIOT Act/Anti-Money-Laundering Requirements — In 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) was signed into law. Title III of the USA PATRIOT Act amends the Bank Secrecy Act and contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the USA PATRIOT Act, requires BHCs, banks, and certain other financial companies to undertake activities including maintaining an anti-money-laundering program, verifying the identity of clients, monitoring for and reporting on suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. We have implemented internal practices, procedures, and controls designed to comply with these anti-money-laundering requirements.

- Community Reinvestment Act — Under the Community Reinvestment Act (CRA), a bank has a continuing and affirmative obligation, consistent with the safe-and-sound operation of the institution, to help meet the credit needs of its entire community, including low- and moderate-income persons and neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions. However, institutions are rated on their performance in meeting the needs of their communities. Failure by Ally Bank to maintain a "satisfactory" or better rating under the CRA may adversely affect Ally's ability to make acquisitions and engage in new activities, and in the event of such a rating, the FRB must prohibit the FHC and its subsidiaries from engaging in any additional activities other than those permissible for bank holding companies that are not FHCs.

Employees

We had approximately 7,100 and 6,900 employees at December 31, 2015, and 2014, respectively.

Additional Information

The results of operations for each of our reportable operating segments and the products and services offered are contained in the individual business operations sections of MD&A. Financial information related to reportable operating segments and geographic areas is provided in Note 27 to the Consolidated Financial Statements.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K (and amendments to these reports) are available on our internet website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at www.ally.com. Choose Investor Relations (under About Us), Financial Information, and then SEC Filings. These reports can also be found on the SEC website at www.sec.gov.

Item 1A. Risk Factors

Our businesses face many risks and uncertainties, any of which could result in a material adverse effect on our results of operations or financial condition. We believe that the most significant of the risks and uncertainties that we face are described below. This Form 10-K is qualified in its entirety by these risk factors.

Risks Related to Regulation

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

We are subject to extensive laws and regulations that require significant expense and devotion of resources, which may adversely affect our ability to operate profitably. Ally currently operates as a FHC, which permits us to engage in certain business activities, including securities, insurance, and merchant banking activities. To maintain status as a FHC, Ally and its bank subsidiary, Ally Bank, must remain “well-capitalized” and “well-managed,” as defined under applicable law. If we fail to maintain our status as a FHC, our ability to engage in the broader range of activities permitted to FHCs may be restricted and we may be required to discontinue these activities, or divest our bank subsidiary, Ally Bank.

Ally is subject to ongoing supervision, examination and regulation by the FRB, and Ally Bank by the FDIC and the Utah DFI, in each case, through regular examinations and other means that allow the regulators to gauge management’s ability to identify, assess, and control risk in all areas of operations in a safe-and-sound manner and to ensure compliance with laws and regulations, including those governing resolution planning. In the course of their supervision and examinations, our regulators may require improvements in various functions or areas of our business. Any requirement imposed is generally judicially enforceable, and if we are unable to implement and maintain any required actions in a timely and effective manner, we could become subject to formal supervisory actions that could lead to significant restrictions on our existing business or on our ability to develop any new business. Such forms of supervisory action could include, without limitation, written agreements, cease and desist orders, and consent orders and may, among other things, result in restrictions on our ability to pay dividends, requirements to increase capital, restrictions on our activities, the imposition of civil monetary penalties, and enforcement of such action through injunctions or restraining orders. We could also be required to dispose of certain assets and liabilities within a prescribed period. The terms of any such supervisory action could have a material adverse effect on our business,

operating flexibility, financial condition, and results of operations.
Our inability to remain in compliance with regulatory requirements in a particular jurisdiction could have a material adverse effect on our operations in that market with regard to the affected product and on our reputation generally. No assurance can be given that applicable laws or regulations will not be amended or construed differently, that new laws and regulations will not be adopted, or that we will not be prohibited by local laws or regulators from taking desired actions, any of which could materially adversely affect our business, operating flexibility, financial condition, or results of operations.
Changes to any applicable statutes, regulations, rules, or policies including the interpretation or implementation of statutes, regulations, rules, or policies could affect us in substantial and unpredictable ways including limiting the types of financial services and products we may offer, limiting our ability to pursue acquisitions and increasing the ability of third parties to offer competing financial services and products. Further, noncompliance with applicable laws could result in the suspension or revocation of any license or registration at issue as well as the imposition of civil fines and criminal penalties.

For additional information related to our regulatory requirements, see Business — Certain Regulatory Matters.
Ally and its subsidiaries are or may become involved in investigations, examinations, and proceedings by government and self-regulatory agencies, which may lead to material adverse consequences.
Ally and its subsidiaries, including Ally Bank, are or may become involved from time to time in formal and informal reviews, investigations, examinations, proceedings, and information-gathering requests by federal and state government and self-regulatory agencies, including, among others, the DOJ, SEC, CFPB, FRB, FDIC, Utah DFI, and the Federal Trade Commission regarding their respective operations.
Mortgage Matters
We have received subpoenas from the DOJ that include a broad request for documentation and other information relating to residential mortgage-backed securities issued by our former mortgage subsidiary, Residential Capital, LLC and its subsidiaries (ResCap RMBS). In connection with these requests, the DOJ is investigating potential fraud and other potential legal claims related to ResCap RMBS, including its investigation of potential claims under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. The DOJ is also investigating potential claims under the False Claims Act (FCA) related to representations made by us in connection with investments in Ally made by the United States Department of the Treasury pursuant to the Troubled Asset Relief Program in 2008 and 2009 regarding certain claims against Residential Capital, LLC or its subsidiaries at that time. We continue to engage in discussions with the DOJ with respect to legal and factual aspects of their investigations and potential claims. As previously disclosed, at the request of the DOJ, we entered into an agreement to voluntarily extend the statutes of limitations related to potential FCA claims. This agreement expired at the end of January 2016.
We have separately received subpoenas and document requests from the SEC that include information covering a wide range of mortgage-related matters.
Automotive Subprime Matters
In October 2014, we received a document request from the SEC in connection with its investigation related to subprime automotive finance and related securitization activities. Separately, in December 2014, we received a subpoena from the DOJ requesting similar information. In May 2015, we received an information request from the New York Department of Financial Services requesting similar information. We have cooperated with each of these agencies with respect to these matters.
CFPB
Further, in December 2013, Ally Financial Inc. and Ally Bank entered into Consent Orders issued by the CFPB and the DOJ pertaining to the allegation of disparate impact in the automotive finance business. The Consent Orders require Ally to create a compliance plan addressing, at a minimum, the communication of Ally's expectations of Equal Credit Opportunity Act compliance to dealers, maintenance of Ally's existing limits on dealer finance income for contracts acquired by Ally, and monitoring for potential discrimination both at the dealer level and within our portfolio of contracts acquired across all dealers. Ally formed a compliance committee consisting of certain Ally and Ally Bank directors to oversee Ally's execution of the Consent Orders' terms. Ally is required to meet certain stipulations under the Consent Orders, including a requirement to make monetary payments when ongoing remediation targets are not attained.
Each of the matters set forth above may result in material adverse consequences including without limitation, adverse judgments, significant settlements, fines, penalties, injunctions, or other actions.
Our ability to execute our business strategy may be affected by regulatory considerations.
Our business strategy for Ally Bank, which is primarily focused on automotive lending, growth of our direct-channel deposit business, bulk purchases of high-quality jumbo mortgage loans, and commercial lending, is subject to regulatory oversight from a safety and soundness perspective. If our banking supervisors raise concerns regarding any aspect of our business strategy for Ally Bank, we may be obliged to alter our strategy, which could include moving certain activities, such as certain types of lending, outside of Ally Bank to one of our nonbanking affiliates. Alternative funding sources outside of Ally Bank, such as unsecured funding in the capital markets, could be more expensive than funding through Ally Bank and could adversely affect our business prospects, results of operations,

and financial condition.

We are subject to capital planning and systemic risk regimes, which impose significant restrictions and requirements. As a BHC with $50 billion or more of consolidated assets, Ally is subject to certain enhanced prudential standards mandated by Section 165 of the Dodd-Frank Act for large bank holding companies such as Ally. As part of these enhanced prudential standards, Ally is required to conduct periodic stress tests and submit a proposed capital action plan to the FRB annually. The proposed capital action plan must include a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any capital distribution, and any similar action that the FRB determines could have an impact on Ally's consolidated capital. The proposed capital action plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and serve as a source of strength to Ally Bank. The FRB will either object to a proposed capital plan, in whole or in part, or provide notice of non-objection to Ally. The failure to receive a notice of non-objection from the FRB would prohibit us from paying dividends, repurchasing our common stock, and making other capital distributions. Refer to the section above titled Business — Certain Regulatory Matters for further details.

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In addition, the enhanced prudential standards also require Ally to maintain a sufficient quantity of highly liquid assets to survive a projected 30-day liquidity stress event and implement various liquidity-related corporate governance measures and imposes certain requirements, duties and qualifications for Ally's risk committee and chief risk officer. These enhanced prudential standards could adversely affect our business prospects, results of operations and financial condition. Additionally, the FRB has stated that it will issue, at a later date, final rules to implement certain other enhanced prudential standards mandated by Section 165 of the Dodd-Frank Act, including single counterparty credit limits and an early remediation framework. Once implemented and adopted, these rules could adversely affect our business prospects, results of operations and financial condition.

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

Ally Bank continues to be a key part of our funding strategy, and we place great reliance on deposits as a source of funding through Ally Bank. Ally Bank does not have a retail branch network. It obtains its deposits through direct banking as well as brokered deposits. Brokered deposits may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher interest rates. Brokered deposits totaled $10.7 billion at December 31, 2015, which represented 16% of Ally Bank total deposits. Our ability to maintain our current level of deposits or grow our deposit base could be affected by regulatory restrictions, including the possible imposition of prior approval requirements, restrictions on deposit growth, or restrictions on our rates offered. In addition, perceptions of our financial strength, rates offered by third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact the size of our deposit base. In addition, our regulators may impose restrictions on our ability to fund certain types of assets at Ally Bank, potentially raising the cost of funding those activities without the use of Ally Bank deposits. Qualitative and quantitative liquidity requirements imposed by the U.S. banking regulators may also impact our funding strategy.

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

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

- subject Ally to enhanced prudential standards, oversight, and scrutiny as a result of being a BHC with $50 billion or more in total consolidated assets (a large BHC);
- have increased the levels of capital and liquidity with which Ally must operate and affect how it plans capital and liquidity levels;
- subject Ally to new and/or higher fees paid to various regulatory entities, including but not limited to deposit insurance fees paid by Ally Bank to the FDIC;
- require Ally to provide to the FRB and FDIC an annual plan for its rapid and orderly resolution in the event of material financial distress;
- subject Ally to regulation and examination by the CFPB, which has very broad rule-making, examination, and enforcement authorities; and
- subject derivatives that Ally enters into for hedging, risk management and other purposes to a comprehensive new regulatory regime which, when fully implemented, will require central clearing and execution on designated markets or execution facilities for certain standardized derivatives and impose margin, documentation, trade reporting and other new requirements.

These and other requirements may, either currently or in the future, impact Ally's business and risk management strategies and/or restrict the revenue that Ally generates from certain businesses.

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

Our business may be adversely affected by the revised capital requirements under the U.S. Basel III final rules.

In December 2010, the Basel Committee reached an agreement on the Basel III capital framework, which was designed to increase the quality and quantity of regulatory capital by introducing new risk-based and leverage capital standards. In July 2013, the U.S. banking regulators finalized rules implementing the U.S. Basel III capital framework and related Dodd-Frank Act provisions. The U.S. Basel III final rules represent substantial revisions to the previously effective regulatory capital standards for U.S. banking organizations. Ally became subject to the U.S. Basel III final rules beginning on January 1, 2015. Certain aspects of the U.S. Basel III final rules, including new capital buffers and regulatory capital deductions, will be phased in over several years. The U.S. Basel III final rules subject Ally to higher minimum risk-based capital ratios and a capital conservation buffer above these minimum ratios. Failure to maintain the full amount of the buffer would result in restrictions on Ally’s ability to make capital distributions, including dividend payments and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers.

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

If we or Ally Bank fail to satisfy regulatory capital requirements, we or Ally Bank may be subject to serious regulatory sanctions ranging in severity from being precluded from making acquisitions or engaging in new activities to becoming subject to informal or formal supervisory actions by the FRB and/or FDIC and, potentially, FDIC receivership of Ally Bank. If any of these were to occur, such actions could prevent us from successfully executing our business plan and could have a material adverse effect on our business, results of operations, and financial position. 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 law.

For the 2016 capital planning and stress testing cycle, the Dodd-Frank company-run stress tests and FRB supervisory stress tests to which Ally is subject, the annual capital plan that Ally must submit and the FRB’s annual post-stress capital analysis under the CCAR must incorporate the more stringent capital requirements in the U.S. Basel III final rules as they are phased in over the nine-quarter forward-looking planning horizon. Under the FRB’s capital plan rule, an objection to a large BHC's capital plan would prohibit it from paying dividends or making certain other capital distributions.

