

Edgar Filing: Exterran Corp - Form SC 13G

Exterran Corp  
Form SC 13G  
November 13, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

SCHEDULE 13G  
Under the Securities Exchange Act of 1934

**EXTERRAN CORPORATION**

(Name of Issuer)

**COMMON STOCK, PAR VALUE \$0.01 PER SHARE**

(Title of Class of Securities)

**30227H106**

(CUSIP Number)

**NOVEMBER 3, 2015**

(Date of event which requires filing of this statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the notes).

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<b>1</b> NAMES OF REPORTING PERSONS  Integrated Core Strategies (US) LLC
<b>2</b> CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input type="checkbox"/>
<b>3</b> SEC USE ONLY
<b>4</b> CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware
<b>5</b> SOLE VOTING POWER  -0-
<b>6</b> SHARED VOTING POWER  1,341,843
<b>7</b> SOLE DISPOSITIVE POWER  -0-
<b>8</b> SHARED DISPOSITIVE POWER  1,341,843
<b>9</b> AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  1,341,843
<b>10</b> CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES  <input type="radio"/>
<b>11</b> PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

3.9%

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<b>1</b> NAMES OF REPORTING PERSONS  Integrated Assets II LLC	
<b>2</b> CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input type="checkbox"/>	
<b>3</b> SEC USE ONLY	
<b>4</b> CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
<b>5</b> SOLE VOTING POWER  -0-	
<b>6</b> SHARED VOTING POWER  29,750	
<b>7</b> SOLE DISPOSITIVE POWER  -0-	
<b>8</b> SHARED DISPOSITIVE POWER  29,750	
<b>9</b> AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  29,750	
<b>10</b> CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES  <input type="radio"/>	
<b>11</b> PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)	

0.1%

12TYPE OF REPORTING PERSON

OO

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<b>1</b> NAMES OF REPORTING PERSONS  Integrated Assets, Ltd.
<b>2</b> CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input type="checkbox"/>
<b>3</b> SEC USE ONLY
<b>4</b> CITIZENSHIP OR PLACE OF ORGANIZATION  Cayman Islands
<b>5</b> SOLE VOTING POWER  -0-
<b>6</b> SHARED VOTING POWER  256,088
<b>7</b> SOLE DISPOSITIVE POWER  -0-
<b>8</b> SHARED DISPOSITIVE POWER  256,088
<b>9</b> AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  256,088
<b>10</b> CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES  <input type="radio"/>
<b>11</b> PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

0.7%

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<b>1</b> NAMES OF REPORTING PERSONS  Millennium International Management LP	
<b>2</b> CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input type="checkbox"/>	
<b>3</b> SEC USE ONLY	
<b>4</b> CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
<b>5</b> SOLE VOTING POWER  -0-	
<b>6</b> SHARED VOTING POWER  256,088	
<b>7</b> SOLE DISPOSITIVE POWER  -0-	
<b>8</b> SHARED DISPOSITIVE POWER  256,088	
<b>9</b> AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  256,088	
<b>10</b> CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES  <input type="radio"/>	
<b>11</b> PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)	

0.7%

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<b>1</b> NAMES OF REPORTING PERSONS  Millennium International Management GP LLC	
<b>2</b> CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input type="checkbox"/>	
<b>3</b> SEC USE ONLY	
<b>4</b> CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
<b>5</b> SOLE VOTING POWER  -0-	
<b>6</b> SHARED VOTING POWER  256,088	
<b>7</b> SOLE DISPOSITIVE POWER  -0-	
<b>8</b> SHARED DISPOSITIVE POWER  256,088	
<b>9</b> AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  256,088	
<b>10</b> CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES  <input type="radio"/>	
<b>11</b> PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)	

0.7%

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<b>1</b> NAMES OF REPORTING PERSONS  Millennium Management LLC	
<b>2</b> CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input type="checkbox"/>	
<b>3</b> SEC USE ONLY	
<b>4</b> CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
<b>5</b> SOLE VOTING POWER  -0-	
<b>6</b> SHARED VOTING POWER  1,627,681	
<b>7</b> SOLE DISPOSITIVE POWER  -0-	
<b>8</b> SHARED DISPOSITIVE POWER  1,627,681	
<b>9</b> AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  1,627,681	
<b>10</b> CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES  <input type="radio"/>	
<b>11</b> PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)	

4.7%

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<b>1</b> NAMES OF REPORTING PERSONS  Israel A. Englander	
<b>2</b> CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="radio"/> (b) <input type="checkbox"/>	
<b>3</b> SEC USE ONLY	
<b>4</b> CITIZENSHIP OR PLACE OF ORGANIZATION  United States	
<b>5</b> SOLE VOTING POWER  -0-	NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH
<b>6</b> SHARED VOTING POWER  1,627,681	
<b>7</b> SOLE DISPOSITIVE POWER  -0-	
<b>8</b> SHARED DISPOSITIVE POWER  1,627,681	
<b>9</b> AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  1,627,681	
<b>10</b> CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES  <input type="radio"/>	
<b>11</b>	

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PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

4.7%

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Item 1.

(a)Name of Issuer:

Exterran Corporation, a Delaware corporation (the "Issuer").

(b)Address of Issuer's Principal Executive Offices:

4444 Brittmooore Road  
Houston, Texas 77041

Item 2.