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

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

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

Certain transactions between Ally Bank and any of its nonbank “affiliates,” including but not limited to Ally Financial Inc., are subject to restrictions under Sections 23A and 23B of the Federal Reserve Act and regulations adopted thereunder. Pursuant to these restrictions, unless otherwise exempted, “covered transactions,” including Ally Bank’s extensions of credit to and asset purchases from its nonbank affiliates, generally (1) are limited to 10% of Ally Bank’s capital stock and surplus with respect to transactions with any individual affiliate, with an aggregate limit of 20% of Ally Bank’s capital stock and surplus for all affiliates and all such transactions; (2) in the case of certain credit transactions, are subject to stringent collateralization requirements; (3) in the case of asset purchases by Ally Bank, may not involve the purchase of any asset deemed to be a “low quality asset” under federal banking guidelines; and (4) must be conducted in accordance with safe-and-sound banking practices (collectively, the Affiliate Transaction

Restrictions). Furthermore, the Affiliate Transactions Restrictions contain an “attribution rule” that provides that a transaction between Ally Bank and a third party must be treated as a transaction between Ally Bank and a nonbank affiliate to the extent that the proceeds of the transaction are used for the benefit of, or transferred to, a nonbank affiliate of Ally Bank.

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

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

Ally Financial Inc. may be limited in its ability to receive distributions from its subsidiaries.
Regulatory and other legal restrictions may limit the ability of Ally Financial Inc.'s subsidiaries to transfer funds freely to Ally Financial Inc. In particular, many of Ally Financial Inc.'s subsidiaries are subject to laws, regulations, and rules that authorize regulatory bodies to block or reduce the flow of funds to it or that prohibit such transfers entirely in certain circumstances. These laws, regulations, and rules may hinder Ally Financial Inc.'s ability to access funds that it may need to make payments on its obligations in the future. Furthermore, as a BHC, Ally Financial Inc. may become subject to a prohibition or to limitations on its ability to pay dividends. The bank regulators have the authority and, under certain circumstances, the duty to prohibit or to limit payment of dividends by the banking organizations they supervise, including Ally Financial Inc. and its subsidiaries.

Risks Related to Our Business

We are exposed to consumer credit risk, which could adversely affect our profitability and financial condition.
We are subject to credit risk resulting from defaults in payment or performance by customers for our contracts and loans, as well as contracts and loans that are securitized and in which we retain a residual interest. Furthermore, a weak economic environment and high unemployment rates could exert pressure on our consumer automotive finance customers resulting in higher delinquencies, repossessions, and losses, and could also increase delinquencies and losses related to mortgage loans that we hold for investment. There can be no assurances that our monitoring of our credit risk as it affects the value of these assets and our efforts to mitigate credit risk through our risk-based pricing, appropriate underwriting policies, and loss-mitigation strategies are, or will be, sufficient to prevent an adverse impact in our profitability and financial condition. We have continued to grow our nonprime automotive financing. We define nonprime consumer automotive loans primarily as those loans with a FICO® Score (or an equivalent score) at origination of less than 620. In addition, we have increased our used vehicle financing. Customers that finance used vehicles tend to have lower FICO® Scores as compared to new vehicle customers, and defaults resulting from vehicle breakdowns are more likely to occur with used vehicles as compared to new vehicles that are financed. The carrying value of our Automotive Finance operations nonprime consumer automotive loans before allowance for loan losses was $9.0 billion, or approximately 14.0% of our total consumer automotive loans, at December 31, 2015, as compared to $6.7 billion, or approximately 11.9% of our total consumer automotive loans, at December 31, 2014. Such amounts are expected to continue to increase in 2016. At December 31, 2015, $161 million of nonprime consumer automotive loans were considered nonperforming as they had been placed on nonaccrual status in accordance with our loan policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. If we continue to grow our nonprime automotive financing loans over time, our credit risk will increase.
As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, the credit risk associated with the transaction may be increased.

Our inability to maintain relationships with dealers could have an adverse effect on our business, results of operations, and financial condition.
Our business depends on the continuation of our relationships with our customers, particularly the automotive dealers with whom we do business. While the number of dealers that we have retail relationships with increased during 2015, the number of dealers that we have wholesale relationships with decreased approximately 3% as compared to December 31, 2014. Further, our share of GM and Chrysler commercial wholesale financing could decrease in the future. If we are not able to maintain existing relationships with key automotive dealers or if we are not able to develop new relationships for any reason, including if we are not able to provide services on a timely basis or offer products that meet the needs of the dealers or compete successfully with products of our competitors, our wholesale funding volumes, and the number of dealers with which we have retail funding relationships could decline in the future. If this occurs, our business, results of operations, and financial condition could be adversely affected.

GM and Chrysler dealers and their retail customers comprise a significant portion of our customer base.
While we are continuing to diversify our business, GM and Chrysler dealers and their retail customers continue to compose a significant portion of our customer base. In 2015, 56% of our new vehicle dealer inventory financing and

46% of our vehicle consumer automotive financing volume were for GM franchised dealers and customers, and 31% of our new vehicle dealer inventory financing and 23% of our vehicle consumer automotive financing volume were for Chrysler dealers and customers. It is possible that GM or Chrysler could take actions that negatively impact the amount of business we do with GM and Chrysler dealers and their retail customers. Further, a significant adverse change in GM's or Chrysler's business, including, for example, the production or sale of GM or Chrysler vehicles, the quality or resale value of GM or Chrysler vehicles, GM's or Chrysler's relationships with its key suppliers, or vehicle recalls, could negatively impact our GM and Chrysler dealer and retail customer bases. Any future reductions in GM and Chrysler business that we are not able to offset could adversely affect our profitability and financial condition.

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

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

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

Our business and results of operations are dependent upon overall U.S. automotive industry sales volume.

Our business and results of operation can be impacted by sales volume for new and used vehicles. Vehicle sales are impacted by several economic and market conditions, including employment levels, credit availability, fuel costs, and overall economic conditions. For example, new vehicle sales decreased dramatically during the economic crisis that began in 2008, and did not rebound significantly until 2012-13. Any future declines in new and used vehicle sales could have a material adverse effect on our business and profitability.

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

We rely heavily upon communications and information systems to conduct our business. Any failure or interruption of our information systems or the third-party information systems on which we rely as a result of inadequate or failed processes or systems, human errors, employee misconduct, catastrophic events, external or internal security breaches, acts of vandalism, computer viruses, malware, misplaced or lost data, or other external events could cause underwriting or other delays and could result in fewer applications being received, slower processing of applications, and reduced efficiency in servicing.

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

Our profitability and financial condition could be materially and adversely affected if used vehicle prices decrease in the future, which could result in lower residual values of off-lease vehicles and higher losses on the sale of repossessed vehicles for retail financing.

General economic conditions, the supply of off-lease and other vehicles to be sold, vehicle market prices, perceived vehicle quality, overall price, the vehicle disposition channel, and volatility of gasoline or diesel fuel, among other factors, heavily influence used vehicle prices. Consumer confidence levels and the strength of automotive manufacturers and dealers can also influence the used vehicle market. For example, during 2008, sharp declines in demand and used vehicle sale prices adversely affected our remarketing proceeds and financial results.

Our expectation of the residual value of a vehicle subject to an automotive lease contract is a critical element used to determine the amount of the lease payments under the contract at the time the customer enters into it. As a result, to the extent the actual residual value of the vehicle, as reflected in the sales proceeds received upon remarketing at lease termination, is less than the expected residual value for the vehicle at lease inception, we incur additional depreciation expense and lower actual profit on the lease transaction than our priced expectation. Our expectation of levels of used vehicle values is combined with our estimate of loss frequency to arrive at our projected net average annualized loss rate (NAALR), which is a factor in determining our pricing of new originations. To the extent used vehicle prices are significantly lower than our expectations, our actual profit on new business could be significantly less than our expectations. Our ability to efficiently process and effectively market off-lease vehicles, as well as repossessed vehicles that serve as collateral on the underlying loans, affects the disposal costs and proceeds realized from the vehicle sales.

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

Our liquidity and the long-term viability of Ally depend on many factors, including our ability to successfully raise capital and secure appropriate bank financing.

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding in recent years, it continues to remain an important component of our capital structure and financing plans. At December 31, 2015, approximately $1.9 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2016, and approximately $4.4 billion and $3.7 billion in principal amount of consolidated unsecured debt is scheduled to mature in 2017 and 2018, respectively. We also obtain short-term funding from the sale of floating rate demand notes, all of which the holders may elect to have redeemed at any time without restriction. At December 31, 2015, a total of $3.4 billion in principal amount of Demand Notes were outstanding. We also rely substantially on secured funding. At December 31, 2015, approximately $9.4 billion of outstanding consolidated secured debt is scheduled to mature in 2016, approximately $15.2 billion is scheduled to mature in 2017, and approximately $9.1 billion is scheduled to mature in 2018. Furthermore, at December 31, 2015, approximately $16.3 billion in certificates of deposit at Ally Bank are scheduled to mature in 2016, which is not included in the 2016 unsecured maturities provided above. Additional financing will be required to fund a material portion of the debt maturities over these periods. The capital markets can be volatile, and Ally’s access to the debt markets may be significantly reduced during periods of market stress.

We continue to rely on our ability to borrow from other financial institutions, and many of our primary bank facilities are up for renewal on a yearly basis. Any weakness in market conditions and a tightening of credit availability could have a negative effect on our ability to refinance these facilities and increase the costs of bank funding. Ally and Ally Bank also continue to access the securitization markets. While markets have continued to stabilize following the 2008 liquidity crisis, there can be no assurances these sources of liquidity will remain available to us.

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

We have a significant amount of indebtedness. At December 31, 2015, we had approximately $75.6 billion in principal amount of indebtedness outstanding (including $50.0 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 20% of our total financing revenue and other interest income for the year ended December 31, 2015.

We have the ability to create additional unsecured indebtedness. If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions.

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

The markets for automotive financing, insurance, and banking are highly competitive. We directly compete in the automotive financing market with banks, credit unions, captive automotive finance, and independent finance companies. Conditions with respect to wholesale financing continue to be competitive. Our insurance business also faces significant competition from automotive manufacturers, captive automotive finance companies, insurance carriers, third-party administrators, brokers, and other insurance-related companies. Some of these competitors have certain exclusivity privileges with automotive manufacturing companies whose customers and dealers compose a significant portion of our customer base. In addition, Ally Bank faces significant competition from commercial banks, savings institutions, and other financial institutions. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and are much less reliant on securitization activities, unsecured debt, and other public markets. Our competitors may be subject to different, and in some cases, less stringent, legislative and regulatory regimes than we are, thus putting us at a competitive disadvantage to these competitors. We face significant competition in most areas including product offerings, rates, pricing and fees, and customer service. If we are unable to compete effectively in the markets in which we operate, our profitability and financial condition would be negatively affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- will increase our cost of funds;

- may reduce our consumer automotive financing volume by influencing customers to pay cash for, as opposed to financing, vehicle purchases or not to buy new vehicles;
- may lead to increased consumer delinquencies;
- may negatively impact our ability to remarket off-lease vehicles; and
- will generally reduce the value of automotive financing and mortgage loans and contracts and retained interests and fixed income securities held in our investment portfolio.

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

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

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

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

We use estimates and various assumptions in determining the fair value of many of our assets, including, among others, retained interests from securitizations of loans and contracts, loans held-for-sale, and other investments, which do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of leased vehicles. In addition, we use estimates and assumptions in determining our reserves for legal matters, insurance losses, and loss adjustment expenses which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements. For further discussion related to estimates and assumptions, see MD&A — Critical Accounting Estimates. Our assumptions and estimates may be inaccurate for many reasons, including that they often involve matters that are inherently difficult to predict and that are beyond our control (for example, macro-economic conditions and their impact on our dealers), and that they often involve complex interactions between a number of dependent and independent variables, factors, and other assumptions. As a result, our actual experience may differ materially from these estimates and assumptions. A material difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects.

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

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

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

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

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

The soundness of other financial institutions could adversely affect us.

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

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

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

Risks Related to Ownership of Our Common Stock

Our ability to pay dividends on our common stock or repurchase shares may be limited.

Any future payment of dividends on our common stock or share repurchases will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Any plans to commence payment of dividends on our common stock or share repurchases in the future would be subject to the FRB's review and non-objection. Refer to the section above titled Business — Certain Regulatory Matters — Bank Holding Company and Financial Holding Company Status for additional information. There is no assurance that, upon the FRB's review of our future capital plans, we would be permitted to make any planned payments of dividends on our common stock or share repurchases.

So long as any share of our Series A preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on the Series A preferred stock. Further, any indentures and other financing agreements that we enter into in the future may limit our ability to pay cash dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing agreements in the future restrict our ability to pay dividends in cash on our common stock, we may be unable to pay dividends in cash on our common stock unless we can refinance the amounts outstanding under those agreements.

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

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

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

- Limiting the liability of our directors, and providing indemnification to our directors and officers; and
- Limiting the ability of our stockholders to call and bring business before special meetings.

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

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

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

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

As of December 31, 2015, we had deferred tax assets of approximately $950 million related to a U.S. federal net operating loss carryforward, $1.7 billion related to foreign tax credits, and $193 million related to other tax credits (collectively, the tax assets). Our ability to use such tax assets to offset future taxable income and reduce future tax liabilities may be significantly limited if we experience an “ownership change” as defined in Section 382 of the Internal Revenue Code of 1986, as amended (the Code). In general, an ownership change will occur when the percentage of Ally’s ownership (by value) of one or more “5-percent shareholders” (as defined in the Code) has increased by more than 50 percent over the lowest percentage owned by such shareholders at any time during the prior three years (calculated on a rolling basis). A corporation that experiences an ownership change generally will be subject to an annual limitation on the utilization of its pre-ownership change tax assets equal to the equity value of the corporation immediately before the ownership change, multiplied by the long-term, tax-exempt rate posted monthly by the IRS (subject to certain adjustments). The annual limitation would be increased each year to the extent that there is an unused limitation in a prior year. The limitation on our ability to utilize tax assets arising from an ownership change under Section 382 would depend, in large part, on the value of our equity at the time of any ownership change.

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

On January 9, 2014, our Board adopted our Tax Asset Protection Plan (the Plan) to help protect these tax assets. The Plan is designed to reduce the likelihood of an “ownership change” by (i) discouraging any person or group from becoming a 4.99 percent shareholder; and (ii) discouraging any existing 4.99 percent shareholder from acquiring additional shares of Ally common stock, subject to certain exceptions. Unless extended, the Plan expires on January 8, 2017.

In addition, on January 9, 2014, our Board approved a protective amendment to our Amended and Restated Certificate of Incorporation (Protective Amendment), which is designed to prevent certain transfers of Ally common stock that could result in an “ownership change.” The Protective Amendment generally restricts any transfer of Ally common stock that would (i) increase the ownership by any person to 4.99 percent or more of Ally stock then outstanding; or (ii) increase the percentage of Ally stock owned by a Five Percent Stockholder (as defined in the Plan). Unless extended, the Protective Amendment expires on January 8, 2017.

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal corporate offices are located in Detroit, Michigan; Charlotte, North Carolina; and New York, New York. In Detroit, we lease approximately 264,000 square feet from GM pursuant to a lease agreement expiring in November 2016. In March 2015, we entered into a new agreement to lease approximately 321,000 square feet of office space in Detroit under a lease that expires in December 2028 in which we plan to consolidate our southeastern Michigan locations as our existing Detroit and Southfield, Michigan leases expire. In Charlotte, we lease approximately 187,000 square feet of office space under a lease expiring in June 2021. In New York, we lease approximately 55,000 square feet of office space under a lease that expires in June 2023.

The primary offices for our Dealer Financial Services operations are located in Detroit and Southfield. The primary office for our Automotive Finance operations is located in Detroit, and is included in the totals referenced above. The primary office for our Insurance operations is located in Southfield, where we lease approximately 71,000 square feet of office space under leases expiring in April 2016.

The primary offices for our Mortgage operations are located in Fort Washington, Pennsylvania, and Charlotte. In Fort Washington, we lease approximately 87,000 square feet of office space pursuant to a lease that expires in April 2021. The office space in Charlotte is included in the totals referenced above.

In addition to the properties described above, we lease additional space to conduct our operations. We believe our facilities are adequate for us to conduct our present business activities.

Item 3. Legal Proceedings

Refer to Note 30 to the Consolidated Financial Statements for a discussion related to our legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock has been listed on the New York Stock Exchange (NYSE) under the symbol “ALLY” since April 10, 2014. Prior to that time, there was no public market for our stock. The following table sets forth, for the periods indicated, the reported high and low sale prices for our common stock on the NYSE.

($ per share)	High	Low
Year ended December 31, 2015		
First Quarter	$24.00	$18.63
Second Quarter	$23.83	$19.90
Third Quarter	$23.24	$19.77
Fourth Quarter	$21.21	$18.19
Year ended December 31, 2014		
Second Quarter (April 10, 2014, through June 30, 2014)	$25.30	$23.24
Third Quarter	$25.01	$22.42
Fourth Quarter	$24.14	$19.42

Holders

As of February 23, 2016, we had approximately 57 holders of record of our common stock.

Dividends

We have never declared or paid cash dividends on our common stock. Our payment of any dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Further, so long as any share of our Series A preferred stock remains outstanding, no dividend or distribution may be declared or paid on our common stock unless all accrued and unpaid dividends have been paid on the Series A preferred stock. Any plans to commence payment of dividends on our common stock in the future would be subject to the FRB’s review and absence of objection. Refer to the section above titled Certain Regulatory Matters — Bank Holding Company and Financial Holding Company Status in Item 1 for additional information.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about the securities authorized for issuance under our equity compensation plans as of December 31, 2015.

Plan Category	(1) Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	(2) Weighted-average exercise price of outstanding options, warrants and rights	(3) Number of securities remaining available for further issuance under equity compensation plans (excluding securities reflected in column (1)) (b)
Equity compensation plans approved by security holders	6,609,067	—	29,229,001
Total	6,609,067	—	29,229,001

(a) Includes deferred stock units and restricted stock units outstanding under the 2015 Incentive Compensation Plan and deferred stock units outstanding under the 2015 Non-Employee Directors Equity Compensation Plan.

(b) Includes 25,148,267 securities available for issuance under the plans identified in (a) above and 4,080,734 securities available for issuance under Ally's Employee Stock Purchase Plan, of which 6,609,067 securities are subject to purchase during the current purchase period (determined as of December 31, 2015).

Stock Performance Graph

The following graph compares the cumulative total return to shareholders on our common stock relative to the cumulative total returns of the S&P 500 index and the S&P Financials index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each index on April 10, 2014 (the date our common stock first commenced trading on the NYSE), and its relative performance is tracked through December 31, 2015. The returns shown are based on historical results and are not intended to suggest future performance.

This performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference into any filing of Ally under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Recent Sales of Unregistered Securities

Ally did not have any unregistered sales of its equity securities in fiscal year 2015, except as previously disclosed on Form 8-K.

Use of Proceeds from Registered Securities

April 2014 Initial Public Offering

On April 9, 2014, our Registration Statement on Form S-1, as amended (Reg. No. 333-173198) was declared effective in connection with the initial public offering of our common stock, pursuant to which we registered an aggregate of 102,245,670 shares of our common stock, all of which were sold by the selling stockholder, including the underwriters' over-allotment, at a price to the public of $25.00 per share. The offering closed on April 15, 2014. We did not receive any proceeds from the sale of shares by the selling stockholder. The managing underwriters of the offering were Citigroup Global Markets Inc., Goldman, Sachs & Co., Morgan Stanley & Co. LLC and Barclays Capital Inc.

We paid $30.3 million of the offering expenses of the selling stockholders in the offering (including the underwriting discounts and commissions). Other than these payments, we made no payments directly or indirectly to (i) any of our officers or directors or their associates; (ii) any persons owning 10% or more of any class of our equity securities; or (iii) any of our affiliates.

December 2014 Follow-On Public Offering

On December 18, 2014, our Registration Statements on Form S-3 (Reg. No. 333-201057) became automatically effective upon filing in connection with the follow-on public offering of our common stock, pursuant to which we registered an aggregate of 54,926,296 shares of our common stock, all of which were sold by the selling stockholder, at a price to the public of $23.25 per share. The offering closed on December 24, 2014. We did not receive any proceeds from the sale of shares by the selling stockholder. The managing underwriters of the offering were Goldman, Sachs & Co. and Morgan Stanley & Co. LLC.

We paid $18.3 million of the offering expenses of the selling stockholder in the offering (including the underwriting discounts and commissions). Other than these payments, we made no payments directly or indirectly to (i) any of our officers or directors or their associates; (ii) any persons owning 10% or more of any class of our equity securities; or (iii) any of our affiliates.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

No shares of common stock were purchased for cash in each of the three months ended December 31, 2015.

Repurchases Under Share-Based Incentive Plans

The following table presents repurchases of our common stock, by month, for the three months ended December 31, 2015. All repurchases reflected below include only shares of common stock that were withheld to cover income taxes owed by participants in our share-based incentive plans.

Three months ended December 31, 2015	Total number of shares repurchased	Weighted-average price paid per share
October 2015	2,664	$21.68
November 2015	1,390	19.97
December 2015	4,028	19.68
Total	8,082	$20.39

Item 6. Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with MD&A, our Consolidated Financial Statements, and the Notes to Consolidated Financial Statements. The historical financial information presented may not be indicative of our future performance.

The following table presents selected statement of income data.

Year ended December 31, ($ in millions)	2015	2014	2013	2012	2011
Total financing revenue and other interest income	$8,397	$8,391	$8,093	$7,342	$6,671
Interest expense	2,429	2,783	3,319	4,052	4,606
Depreciation expense on operating lease assets	2,249	2,233	1,995	1,399	941
Net financing revenue	3,719	3,375	2,779	1,891	1,124
Total other revenue	1,142	1,276	1,484	2,574	2,288
Total net revenue	4,861	4,651	4,263	4,465	3,412
Provision for loan losses	707	457	501	329	161
Total noninterest expense	2,761	2,948	3,405	3,622	3,428
Income (loss) from continuing operations before income tax expense (benefit)	1,393	1,246	357	514	(177)
Income tax expense (benefit) from continuing operations	496	321	(59)	(856)	42
Net income (loss) from continuing operations	897	925	416	1,370	(219)
Income (loss) from discontinued operations, net of tax	392	225	(55)	(174)	62
Net income (loss)	$1,289	$1,150	$361	$1,196	$(157)
Basic and diluted earnings per common share (a)					
Net (loss) income from continuing operations	$(3.47)	$1.36	$(1.51)	$1.38	$(2.38)
Net (loss) income	(2.66)	1.83	(1.64)	0.96	(2.23)
Market price per common share					
High closing	$23.88	$25.21			
Low closing	18.33	20.12			
Period end closing	18.64	23.62			

(a) The calculation for basic and diluted earnings per common share for the year ended December 31, 2015, includes preferred stock dividends recognized in connection with the redemption of the Series G Preferred Stock and the repurchase of the Series A Preferred Stock. These dividends represent an additional return to preferred shareholders calculated as the excess consideration paid over the carrying amount derecognized. Refer to Note 18 to the Consolidated Financial Statements for additional preferred stock information.

The following table presents selected balance sheet and ratio data.

Year ended December 31, ($ in millions)	2015	2014	2013	2012	2011
Selected period-end balance sheet data:					
Total assets	$158,581	$151,631	$150,908	$181,978	$183,543
Long-term debt	$66,234	$66,380	$69,230	$74,223	$92,406
Preferred stock	$696	$1,255	$1,255	$6,940	$6,940
Total equity	$13,439	$15,399	$14,208	$19,898	$19,280
Financial ratios:					
Return on average assets (a)	0.84 %	0.77 %	0.23 %	0.65 %	(0.09)%
Return on average equity (a)	8.69 %	7.77 %	1.92 %	6.32 %	(0.78)%
Return on average tangible common equity (non-GAAP) (b)	(9.56)%	6.52 %	(5.42)%	3.20 %	(7.38)%
Equity to assets (a)	9.65 %	9.86 %	12.02 %	10.32 %	11.14 %
Net interest spread (a)(c)	2.45 %	2.28 %	1.75 %	1.16 %	0.67 %
Net yield on interest-earning assets (a)(d)	2.57 %	2.41 %	2.03 %	1.40 %	0.92 %

(a) The ratios were based on average assets and average equity using a combination of monthly and daily average methodologies.

(b) Return on average tangible common equity (ROTCE) is a non-GAAP measure. It is computed as net income available to common shareholders under accounting principles generally accepted in the United States of America (GAAP) and includes preferred dividends and premiums paid, divided by a two-period average of tangible common equity (non-GAAP). Tangible common equity is calculated as average total shareholder's equity, $14,419 million, $14,804 million, $17,053 million, $19,734 million, and $19,930 million at December 31, 2015, 2014, 2013, 2012, and 2011 respectively, less preferred stock, $976 million, $1,255 million, $1,255 million, $1,255 million, and $1,271 million at December 31, 2015, 2014, 2013, 2012, and 2011, respectively, and less goodwill, $27 million, $27 million, $276 million, $521 million, and $522 million at December 31, 2015, 2014, 2013, 2012, and 2011, respectively. Other companies may define or calculate this measure differently. We believe this measure is useful to investors, analysts, and banking regulators because, by removing the effect of preferred stock and goodwill from shareholder’s equity, it allows investors, analysts, and banking regulators to more easily compare our return on equity to other companies in the industry who present a similar measure. We also believe that removing preferred stock and goodwill from shareholder’s equity, and including the impact of preferred dividends and premiums paid in net income is a more relevant measure of the return on our common shareholders' equity.

(c) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.

(d) Net yield on interest-earning assets represents net financing revenue as a percentage of total interest-earning assets.

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 reflect new and higher capital requirements, capital buffers, and new regulatory capital definitions, deductions and adjustments. Certain aspects of U.S. Basel III, including the new capital buffers and regulatory capital deductions, will be phased in over several years. To assess our capital adequacy against the full impact of U.S. Basel III, we also present "fully phased-in" information that reflects regulatory capital rules that will take effect as of January 1, 2019. Refer to Note 21 to the Consolidated Financial Statements for further information. The following table presents selected regulatory capital data.

	Under Basel III (a)		Under Basel I (b)			
	Transitional	Fully Phased-in	December 31,			
($ in millions)	December 31, 2015		2014	2013	2012	2011
Common Equity Tier 1 capital ratio (c)	9.21 %	8.74 %	9.64 %	8.84 %	6.98 %	7.51 %
Tier 1 capital ratio	11.10 %	11.06 %	12.55 %	11.79 %	13.13 %	13.65 %
Total capital ratio	12.52 %	12.47 %	13.24 %	12.76 %	14.07 %	14.69 %
Tier 1 leverage (to adjusted quarterly average assets) (d)	9.73 %	9.73 %	10.94 %	10.23 %	11.16 %	11.45 %
Total equity	$13,439	$13,439	$15,399	$14,208	$19,898	$19,280
Preferred stock	(696)	(696)	(1,255)	(1,255)	(6,940)	(6,940)
Goodwill and certain other intangibles	(27)	(27)	(27)	(27)	(494)	(493)
Deferred tax assets arising from net operating loss and tax credit carryforwards (e)	(392)	(980)	(1,310)	(1,639)	(1,445)	—
Other adjustments	183	183	(219)	79	(270)	(262)
Common Equity Tier 1 capital (non-GAAP) (c)	12,507	11,919	12,588	11,366	10,749	11,585
Preferred stock	696	696	1,255	1,255	6,940	6,940
Trust preferred securities	2,520	2,520	2,546	2,544	2,543	2,542
Deferred tax assets arising from net operating loss and tax credit carryforwards	(588)	—	—	—	—	—
Other adjustments	(58)	(58)	—	—	—	—
Tier 1 capital	15,077	15,077	16,389	15,165	20,232	21,067
Qualifying subordinated debt and other instruments qualifying as Tier 2	932	932	237	271	251	235
Qualifying allowance for credit losses	1,054	1,054	1,054	1,208	1,378	1,505
Other adjustments	(58)	(58)	(386)	(239)	(192)	(143)
Total capital	$17,005	$17,005	$17,294	$16,405	$21,669	$22,664
Risk-weighted assets (f)	$135,844	$136,354	$130,590	$128,575	$154,038	$154,319

(a) U.S. Basel III became effective for us on January 1, 2015, subject to transitional provisions primarily related to deductions and adjustments impacting Common Equity Tier 1 capital and Tier 1 capital.
(b) Capital ratios as of and prior to December 31, 2014, are presented under the U.S. Basel I capital framework.
(c) Common Equity Tier 1 Capital generally consists of common stock (plus any related surplus and net of any treasury stock), retained earnings, accumulated other comprehensive income, and minority interests in the common equity of consolidated subsidiaries, together subject to certain adjustments and deductions. At December 31, 2015, the capital ratio presented reflects the Tier 1 common equity ratio, the closest analogue under U.S. Basel I to the Common Equity Tier 1 capital ratio introduced by U.S. Basel III. We consider various measures when evaluating capital utilization and adequacy, including the Common Equity Tier 1 Capital ratio. Because GAAP does not include capital ratio measures, we believe there are no comparable GAAP financial measures to these ratios.

Common Equity Tier 1 Capital is not formally defined by GAAP and, therefore, is considered to be a non-GAAP financial measure. We believe the Common Equity Tier 1 Capital measure is important because we believe investors, analysts, and banking regulators may assess our capital adequacy using this ratio. Additionally, presentation of this measure allows readers to compare certain aspects of our capital adequacy on the same basis to other companies in the industry.

(d) Tier 1 leverage equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill, certain intangible assets, and disallowed deferred tax assets).

(e) Contains disallowed deferred tax assets under Basel I and Basel III as applicable.

(f) Risk-weighted assets are defined by regulation and are determined by allocating assets and specified off-balance sheet financial instruments into various risk categories.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operation (MD&A), as well as other portions of this Form 10-K, may contain certain statements that constitute forward-looking statements within the meaning of the federal securities laws. The words “expect,” “anticipate,” “estimate,” “forecast,” “initiative,” “object “plan,” “goal,” “project,” “outlook,” “priorities,” “target,” “intend,” “evaluate,” “pursue,” “seek,” “may,” “would,” “could,” “s “potential,” “continue,” or the negative of any of these words or similar expressions are intended to identify forward-looking statements. All statements herein, other than statements of historical fact, including without limitation statements about future events and financial performance, are forward-looking statements that involve certain risks and uncertainties.

Use of the term “loans” describes products associated with direct and indirect lending activities of Ally’s operations. The specific products include retail installment sales contracts, lines of credit, leases or other financing products. The term “originate” refers to Ally’s purchase, acquisition or direct origination of various “loan” products.

You should not place undue reliance on any forward-looking statement and should consider all uncertainties and risks discussed in this report, including those under Item 1A, Risk Factors, as well as those provided in any subsequent Securities and Exchange Commission (SEC) filings. Forward-looking statements apply only as of the date they are made, and Ally undertakes no obligation to update any forward-looking statement to reflect events or circumstances that arise after the date the forward-looking statement are made.

Overview

Ally Financial Inc. is a leading, independent, diversified financial services firm. Founded in 1919, we are a leading financial services company with over 95 years of experience providing a broad array of financial products and services, primarily to automotive dealers and their retail customers. We operate as a financial holding company (FHC) and a bank holding company (BHC). Our banking subsidiary, Ally Bank, is an indirect, wholly-owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Initial Public Offering of Common Stock and Stock Split

In April 2014, we completed an initial public offering (IPO) of 95 million shares of common stock at $25 per share. Proceeds from the offering amounted to $2.4 billion, which were obtained by the U.S. Department of the Treasury (Treasury) as the single selling stockholder. In May 2014, the underwriters on the IPO elected to partially exercise the over-allotment option to purchase an additional 7,245,670 shares of Ally common stock at the IPO price of $25 per share. In connection with the IPO, we effected a 310-for-one stock split on shares of our common stock, $0.01 par value per share. Accordingly, all references in this MD&A and in the Consolidated Financial Statements to share and per share amounts relating to common stock have been adjusted, on a retroactive basis, to recognize the 310-for-one stock split.

Change in Allocation of Costs to Reportable Segments

During the fourth quarter of 2015, we began to allocate additional overhead expenses related to centralized support functions to our Automotive Finance, Insurance, and Mortgage operations as a result of a change in management's view of our operations. These expenses were previously included within our Corporate and Other activities. Amounts for 2014 and 2013 have been reclassified to conform to the current management view.

Our Business

Dealer Financial Services

Dealer Financial Services includes our Automotive Finance operations and Insurance operations. Our primary customers are automotive dealers, which are typically independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically enter into retail installment sales contracts and leases with their retail customers. Dealers then select Ally or another automotive finance provider to which they sell those retail installment sales contracts and leases.

Our Dealer Financial Services operations offer a wide range of financial services and insurance products to over 17,500 automotive dealerships and approximately 4.5 million of their customers. We have deep dealer relationships that have been built throughout our history of over 95 years, and we are leveraging competitive strengths to expand our dealer footprint. Our dealer-focused business model encourages dealers to use our broad range of products through incentive programs like our Ally Dealer Rewards program, which rewards individual dealers based on the depth and breadth of our relationship. Our automotive finance services include providing retail installment sales contracts, loans, and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, fleet financing, and vehicle remarketing services. We also offer retail vehicle service contracts (VSCs) and commercial insurance primarily covering dealers' wholesale vehicle inventories. We are a leading provider of VSCs, guaranteed asset protection (GAP), and maintenance coverage.

Automotive Finance

Our Automotive Finance operations provide U.S.-based automotive financing services to consumers and automotive dealers. For consumers, we provide retail financing and leasing for new and used vehicles, including recreational vehicles (RVs). In addition, our Commercial Services Group (CSG) provides automotive financing for small businesses. Through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing. At December 31, 2015, our Automotive Finance operations had $115.6 billion of assets and generated $3.7 billion of total net revenue in 2015. We manage commercial account servicing for approximately 4,200 dealers that utilize our floorplan inventory lending or other commercial loans. We provide consumer asset servicing for an $84.8 billion portfolio at December 31, 2015. The extensive infrastructure and experience of our servicing operations are important to our ability to minimize our loan losses and enable us to deliver favorable customer experience to both our dealers and their retail customers.

Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers who originate loans and leases to their retail customers who are acquiring new and used vehicles. Ally and other automotive finance providers purchase these loans and leases from automotive dealers. As the marketplace evolves, our growth strategy continues to focus on diversifying the franchise by expanding into different products as well as continuing to strengthen our network of relationships outside of General Motors Company (GM) and Fiat Chrysler Automobiles US LLC (Chrysler). During 2015, we established financing relationships with Mitsubishi Motors North America (MMNA), Aston Martin The Americas, McLaren Automotive North America, and Beepi.

We were previously party to separate agreements with both GM and Chrysler that provided for certain exclusivity privileges related to subvention programs that they offered. Our agreement with Chrysler expired in April 2013. In addition, our agreement with GM expired effective February 28, 2014. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler for their incentive programs. During 2015, GM determined to provide subvention programs exclusively through a wholly-owned subsidiary.

During 2015, originations in the Growth (non-GM/Chrysler) channel have increased 53% from 2014. Over the past several years, we have continued to focus on the used vehicle segment primarily through franchised dealers, which has resulted in used vehicle financing volume growth. During 2015, our used consumer automotive financing originations increased 27% compared to 2014. The highly fragmented used vehicle financing market, with a total financing opportunity represented by over 250 million vehicles in operation, provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our volume of retail loan originations. We currently provide financing for approximately 4.5 million vehicles in operation. In addition, at December 31, 2015, our CSG and RV channels had $6.2 billion and $1.5 billion, respectively, of retail loans outstanding.

Automotive dealers desire a full range of financial products, including new and used vehicle inventory financing, inventory insurance, term loans including real estate and working capital loans, and vehicle remarketing services to conduct their respective businesses as well as VSCs and GAP products to offer their customers. We have consistently provided this full suite of products to dealers.

For consumers, we provide retail automotive financing for new and used vehicles and leasing for new vehicles. Retail financing for the purchase of vehicles takes the form of installment sales financing. During 2015, we originated a total of approximately 1.5 million automotive loans and leases totaling approximately $41.0 billion. During 2015, we experienced growth in our consumer retail automotive loan portfolio which offset a significant reduction in lease originations. As a result of this shift, provision expense has increased as leases are not included in the allowance for loan losses, while our residual risk has decreased.

Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on the retail contracts and leases. We also recognize a gain or loss on the remarketing of the vehicles financed through lease contracts at the end of the lease. When the lease contract is originated, we estimate the residual value of the leased vehicle at lease termination. Periodically we revise the projected value of the leased vehicle at lease termination. Our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value.

We continue to diversify our business mix by prudently expanding our product offering across a broad risk spectrum, subject to established internal guardrails and underwriting policies that reflect our risk appetite and applicable regulatory approvals. Our current operating results continue to increasingly reflect our ongoing strategy. The Growth channel has provided volume at lower credit tiers, which to date has provided higher-yielding loans while maintaining credit performance that is aligned with expectations for the portfolio. We seek to be a meaningful lender to a wide spectrum of borrowers and continue to carefully measure risk versus return. We place great emphasis on our risk management policies and practices as well as our risk-based pricing. Additionally, we continue to increase the proportion of our Growth channel business, as we focus on the used vehicle market, as well as maintaining and growing our dealer-customer base through our full suite of products, our dealer relationships, the scale of our platform, and our dealer-based incentive programs.

Our commercial automotive financing operations primarily fund dealer inventory purchases of new and used vehicles, commonly referred to as wholesale or floorplan financing. This represents the largest portion of our commercial automotive financing business. Wholesale floorplan loans are secured by vehicles financed (and all other vehicle inventory), which provide strong collateral protection in the event of dealership default. Additional collateral (e.g., personal guarantees from dealership owners) is often obtained to further manage credit risk. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles. Interest on wholesale automotive financing is generally payable monthly and is indexed to a floating rate benchmark. The rate for a particular dealer is based on, among other considerations, competitive factors and the dealer's creditworthiness. During 2015, we financed an average of $30.5 billion of dealer vehicle inventory through wholesale or floorplan financings. We also provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale vehicle transactions. In 2015, we and others including dealers, fleet rental companies, and financial institutions, utilized SmartAuction to sell approximately 357,000 vehicles to dealers and other commercial customers. SmartAuction served as the remarketing channel for 49% of Ally's off-lease vehicles.

Insurance

Our Insurance operations offer both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer financial and insurance products, we provide VSCs, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory. Our Insurance operations had $7.1 billion of assets at December 31, 2015, and generated $1.1 billion of total net revenue in 2015.

Our VSCs for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle warranty. These VSCs are marketed to the public through automotive dealerships and on a direct response basis. The VSCs cover virtually all vehicle makes and models. We also offer GAP products, which allow the recovery of a specified economic loss beyond the covered vehicle's value in the event the vehicle is damaged and declared a total loss.

As part of our continued efforts to diversify, our Insurance operations launched its new flagship vehicle service contract offering, Ally Premier Protection, nationwide for new and used vehicles of virtually all makes and models in June 2015. Ally Premier Protection is replacing the General Motors Protection Plan nameplate which will be discontinued in November 2016.

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers' floorplan vehicles. Among dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 82%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs and increased financial benefits.

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

Mortgage

Our Mortgage operations are limited to the management of our held-for-investment mortgage loan portfolio and includes the execution of bulk purchases of high-quality jumbo and low-to-moderate income (LMI) mortgage loans originated by third parties. We expect this activity to continue in 2016 in support of our treasury asset liability management (ALM) activities and diversification. We also plan to introduce limited direct mortgage originations in late 2016. Our Mortgage operations had $9.8 billion of assets at December 31, 2015, and generated $159 million of total net revenue in 2015.

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

During 2013, we sold our business lending operations, completed the sales of agency mortgage servicing rights (MSRs), and exited the correspondent lending channel.

Corporate and Other

Corporate and Other primarily consists of Corporate Finance, 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 bond exchanges, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury ALM activities. Corporate and Other also includes certain equity investments and reclassifications and eliminations between the

reportable operating segments. Corporate Finance is a middle market lender that provides senior secured leveraged cash flow and asset based loans primarily to U.S.-based companies.
The net financing revenue of our Automotive Finance and Mortgage operations includes the results of an FTP process that insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Automotive Finance and Mortgage operations, respectively, based on anticipated maturity and a benchmark rate curve plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise, including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology, which incorporates each operations credit, market, and operational risk components, is used to allocate equity to these operations.
Ally Bank
Ally Bank, our direct banking platform, is focused on the continued prudent expansion of assets and further growing a stable deposit base through growing and deepening relationships with its 1.1 million primary customers driven by its compelling brand and strong value proposition. Ally Bank raises deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. Ally Bank has established a strong and growing retail banking franchise that is based on a promise of being straightforward, easy to use, and offering high-quality customer service. Ally Bank's products and services are designed to develop long-term customer relationships and

capitalize on the shift in consumer preference for direct banking. At December 31, 2015, approximately 70% of Ally's total assets were funded at Ally Bank. Segment results include cost of funds associated with product offerings. For products originated at Ally Bank, the cost of funds is more beneficial than products originated at other entities as Ally Bank is a deposit gathering organization which helps fund assets at a lower cost. Noninterest costs associated with deposit gathering activities were $256 million during the year ended December 31, 2015, and are also allocated to each segment based on their relative balance sheet.

Ally Bank offers a full spectrum of deposit product offerings, such as checking, savings, and certificates of deposit (CDs), including several raise-your-rate CD terms, IRA deposit products, Popmoney person-to-person transfer service, eCheck remote deposit capture, and mobile banking. In addition, brokered deposits are obtained through third-party intermediaries. At December 31, 2015, Ally Bank had $66.2 billion of deposits, including $55.4 billion of retail deposits. The continued growth of our retail base, combined with favorable capital market conditions and a lower interest rate environment, have contributed to a reduction in our consolidated cost of funds. The growth in deposits is primarily attributable to our retail deposits while our brokered deposits have remained at historical levels. Strong retention rates, reflecting the strength of the franchise, have materially contributed to our growth in retail deposits.

We believe Ally Bank remains well-positioned to continue to benefit from the consumer driven-shift from branch banking to direct banking. According to a 2015 American Bankers Association survey, the percentage of customers who prefer to do their banking via direct channels (internet, mail, phone, and mobile) increased from 21% to 56% since 2007, while those who prefer branch banking declined from 39% to 17% over the same period. Ally Bank has received a positive response to innovative savings and other deposit products, including receiving MONEY® Magazine's "Best Online Bank" designation five consecutive years. Ally Bank's products include savings and money market accounts, CDs, interest-bearing checking accounts, individual retirement accounts, and accounts for trust. Ally Bank's competitive direct banking features include online and mobile banking, electronic bill pay, remote deposit, electronic funds transfer nationwide, and no minimum balance requirements.

In the future, we intend to continue to grow and invest in the Ally Bank direct banking franchise and to further capitalize on the shift in consumer preference for direct banking with expanded digital capabilities and customer centric products. We are focused on growing, deepening, and further leveraging the customer relationships and brand loyalty that exist with Ally Bank and its customers as a catalyst for future loan and deposit growth, as well as revenue opportunities. To that end, we recently announced our upcoming credit card product offering which will be available to customers in 2016. This offering will generate fee revenue for Ally with no credit risk exposure due to the structure of the cobrand relationship.

Funding and Liquidity

Our funding strategy largely focuses on maintaining a diversified mix of retail and brokered deposits, public and private asset-backed securitizations, committed credit facilities, and public unsecured debt. These funding sources are managed across products, markets, and investors to enhance funding flexibility, limit dependence on any one source and result in a more cost-effective long term funding strategy.

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

Maximizing bank funding continues to be the cornerstone of our long-term liquidity strategy. We have made significant progress in growing the assets and retail deposit base of Ally Bank since becoming a BHC. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings than other funding sources. At December 31, 2015, deposit liabilities totaled $66.5 billion, which constituted 47% of our total liability-based funding. This compares to just 29% at December 31, 2010.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance Ally Bank's automotive loan portfolios. During 2015, Ally Bank issued $3.9 billion in secured funding backed by dealer floorplan and retail automotive loans and lease notes of Ally Bank. Secured funding transactions continue to be an attractive source of funding due to continued structural efficiencies in securitizations and a liquid market. Additionally, for retail loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying assets. Once a pool of retail automotive loans is selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed and matched funding for the life of the asset. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As we have shifted our focus to migrating assets to Ally Bank and growing our bank funding capabilities, our reliance on parent company liquidity has consequently been reduced. Funding sources at the parent company generally consist of longer-term unsecured debt, asset-backed securitizations, and private committed credit facilities. In 2015, we issued $5.4 billion of unsecured debt through several issuances and raised $4.4 billion through public securitization transactions comprised of retail automotive loan collateral and the sale of retained secured notes. At December 31, 2015, we had $1.9 billion and $4.4 billion of principal amount of unsecured long-term debt outstanding with maturities in 2016 and 2017, respectively. To fund these maturities, we expect to use a combination of existing liquidity and new issuances on an opportunistic basis.

The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at December 31, 2015, for the parent company and Ally Bank was $6.2 billion and $8.7 billion, respectively. Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company. Absolute levels of liquidity decreased during 2015 as a result of liability and preferred equity management transactions. At the same time, these strategies resulted in a consolidated cost of funds improvement.

Credit Strategy

Within our Automotive Finance operations, we are a full spectrum automotive finance lender with the vast majority of our loan originations underwritten within the prime-lending markets. During 2015, we continued the execution of our underwriting strategy to expand our originations across a broad risk spectrum, including used, nonprime, extended term, Growth, and nonsubvented finance receivables and loans. Our Mortgage operations are limited to the management of our held-for-investment mortgage loan portfolio and include the execution of bulk purchases of high-quality jumbo and LMI mortgage loans originated by third parties. We expect this activity to continue in 2016 in support of our treasury ALM activities and diversification. In late 2016, we plan to introduce limited direct mortgage originations.

During the year ended December 31, 2015, the credit performance of our portfolios remained strong overall as our asset quality trends within our automotive and mortgage portfolios were relatively stable and reflect our ongoing diversification strategy. Nonperforming loans and charge-offs of our consumer automotive assets increased due to portfolio growth and the change in our portfolio composition as we continued the execution of our underwriting strategy to originate consumer automotive assets across a broad risk spectrum. Total nonperforming commercial loans decreased and no net charge-offs were realized. Nonperforming loans and charge-offs of our consumer mortgage assets decreased primarily due to the continued runoff and seasoning of our legacy mortgage portfolio despite portfolio growth due to our bulk purchases of high-quality jumbo mortgage loans originated by third parties. Our provision for loan losses increased to $707 million in 2015 from $457 million in 2014. The increase was primarily due to growth in our consumer retail automotive loan portfolio, as our automotive originations have shifted to an increase in loans offsetting a significant reduction in leases which are not included in the allowance, and the continued execution of our underwriting strategy to originate automotive loans across a broad risk spectrum. Credit performance has been in line with expectations for the portfolio. Also contributing to the increase in the provision was growth in our consumer mortgage loan portfolio, as a result of bulk mortgage purchases during 2015, as well as lower reserve releases on mortgage assets, compared to 2014. The increase was partially offset by the continued strong performance of our commercial loan portfolio.

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

U.S. Department of Treasury Investments

During 2008, and continuing into 2009, the credit, capital, and mortgage markets became increasingly disrupted. This disruption led to severe reductions in liquidity and adversely affected our capital position. As a result, Ally sought approval to become a BHC to obtain access to capital at a lower cost to remain competitive in our markets. The U.S. Department of Treasury (Treasury) made an initial preferred stock investment in Ally on December 29, 2008, pursuant to the Troubled Asset Relief Program (TARP), and made additional investments pursuant to TARP thereafter, including investments in additional preferred stock, common stock, and trust preferred securities. On November 20, 2013, Ally completed the repurchase of all remaining outstanding shares of its Fixed Rate Cumulative Mandatorily Convertible Preferred Stock, Series F-2, which was all of the remaining preferred stock held by Treasury, and elimination of the share adjustment right. In April 2014, we completed our IPO pursuant to which Treasury sold approximately 102 million shares of Ally common stock, after which Treasury continued to hold approximately 11.4% of Ally common stock. In December 2014, Treasury sold all of its remaining shares of Ally common stock, resulting in our exit from TARP.

Tax Assets Protective Measures

In January 2014, the Ally Board of Directors (the Board) implemented measures intended to help protect certain tax benefits primarily associated with Ally's net operating losses and tax credit carryovers (collectively, Tax Benefits). Ally's use of the Tax Benefits in the future may be significantly limited if it experiences an "ownership change" (within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the Code)) for U.S. federal income tax purposes. In general, an ownership change will occur when the percentage of Ally's ownership (by value) of one or more "5-percent shareholders" (as defined in Code) has increased by more than 50 percent over the lowest percentage owned by such shareholders at any time during the prior three years (calculated on a rolling basis).

On January 9, 2014, the Board approved an amendment (the Protective Amendment) to Ally's Amended and Restated Certificate of Incorporation that is intended to help protect the Tax Benefits. The Protective Amendment generally restricts any transfer of Ally's common stock if the effect of the transfer would be to either (i) increase the direct or indirect ownership of any of Ally common stock by any Person (as defined in the Code) to 4.99% or more; or (ii) increase the percentage of Ally Capital Stock owned directly or indirectly by any Person that was a Five Percent Stockholder, subject to certain exceptions. Unless extended, the Protective Amendment expires on January 8, 2017.

In addition, on January 9, 2014, the Board approved the adoption of a Tax Asset Protection Plan (the Plan) and Ally entered into the Plan on January 10, 2014. The Plan is designed to reduce the likelihood that Ally will experience an "ownership change" for U.S. federal income tax purposes (as described above) by (i) discouraging any person or group from becoming a holder of 4.99 percent or more of the outstanding shares of Ally common stock; and (ii) discouraging any existing holder of 4.99 percent or more of Ally common stock from acquiring additional shares of Ally common stock, subject to certain exceptions. Unless extended, the Protective Amendment expires on January 8, 2017.

Discontinued Operations

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

Primary Lines of Business

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

Year ended December 31, ($ in millions)	2015	2014	2013	Favorable/ (unfavorable) 2015-2014 % change	Favorable/ (unfavorable) 2014-2013 % change
Total net revenue (loss)					
Dealer Financial Services					
Automotive Finance operations	$3,664	$3,585	$3,427	2	5
Insurance operations	1,090	1,185	1,253	(8)	(5)
Mortgage operations	159	60	76	165	(21)
Corporate and Other	(52)	(179)	(493)	71	64
Total	$4,861	$4,651	$4,263	5	9
Income (loss) from continuing operations before income tax expense (benefit)					
Dealer Financial Services					
Automotive Finance operations	$1,335	$1,429	$1,178	(7)	21
Insurance operations	211	197	254	7	(22)
Mortgage operations	90	59	(261)	53	123
Corporate and Other	(243)	(439)	(814)	45	46
Total	$1,393	$1,246	$357	12	n/m

n/m = not meaningful

Consolidated Results of Operations

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

Year ended December 31, ($ in millions)	2015	2014	2013	Favorable/ (unfavorable) 2015-2014 % change	Favorable/ (unfavorable) 2014-2013 % change
Net financing revenue					
Total financing revenue and other interest income	$8,397	$8,391	$8,093	—	4
Total interest expense	2,429	2,783	3,319	13	16
Depreciation expense on operating lease assets	2,249	2,233	1,995	(1)	(12)
Net financing revenue	3,719	3,375	2,779	10	21
Other revenue					
Servicing fees	45	31	(87)	45	136
Insurance premiums and service revenue earned	940	979	1,012	(4)	(3)
Gain on mortgage and automotive loans, net	45	7	55	n/m	(87)
Loss on extinguishment of debt	(357)	(202)	(59)	(77)	n/m
Other gain on investments, net	155	181	180	(14)	1
Other income, net of losses	314	280	383	12	(27)
Total other revenue	1,142	1,276	1,484	(11)	(14)
Total net revenue	4,861	4,651	4,263	5	9
Provision for loan losses	707	457	501	(55)	9
Noninterest expense					
Compensation and benefits expense	963	947	1,019	(2)	7
Insurance losses and loss adjustment expenses	293	410	405	29	(1)
Other operating expenses	1,505	1,591	1,981	5	20
Total noninterest expense	2,761	2,948	3,405	6	13
Income from continuing operations before income tax expense (benefit)	1,393	1,246	357	12	n/m
Income tax expense (benefit) from continuing operations	496	321	(59)	(55)	n/m
Net income from continuing operations	$897	$925	$416	(3)	122

n/m = not meaningful

2015 Compared to 2014

We earned net income from continuing operations of $897 million for the year ended December 31, 2015, compared to $925 million for the year ended December 31, 2014. The decline is attributable to increases in the provision for loan losses, income tax expense from continuing operations, and loss on extinguishment of debt. These unfavorable impacts were partially offset by lower funding costs and a decline in insurance losses and loss adjustment expenses.

Total interest expense decreased 13% for the year ended December 31, 2015, compared to the year ended December 31, 2014, primarily due to lower funding costs as a result of continued deposit growth, the maturity and repayment of higher-cost legacy debt, and a decrease in original issue discount (OID) amortization expense.

Net gain on mortgage and automotive loans increased $38 million, primarily due to the sale of troubled debt restructuring (TDR) loans at our Mortgage operations during year ended December 31, 2015.

We incurred a loss on extinguishment of debt of $357 million for the year ended December 31, 2015, compared to $202 million for the year ended December 31, 2014. The increase was due primarily to the execution of tender offers for legacy, high-cost debt during the first half of 2015.

Other gain on investments, net, was $155 million for the year ended December 31, 2015, compared to $181 million for the year ended December 31, 2014. The decrease was primarily driven by unfavorable market conditions, resulting in decreased gains on the sales of investments.

Other income, net of losses, increased 12% for the year ended December 31, 2015, compared to 2014. The increase was primarily due to an increase in income from certain equity method investments.

The provision for loan losses was $707 million for the year ended December 31, 2015, compared to $457 million in 2014. The increase in provision for loan losses is the result of the growth in our consumer retail automotive loan portfolio, as our automotive originations have shifted to an increase in loans offsetting a significant reduction in leases which are not included in the allowance, and the continued execution of our underwriting strategy to originate automotive loans across a broad risk spectrum. Credit performance has been in line with expectations for the portfolio. Also contributing to the increase in the provision was growth in our consumer mortgage loan portfolio, as a result of bulk mortgage purchases during 2015, as well as lower reserve releases on mortgage assets, compared to 2014. The increase was partially offset by the continued strong performance of our commercial loan portfolio.

Total noninterest expense decreased 6% for the year ended December 31, 2015, compared to 2014. The decrease was primarily due to both lower wholesale weather-related losses and lower loss experience of VSC products at our Insurance operations, as well as various continued expense reduction actions across various lines of business.

We recognized consolidated income tax expense from continuing operations of $496 million for the year ended December 31, 2015, compared to $321 million in 2014. The increase in income tax expense for the year ended December 31, 2015, was primarily driven by tax expense attributable to higher pretax earnings for the year, a nonrecurring tax benefit in 2014 related to the reduction in the liability for unrecognized tax benefits as a result of the completion of the U.S. federal audit related to our 2009 through 2011 tax years, and a nonrecurring tax benefit in 2014 for the reinstatement of the active financing exception included in the Tax Increase Prevention Act of 2014.

2014 Compared to 2013

We earned net income from continuing operations of $925 million for the year ended December 31, 2014, compared to $416 million for the year ended December 31, 2013. Net income from continuing operations for the year ended December 31, 2014, was favorably impacted by an increase in operating lease revenue for our Automotive Finance operations resulting from increases in lease remarketing gains, lower funding costs resulting from the maturity and repayment of higher-cost debt, and lower OID amortization expense related to bond maturities and normal monthly amortization. Additional favorability was due to our Mortgage operations, as results in 2013 were unfavorably impacted by the valuation of our MSRs portfolio, which was sold during the second quarter of 2013. These items were partially offset by higher income tax expense primarily attributable to higher pretax earnings, and higher depreciation expense related to higher lease asset balances as a result of strong lease origination volume.

Total financing revenue and other interest income increased $298 million for the year ended December 31, 2014, compared to 2013. The increase resulted primarily from an increase in operating lease revenue for our Automotive Finance operations, which was driven primarily by higher lease asset balances resulting from strong origination volume and higher lease remarketing gains due to increased termination volumes. These increases were partially offset by lower mortgage loan balances as a result of the wind-down of our consumer held-for-sale portfolio and runoff of our held-for-investment portfolio.

Interest expense decreased 16% for the year ended December 31, 2014, compared to 2013, primarily due to lower funding costs as a result of continued deposit growth, the repayment of higher-cost legacy debt, and a decrease in OID amortization expense.

Depreciation expense on operating lease assets increased 12% for the year ended December 31, 2014, compared to 2013, primarily due to higher lease asset balances resulting from strong lease origination volume, partially offset by higher lease remarketing gains due to increased termination volumes.

We earned net servicing income of $31 million for the year ended December 31, 2014, compared to a net servicing loss of $87 million in 2013. The increase was primarily due to the completed sales of our agency MSRs portfolio in the second quarter of 2013, partially offset by lower levels of off-balance sheet automotive retail serviced assets.

Gain on mortgage and automotive loans decreased 87% for the year ended December 31, 2014, compared to 2013. The decrease was primarily related to our decision to cease mortgage-lending production through our direct lending channel in 2013, and margins associated with government-sponsored refinancing programs, partially offset by the completed sale of a $40 million student lending portfolio during the second quarter of 2014.

Loss on extinguishment of debt increased $143 million for the year ended December 31, 2014, compared to 2013. The increase was primarily due to the completion of a tender offer to buy back $750 million of our long-dated high-coupon debt in October 2014. We recorded a loss of $156 million on extinguishment of debt in 2014 related to this transaction. The increase was partially offset by a decrease in the accelerated recognition of issuance expenses related to calls of redeemable debt during 2014.

Other income, net of losses, decreased 27% for the year ended December 31, 2014, compared to 2013. The decrease was primarily due to lower fee income and net origination revenue related to our exit from consumer mortgage-lending production associated with government-sponsored refinancing programs, and unfavorable derivative activity as a result of changes in rates and their impact on economic hedge positions. These decreases were partially offset by higher remarketing fee income.

The provision for loan losses was $457 million for the year ended December 31, 2014, compared to $501 million in 2013. The decrease was driven by lower reserve requirements in our Mortgage operations as a result of the continued runoff of legacy mortgage assets, partially offset by the continued execution of our underwriting strategy to originate consumer automotive assets across a broad risk spectrum and growth in our consumer automotive portfolio.

Total noninterest expense decreased 13% for the year ended December 31, 2014, compared to 2013. The decrease was primarily due to the overall streamlining of the company and increased operating efficiencies. Compensation and benefits expense decreased 7% due in part to headcount reductions in centralized support functions. Further, expenses have benefited from strategic actions, including our exit of all nonstrategic mortgage-related activities that resulted in lower broker fees from consumer mortgage-lending production associated with government-sponsored refinancing programs, and lower representation and warranty expense due to decreased repurchase risk associated with the sale of our agency MSRs portfolio. Further contributing to the decrease were the nonrecurrence of a $98 million charge in the fourth quarter of 2013 relating to the execution of Consent Orders issued by the Consumer Financial Protection Bureau (CFPB) and the U.S. Department of Justice (DOJ) pertaining to the allegation of disparate impact in the automotive finance business, as well as a reduction of expenses related to our arrangement with GM that provided for certain exclusivity privileges related to subvention programs that they offered, which expired in February 2014. Refer to Note 30 to the Consolidated Financial Statements for additional details on these matters.

We recognized consolidated income tax expense from continuing operations of $321 million for the year ended December 31, 2014, compared to income tax benefit of $59 million in 2013. The increase in income tax expense for the year ended December 31, 2014, was driven by tax expense primarily attributable to higher pretax earnings.

Dealer Financial Services

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

Automotive Finance Operations

Results of Operations

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

Year ended December 31, ($ in millions)	2015	2014	2013	Favorable/ (unfavorable) 2015-2014 % change	Favorable/ (unfavorable) 2014-2013 % change
Net financing revenue					
Consumer	$3,230	$3,046	$3,004	6	1
Commercial	939	1,024	1,061	(8)	(3)
Loans held-for-sale	34	—	—	n/m	—
Operating leases	3,398	3,558	3,209	(4)	11
Other interest income	8	10	22	(20)	(55)
Total financing revenue and other interest income	7,609	7,638	7,296	—	5
Interest expense	1,931	2,084	2,142	7	3
Depreciation expense on operating lease assets	2,249	2,233	1,995	(1)	(12)
Net financing revenue	3,429	3,321	3,159	3	5
Other revenue					
Servicing fees	45	31	58	45	(47)
(Loss) gain on automotive loans, net	(23)	10	—	n/m	n/m
Other income	213	223	210	(4)	6
Total other revenue	235	264	268	(11)	(1)
Total net revenue	3,664	3,585	3,427	2	5
Provision for loan losses	696	542	494	(28)	(10)
Noninterest expense					
Compensation and benefits expense	489	454	450	(8)	(1)
Other operating expenses	1,144	1,160	1,305	1	11
Total noninterest expense	1,633	1,614	1,755	(1)	8
Income from continuing operations before income tax expense	$1,335	$1,429	$1,178	(7)	21
Total assets	$115,636	$113,188	$109,312	2	4

n/m = not meaningful

Components of net operating lease revenue, included in amounts above, were as follows.

Year ended December 31, ($ in millions)	2015	2014	2013	Favorable/ (unfavorable) 2015-2014 % change	Favorable/ (unfavorable) 2014-2013 % change
Net operating lease revenue					
Operating lease revenue	$3,398	$3,558	$3,209	(4)	11
Depreciation expense					
	2,600	2,666	2,327	2	(15)

Depreciation expense on operating lease assets (excluding remarketing gains)					
Remarketing gains	(351)	(433)	(332)	(19)	30
Total depreciation expense on operating lease assets	2,249	2,233	1,995	(1)	(12)
Total net operating lease revenue	$1,149	$1,325	$1,214	(13)	9

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2015 Compared to 2014

Our Automotive Finance operations earned income from continuing operations before income tax expense of $1.3 billion for the year ended December 31, 2015, compared to $1.4 billion for the year ended December 31, 2014. Results for the year ended December 31, 2015, were unfavorably impacted by lower net operating lease revenue primarily due to a decrease in lease origination volume resulting from GM's decision to provide subvention programs for their products exclusively through a wholly-owned subsidiary, an increase in provision for loan losses primarily due to continued growth in the consumer portfolio, and a decrease in commercial financing revenue resulting from a continued competitive wholesale marketplace. The unfavorable impacts in our Automotive Finance operations were partially offset by an increase in consumer financing revenue resulting from continued loan origination growth and a decrease in interest expense resulting from continued lower funding costs.

Consumer financing revenue (combined with interest income on consumer loans held-for-sale) increased $218 million for the year ended December 31, 2015, compared to 2014, primarily due to continued loan origination growth across the retail channels. Chrysler and Growth consumer originations increased 41% and 53%, respectively, for the year ended December 31, 2015, compared to 2014. GM new standard rate consumer origination volume increased 34% for the year ended December 31, 2015, compared to 2014.

Commercial financing revenue decreased $85 million for the year ended December 31, 2015, compared to 2014, primarily due to lower yields as a result of a continued competitive wholesale marketplace.

Total net operating lease revenue decreased 13% for the year ended December 31, 2015, compared to 2014. The decrease was primarily due to a decrease in lease origination volume resulting from GM’s decision to provide subvention programs for their products exclusively through a wholly-owned subsidiary. Results for the year ended December 31, 2015, were also unfavorably impacted by lower lease termination volume and a decrease in remarketing gains due to lower gains on a per-unit basis. We recognized remarketing gains of $351 million for the year ended December 31, 2015, compared to $433 million in 2014. For further details on our lease business, refer to the section titled Lease Residual Risk Management within this MD&A.

Interest expense decreased $153 million for the year ended December 31, 2015, respectively, compared to 2014, primarily due to continued lower funding costs as a result of an increase in deposits and company-wide liability management actions that have included the repayment of higher-cost debt.

The provision for loan losses increased $154 million for the year ended December 31, 2015, compared to in 2014. The increase is primarily the result of the growth in our consumer retail automotive loan portfolio, as our automotive originations have shifted to an increase in loans offsetting a significant reduction in leases which are not included in the allowance for loan losses, and the continued execution of our underwriting strategy to originate automotive loans across a broad risk spectrum, with credit performance in line with expectations for the portfolio. The increase for the year ended December 31, 2015, was partially offset by the continued strong performance of our commercial loan portfolio.

2014 Compared to 2013

Our Automotive Finance operations earned income from continuing operations before income tax expense of $1.4 billion for the year ended December 31, 2014, compared to $1.2 billion for the year ended December 31, 2013. Results for the year ended December 31, 2014, were favorably impacted primarily by higher operating lease revenue driven by increases in lease remarketing gains due to increases in termination volumes. Lease terminations totaled 296,393 for the year ended December 31, 2014, compared to 148,587 for the year ended December 31, 2013, reflecting an increase of 99%. The favorability was partially offset by higher depreciation expense on the operating lease portfolio and higher provision for loan losses resulting from consumer portfolio growth.

Consumer financing revenue increased $42 million for the year ended December 31, 2014, compared to 2013, primarily due to continued origination growth. GM and Growth consumer originations increased 7% and 45%, respectively, for the year ended December 31, 2014, compared to 2013. This increase was partially offset by lower yields as a result of higher-quality asset originations and increased competition.

Commercial financing revenue decreased $37 million for the year ended December 31, 2014, compared to 2013, primarily due to lower yields as a result of increased competition in the wholesale marketplace.

Net operating lease revenue increased 9% for the year ended December 31, 2014, compared to 2013. The increase was primarily due to higher lease asset balances resulting from strong origination volume and higher lease remarketing gains due to increased termination volumes. We recognized remarketing gains of $433 million for the year ended December 31, 2014, compared to $332 million in 2013. The increases in revenue and lease remarketing gains were partially offset by an increase in depreciation expense due to higher lease asset balances resulting from strong lease origination volume. For further details on our lease business, refer to the section titled Lease Residual Risk Management within this MD&A.

Servicing fee income decreased 47% for the year ended December 31, 2014, compared to 2013, due to lower levels of off-balance sheet retail serviced assets.

Other income increased $13 million for the year ended December 31, 2014, compared to 2013, primarily due to higher remarketing fee income driven by an increase in lease terminations.

The provision for loan losses was $542 million for the year ended December 31, 2014, compared to $494 million in 2013. The increase was primarily due to the continued execution of our underwriting strategy to originate consumer assets across a broad risk spectrum and growth in our consumer loan automotive portfolio.

Total noninterest expense decreased 8% for the year ended December 31, 2014, compared to 2013. The decrease was primarily due to the nonrecurrence of a $98 million charge in the fourth quarter of 2013 relating to the execution of Consent Orders issued by the CFPB and the DOJ pertaining to the allegation of disparate impact in the automotive finance business. Also contributing to the overall decrease was a reduction of expenses related to our arrangement with GM that provided for certain exclusivity privileges related to subvention programs that they offered, which expired in February 2014. Refer to Note 30 to the Consolidated Financial Statements for additional details on these matters.

Automotive Finance Operations

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

Acquisition and Underwriting

Our underwriting process is focused on multidimensional risk factors and data driven risk-adjusted probabilities that are continuously monitored and updated. Each application is placed into an analytical category based on specific aspects of the applicant's credit profile. We then evaluate the application by applying a proprietary credit scoring algorithm tailored to its applicable category. Inputs into this algorithm include, but are not limited to, FICO® Score, proprietary scores, and deal structure variables such as loan-to-value, new or used vehicle collateral, and term of financing. The output of the algorithm is used to sort applications into various credit tiers (S, A, B, C, D, and E). Credit tiers are used primarily to communicate to the dealer, that submitted the application, our indication of credit quality and pricing. This process is built on long established credit risk fundamentals to determine both the borrower's ability and willingness to repay the loan. While advances in excess of 100% of the vehicle collateral value at loan origination, not withstanding cash down and/or vehicle trade in value, are typical in the industry (primarily due to additional costs such as mechanical warranty contracts, taxes, license, and title fees), our pricing, risk, and underwriting processes are rooted in statistical analysis to contemplate this risk.

In addition to our empirical approach of assessing risk, a large majority of our applications are manually evaluated by an experienced team of dedicated underwriters prior to the decision being communicated. We have developed an automated process to expedite the review of applications with various combinations of credit factors that we have observed over time to substantially outperform or underperform in terms of net credit losses. As a result, there are many clusters of credit factors that will lead to an automated decision, rather than a small set of benchmark characteristics. Automated approvals are primarily limited to the highest quality credit tiers. However, even in the highest quality credit tier, a large portion of approved applications are manually approved by an underwriter. For higher risk transactions, underwriters often verify details of the application such as borrower income and employment through documentation provided by the borrower or alternative data sources from third parties.

Credit underwriters have a limited ability to approve exceptions to the guidelines contained in our underwriting criteria. Exceptions to our credit policies must be approved by credit underwriters with appropriate credit authority. Approved applicants that do not comply with our credit guidelines must have strong compensating factors that indicate a high willingness and ability of the applicant to repay the loan. For example, underwriting exceptions may include allowing a longer term or a greater ratio of payment-to-income, debt-to-income, or loan-to-value. We monitor exceptions to our underwriting criteria with the goal of limiting exceptions to a small portion of approved applications and rarely permit more than a single exception for any contract.

Consumer Automotive Financing

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

The amount we pay a dealer for a retail contract is based on the negotiated purchase price of the vehicle and any other products, such as service contracts, less any vehicle trade-in value and any down payment from the consumer. Under the retail contract, the consumer is obligated to make payments in an amount equal to the purchase price of the vehicle (less any trade-in or down payment) plus finance charges at a rate negotiated between the consumer and the dealer. In addition, the consumer is also responsible for charges related to past-due payments. When we purchase the contract, it

is normal business practice for the dealer to retain some portion of the finance charge as income for the dealership. Our agreements with dealers place a limit on the amount of the finance charges they are entitled to retain. Although we do not own the vehicles we finance through retail contracts, we hold a perfected security interest in those vehicles.
With respect to consumer leasing, we purchase leases (and the associated vehicles) from dealerships. The purchase price of consumer leases is based on the negotiated price for the vehicle less any vehicle trade-in and any down payment from the consumer. Under the lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value or down payment) exceeds the contract residual value (including residual support) of the vehicle at lease termination, plus lease charges. The consumer is also generally responsible for charges related to past due payments, excess mileage, excessive wear and tear, and certain disposal fees where applicable. At contract inception, we determine pricing based on the projected residual value of the lease vehicle. This evaluation is primarily based on a proprietary model, which includes variables such as age, expected mileage, seasonality, segment factors, vehicle type, economic indicators, production cycle, automotive manufacturer incentives, and shifts in used vehicle supply. This internally-generated data is compared against third party, independent data for reasonableness.
Periodically, we revise the projected value of the lease vehicle at termination based on current market conditions and adjust depreciation expense appropriately over the remaining life of the contract. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense.
Our standard leasing plan, SmartLease, requires a monthly payment by the consumer. We also offer an alternative leasing plan, SmartLease Plus, that requires one up-front payment of all lease amounts at the time the consumer takes possession of the vehicle.

Consumer leases are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease credit losses are primarily limited to past due payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the lease portfolio are correlated with lease termination volume. Operating lease accounts past due over 30 days represented 1.00% and 0.75% of the portfolio at December 31, 2015, and 2014, respectively.

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

Total consumer financing revenue of our Automotive Finance operations was $3.2 billion, $3.0 billion, and $3.0 billion for the years ended December 31, 2015, 2014, and 2013, respectively. Net operating lease revenue of our Automotive Finance operations was $1.1 billion, $1.3 billion, and $1.2 billion for the years ended December 31, 2015, 2014, and 2013, respectively.

The following tables present retail originations by credit tier, average buy rate and NAALR.

Year ended December 31, 2015

Credit Tier (a)	Volume ($ in billions)	% Share of Volume	Average Buy Rate (b)	NAALR (c)	Average FICO®
S	$12.7	35	3.24 %	(0.14)%	753
A	13.8	38	5.26 %	(0.77)%	670
B	7.2	20	8.69 %	(2.07)%	636
C	2.4	6	12.27 %	(3.45)%	600
D	0.2	1	17.65 %	(4.91)%	571
Total	$36.3	100	5.81 %	(1.11)%	687

(a) Represents Ally's internal credit score, incorporating numerous borrower and structure attributes including: FICO® score; severity and aging of delinquency; number of credit inquiries; loan-to-value ratio; and payment-to-income ratio.
(b) Simple weighted average rate at which Ally purchases a retail loan contract from a dealer.
(c) Projected Net Average Annualized Loss Rate.

Year ended December 31, 2014

Credit Tier	Volume ($ in billions)	% Share of Volume	Average Buy Rate	NAALR	Average FICO®
S	$9.7	33	2.66 %	(0.11)%	777
A	11.0	37	4.57 %	(0.68)%	688
B	6.1	21	8.04 %	(1.78)%	647
C	2.4	8	11.88 %	(2.61)%	611
D	0.4	1	16.30 %	(3.81)%	575
Total	$29.6	100	5.46 %	(1.00)%	700

Year ended December 31, 2013

Credit Tier	Volume ($ in billions)	% Share of Volume	Average Buy Rate	NAALR	Average FICO®
S	$8.8	33	2.83 %	(0.10)%	777
A	8.5	32	4.49 %	(0.64)%	694
B	6.4	24	7.67 %	(1.60)%	649
C	2.6	10	11.47 %	(2.49)%	611
D	0.4	1	16.17 %	(3.82)%	574
Total	$26.7	100	5.64 %	(1.00)%	699

For the year ended December 31, 2015, as compared to 2014, the increase in NAALR was 11 basis points, while the Average Buy Rate for retail originations increased by 35 basis points.

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

	Consumer automotive financing originations			% Share of Ally originations		
Year ended December 31, ($ in millions)	2015	2014	2013	2015	2014	2013
New retail standard	$19,220	$13,913	$12,059	47	34	32
Used	14,842	11,714	9,874	36	28	26
Lease	4,702	11,332	10,591	11	28	29
New retail subvented	2,244	3,992	4,806	6	10	13
Total consumer automotive financing originations (a)(b)	$41,008	$40,951	$37,330	100	100	100

(a) Includes CSG originations of $3.8 billion, $3.8 billion, and $3.1 billion for the years ended December 31, 2015, 2014, and 2013, respectively, and RV originations of $514 million, $461 million, and $471 million for the years ended December 31, 2015, 2014, and 2013, respectively.

(b) On September 16, 2015, we entered into agreements with Mitsubishi Motors Credit of America, Inc. (MMCA) affiliates providing us the beneficial interest in MMCA’s consumer loan and lease portfolio, which included $0.6 billion of retail and lease contracts. These assets have been excluded from the amounts presented.

The following table presents the total consumer origination dollars and percentage mix by channel.

	Consumer automotive financing originations			% Share of Ally originations		
Year ended December 31, ($ in millions)	2015	2014	2013	2015	2014	2013
Growth	$12,748	$8,323	$5,737	31	20	15
GM	18,666	25,847	24,213	46	63	65
Chrysler	9,594	6,781	7,380	23	17	20
Total consumer automotive financing originations (a)	$41,008	$40,951	$37,330	100	100	100

(a) Excludes consumer loans and leases purchased from MMCA of $0.6 billion.

During the year ended December 31, 2015, total consumer originations increased $57 million compared to 2014. The increase was primarily due to higher volume in the Growth and Chrysler channels, as well as strong GM new retail standard volume. Growth and Chrysler volume increased 53% and 41%, respectively, in 2015, compared to 2014 driven by expanded offerings and new dealer relationships. As expected, the increase in volume was partially offset by lower GM new retail subvented and lease volume.

Below we have included origination metrics by loan term and FICO® Score. However, the proprietary way we evaluate risk is based on multiple inputs as described in the Acquisition and Underwriting section above.

The following table presents the percentage of total retail originations by the loan term in months.

Year ended December 31,	2015	2014	2013
0-71	21 %	26 %	28 %
72-75	68	72	70
76+	11	2	2
Total retail originations (a)	100 %	100 %	100 %

(a) Excludes RV loans.

Substantially all of the loans originated with a term of 76+ months during the years ended December 31, 2015, 2014, and 2013 were considered to be prime. We define prime retail automotive loans primarily as those loans with a FICO® Score (or an equivalent score) at origination of 620 or greater.

The following table presents the percentage of total consumer originations by FICO® Score.

Year ended December 31,	2015		2014		2013	
740 +	26	%	35	%	36	%
739-660	34		34		34	
659-620	22		17		17	
619-540	12		8		8	
< 540	1		1		1	
Unscored (a)	5		5		4	
Total consumer automotive financing originations	100	%	100	%	100	%

(a) Unscored are primarily CSG contracts with entities that have no FICO® Score.

As we continue the execution of our disciplined underwriting strategy to originate consumer automotive assets across a broad risk spectrum, retail originations with a term over 76 months represented 11% of total retail originations in 2015, compared to 2% in 2014. In addition, originations with a FICO® Score of less than 620 (considered nonprime) represented 13% of total consumer originations in 2015, compared to 9% in 2014. However, consumer loans and leases with FICO® Scores of less than 540 continued to comprise only 1% of total originations each period. For discussion of our credit risk management practices and performance, refer to the section titled Risk Management within this MD&A.

Manufacturer Marketing Incentives

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

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

We were previously party to separate agreements with both GM and Chrysler that provided for certain exclusivity privileges related to subvention programs that they offered. Our agreement with Chrysler expired in April 2013. In addition, our agreement with GM expired effective February 28, 2014. These agreements provided Ally with certain preferred provider benefits, including limiting the use of other financing providers by GM and Chrysler for their incentive programs. During 2015, GM determined to provide subvention programs exclusively through a wholly-owned subsidiary.

Servicing

We have historically serviced all retail contracts and leases we originated. On occasion, we have sold a portion of the retail contracts we originated through whole-loan sales and securitizations, but retained the right to service and earn a servicing fee for our servicing functions. Ally Servicing LLC, a wholly-owned subsidiary, performs most servicing activities for retail contracts and consumer automotive leases.

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

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

Collections activity includes initiating contact with customers who fail to comply with the terms of the retail contract or lease agreement by sending reminder notices and/or contacting via telephone generally when an account becomes 3 to 15 days past due. The type of collection treatment and level of intensity increases as the account becomes more delinquent. The nature and timing of these activities depend on the repayment risk of the account.

During the collection process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days, thereby deferring the maturity date of the contract by the length of extension. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. During the deferral period, we continue to accrue and collect finance charges on the contract as part of the deferral agreement. If the customer's financial difficulty is not temporary and management believes the customer could continue to make payments at a lower payment amount, we may offer to rewrite the remaining obligation, extending the term and lowering the monthly payment obligation. In those cases, the principal balance generally remains unchanged while the interest rate charged to the customer generally increases. The use of extensions and rewrites help mitigate financial loss in those cases where management believes the customer will recover from short-term financial difficulty and resume regularly scheduled payments or can fulfill the obligation with lower payments over a longer period. Before offering an extension or rewrite, collection personnel evaluate and take into account the capacity of the customer to meet the revised payment terms. Generally, we do not consider extensions that fall within our policy guidelines to represent more than an insignificant delay in payment and, therefore, they are not considered TDRs. Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby mitigating the loss. Of the total amount outstanding in the traditional retail portfolio at December 31, 2011, only 5.5% of the extended or rewritten balances were subsequently charged off through December 31, 2015. A four-year period was utilized for this analysis as this approximates the weighted average remaining term of the portfolio. At December 31, 2015, 7.4% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten.

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

At December 31, 2015, and 2014, our total consumer automotive serviced portfolio was $84.8 billion and $81.3 billion, respectively, compared to our consumer automotive on-balance sheet serviced portfolio of $80.0 billion and $77.6 billion. Refer to Note 11 to the Consolidated Financial Statements for further information regarding servicing activities.

Remarketing and Sales of Leased Vehicles

When we acquire a consumer lease, we assume ownership of the vehicle from the dealer. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. When vehicles are not purchased by customers or the receiving dealer at scheduled lease termination, the vehicle is returned to us for remarketing. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the expected residual value determined at the time the lease contract is signed. Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales. Our methods of vehicle sales at lease termination primarily include the following:

- Sale to dealer — After the lessee declines an option to purchase the off-lease vehicle, the dealer who accepts the returned off-lease vehicle has the opportunity to purchase the vehicle directly from us at a price we define.
- Internet auctions — Once the lessee and dealer decline their options to purchase, we offer off-lease vehicles to dealers and certain other third parties through our proprietary internet site (SmartAuction). This internet sales program maximizes the net sales proceeds from off-lease vehicles by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We use the internet auction ourselves, and also maintain the internet auction site and administer the auction process for third party use. We earn a service fee for every third party vehicle sold through SmartAuction. In 2015, approximately 357,000 vehicles were sold through the internet site.
- Physical auctions — We dispose of our off-lease vehicles not purchased at termination by the lease consumer or dealer or sold on an internet auction through traditional manufacturer-sponsored auctions. We are responsible for handling

decisions at the auction including arranging for inspections, authorizing repairs and reconditioning, and determining whether bids received at auction should be accepted.
Commercial Automotive Financing
Automotive Wholesale Dealer Financing
One of the most important aspects of our dealer relationships is supporting the sale of vehicles through wholesale or floorplan financing. We primarily support automotive finance purchases by dealers of new and used vehicles manufactured or distributed before sale or lease to the retail customer. Wholesale automotive financing represents the largest portion of our commercial financing business and is the primary source of funding for dealers' purchases of new and used vehicles.
Wholesale credit is arranged through lines of credit extended to individual dealers. Wholesale floorplan loans are secured by the vehicles financed (and all other vehicle inventory), which provide strong collateral protection in the event of dealership default. Additional collateral (e.g., blanket lien over all dealership assets) and/or other credit enhancements (e.g., personal guarantees from dealership owners) are oftentimes obtained to further manage credit risk. Furthermore, benefit from automotive manufacturer repurchase arrangements, which serve as an additional layer of protection in the event of repossession of dealership inventory and/or dealership franchise termination. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles, which includes destination and other miscellaneous charges, and a price rebate, known as a holdback, from the manufacturer to the dealer in varying amounts stated as a percentage of the invoice price. Interest on wholesale automotive financing is generally payable monthly. The majority of wholesale automotive financing is structured

to yield interest at a floating rate indexed to London interbank offer rate (LIBOR) or the Prime Rate. The rate for a particular dealer is based on, among other things, competitive factors, the size of the account, and the dealer’s creditworthiness. Additionally, we make incentive payments to certain commercial automotive wholesale borrowers under our Ally Dealer Rewards Program and account for these payments as a reduction to interest income in the period they are earned.

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

Total commercial wholesale floorplan revenue of our Automotive Finance operations was $756 million, $860 million, and $908 million for the years ended December 31, 2015, 2014, and 2013, respectively.

Commercial Wholesale Financing Volume

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

	Average balance			% Share of manufacturer franchise dealer inventory		
Year ended December 31, ($ in millions)	2015	2014	2013	2015	2014	2013
GM new vehicles (a)	$15,050	$16,736	$15,650	63	64	67
Chrysler new vehicles (a)	8,356	7,658	6,885	44	45	50
Growth new vehicles	3,580	3,039	2,637			
Used vehicles	3,478	3,129	3,044			
Total commercial wholesale finance receivables	$30,464	$30,562	$28,216			

(a) Share of manufacturer franchise dealer inventory based on a 13-point average of dealer inventory.

Commercial wholesale financing average volume decreased slightly during 2015, compared to 2014. The decrease in GM new receivables was largely offset by increases in Chrysler new, Growth new, and Used commercial wholesale financing volume, including higher balances resulting from the preferred provider agreement with MMNA that was announced on April 27, 2015.

Other Commercial Automotive Financing

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

Servicing and Monitoring

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

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

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

Insurance Operations

Results of Operations

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

Year ended December 31, ($ in millions)	2015	2014	2013	Favorable/ (unfavorable) 2015-2014 % change	Favorable/ (unfavorable) 2014-2013 % change
Insurance premiums and other income					
Insurance premiums and service revenue earned	$940	$979	$1,012	(4)	(3)
Investment income, net (a)	134	194	227	(31)	(15)
Other income	16	12	14	33	(14)
Total insurance premiums and other income	1,090	1,185	1,253	(8)	(5)
Expense					
Insurance losses and loss adjustment expenses	293	410	405	29	(1)
Acquisition and underwriting expense					
Compensation and benefits expense	68	63	62	(8)	(2)
Insurance commissions expense	378	374	370	(1)	(1)
Other expenses	140	141	162	1	13
Total acquisition and underwriting expense	586	578	594	(1)	3
Total expense	879	988	999	11	1
Income from continuing operations before income tax expense (benefit)	$211	$197	$254	7	(22)
Total assets	$7,053	$7,190	$7,124	(2)	1
Insurance premiums and service revenue written	$977	$1,023	$997	(4)	3
Combined ratio (b)	92.8 %	100.2 %	98.0 %		

(a) Includes gain on investments of $85 million, $143 million, and $177 million for the years ended December 31, 2015, 2014, and 2013, respectively; and interest expense of $50 million, $54 million, and $64 million for the years ended December 31, 2015, 2014, and 2013, respectively.

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

2015 Compared to 2014

Our Insurance operations earned income from continuing operations before income tax expense of $211 million for the year ended December 31, 2015, compared to $197 million for the year ended December 31, 2014. The increase was primarily due to lower weather-related losses, partially offset by lower investment income and insurance premiums and service revenue earned.

Insurance premiums and service revenue earned was $940 million for the year ended December 31, 2015, compared to $979 million in 2014. The decrease was due primarily to lower earned revenue on VSC products as a result of the weakening Canadian dollar related to our continuing Canadian operations and higher dealer reinsurance participation. Additionally, the decrease was due to lower earned revenue from our Smart Lease Protect product as a result of GM's decision to provide lease subvention programs for their products exclusively through a wholly-owned subsidiary.

Net investment income totaled $134 million for the year ended December 31, 2015, compared to $194 million in 2014. The decrease was due primarily to lower realized investment gains.

Insurance losses and loss adjustment expenses totaled $293 million for the year ended December 31, 2015, compared to $410 million for the year ended December 31, 2014. The decrease was primarily due to lower wholesale weather-related losses. Additionally, we incurred lower non-weather-related losses driven by lower loss experience for VSC products. Lower weather-related losses primarily drove the decrease in the combined ratio to 92.8% for the year ended December 31, 2015, compared to 100.2% for the year ended December 31, 2014.

2014 Compared to 2013

Our Insurance operations earned income from continuing operations before income tax expense of $197 million for the year ended December 31, 2014, compared to $254 million for the year ended December 31, 2013. The decrease was primarily due to higher weather-related losses, lower earned revenue, and lower realized investment gains, partially offset by lower non-weather-related losses.

Insurance premiums and service revenue earned was $979 million for the year ended December 31, 2014, compared to $1.0 billion in 2013. The decrease was primarily due to the wind-down of our Canadian personal lines portfolio.

Net investment income totaled $194 million for the year ended December 31, 2014, compared to $227 million in 2013. The decrease was primarily due to lower realized investment gains as well as interest and dividend income, offset by lower other-than-temporary impairments, which totaled $14 million in 2014 as compared to $20 million in 2013.

Insurance losses and loss adjustment expenses totaled $410 million for the year ended December 31, 2014, compared to $405 million for the year ended December 31, 2013. The increase was primarily due to higher weather-related losses from severe hailstorms, particularly in the second quarter of 2014, partially offset by lower non-weather-related losses driven by the wind-down of the Canadian personal lines portfolio and lower loss experience of VSC products. Higher weather-related losses primarily drove the increase in the combined ratio to 100.2% for the year ended December 31, 2014, compared to 98.0% for the year ended December 31, 2013.

Premium and Service Revenue Written

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

Year ended December 31, ($ in millions)	2015	2014	2013
Vehicle service contracts			
New retail	$436	$422	$421
Used retail	485	509	509
Reinsurance (a)	(178)	(152)	(143)
Total vehicle service contracts (b)	743	779	787
Wholesale	169	186	157
Other finance and insurance (c)	65	58	53
Total			