(a)Name of Person Filing:

(b)Address of Principal Business Office:

(c)Citizenship:

Integrated Core Strategies (US) LLC  
c/o Millennium Management LLC  
666 Fifth Avenue  
New York, New York 10103  
Citizenship: Delaware

Integrated Assets II LLC  
c/o Millennium Management LLC  
666 Fifth Avenue  
New York, New York 10103  
Citizenship: Delaware

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Integrated Assets, Ltd.  
c/o Millennium International Management LP  
666 Fifth Avenue  
New York, New York 10103  
Citizenship: Cayman Islands

Millennium International Management LP  
666 Fifth Avenue  
New York, New York 10103  
Citizenship: Delaware

Millennium International Management GP LLC  
666 Fifth Avenue  
New York, New York 10103  
Citizenship: Delaware

Millennium Management LLC  
666 Fifth Avenue  
New York, New York 10103  
Citizenship: Delaware

Israel A. Englander  
c/o Millennium Management LLC  
666 Fifth Avenue  
New York, New York 10103  
Citizenship: United States

(d)Title of Class of Securities: common stock, par value \$0.01 per share ("Common Stock")

(e)CUSIP Number: 30227H106

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Item 3. If this statement is filed pursuant to Rule 13d-1(b), or 13d-2(b), check whether the person filing is a:

- (a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o);
  - (b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c);
  - (c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c);
  - (d)  Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8);
  - (e)  An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
  - (f)  An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
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(h) o A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);

(g) o A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);

(i) o A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);

(j) o Group, in accordance with §240.13d-1(b)(1)(ii)(J).

Item 4. Ownership

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount Beneficially Owned

As of the close of business on November 3, 2015: (i) Integrated Core Strategies (US) LLC, a Delaware limited liability company ("Integrated Core Strategies"), beneficially owned 1,433,124 shares of the Issuer's Common Stock; (ii) Integrated Assets II LLC, a Delaware limited liability company ("Integrated Assets II"), beneficially owned 90,734 shares of the Issuer's Common Stock; and (iii) Integrated Assets, Ltd., an exempted limited company organized under the laws of the Cayman Islands ("Integrated Assets"), beneficially owned 259,252 shares of the Issuer's Common Stock, which collectively represented 1,783,110 shares of the Issuer's Common Stock or 5.1% of the Issuer's Common Stock outstanding.

However, as of the close of business on November 12, 2015: (i) Integrated Core Strategies beneficially owned 1,341,843 shares of the Issuer's Common Stock; (ii) Integrated Assets II beneficially owned 29,750 shares of the Issuer's Common Stock; and (iii) Integrated Assets beneficially owned 256,088 shares of the Issuer's Common Stock, which collectively represented 1,627,681 shares of the Issuer's Common Stock or 4.7% of the Issuer's Common Stock outstanding.

Millennium International Management LP, a Delaware limited partnership ("Millennium International Management"), is the investment manager to Integrated Assets and may be deemed to have shared voting control and investment discretion over securities owned by Integrated Assets.

Millennium International Management GP LLC, a Delaware limited liability company ("Millennium International Management GP"), is the general partner of Millennium International Management and may also be deemed to have shared voting control and investment discretion over securities owned by Integrated Assets.

Millennium Management LLC, a Delaware limited liability company ("Millennium Management"), is the general partner of the managing member of Integrated Core Strategies and Integrated Assets II and may be deemed to have shared voting control and investment discretion over securities owned by Integrated Core Strategies and Integrated Assets II. Millennium Management is also the general partner of the 100% shareholder of Integrated Assets and may be deemed to have shared voting control and investment discretion over securities owned by Integrated Assets.

Israel A. Englander, a United States citizen ("Mr. Englander"), is the managing member of Millennium International Management GP and Millennium Management and may also be deemed to have shared voting control and investment discretion over securities owned by Integrated Core Strategies, Integrated Assets II and Integrated Assets.

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The foregoing should not be construed in and of itself as an admission by Millennium International Management, Millennium International Management GP, Millennium Management or Mr. Englander as to beneficial ownership of the securities owned by Integrated Core Strategies, Integrated Assets II or Integrated Assets as the case may be.

### (b) Percent of Class:

As of the close of business on November 12, 2015, Millennium Management and Mr. Englander may be deemed to have beneficially owned 1,627,681 shares or 4.7% of the Issuer's Common Stock outstanding (see Item 4(a) above), which percentage was calculated based on approximately 34.7 million shares of the Issuer's Common Stock outstanding following the Issuer's spin-off from Exterran Holdings, Inc. on November 3, 2015. The number of shares of the Issuer's Common Stock outstanding was determined based on information contained in the Issuer's Amendment No. 5 to Form 10 dated October 6, 2015.

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(c) Number of shares as to which such person has:

(i) Sole power to vote or to direct the vote

-0-

(ii) Shared power to vote or to direct the vote

1,627,681 (See Item 4(b))

(iii) Sole power to dispose or to direct the disposition of

-0-

(iv) Shared power to dispose or to direct the disposition of

1,627,681 (See Item 4(b))

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

Not applicable.

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company.

Not applicable.

Item 8. Identification and Classification of Members of the Group

See Exhibit I.

Item 9. Notice of Dissolution of Group

Not applicable.

Item 10. Certification

By signing below each of the undersigned certifies that, to the best of its knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

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Exhibits:

Exhibit I: Joint Filing Agreement, dated as of November 12, 2015, by and among Integrated Core Strategies (US) LLC, Integrated Assets II LLC, Integrated Assets, Ltd., Millennium International Management LP, Millennium International Management GP LLC, Millennium Management LLC and Israel A. Englander.

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**SIGNATURE**

After reasonable inquiry and to the best of its knowledge and belief, each of the undersigned certifies that the information with respect to it set forth in this statement is true, complete, and correct.

Dated: November 12, 2015

INTEGRATED CORE STRATEGIES (US) LLC

By: Integrated Holding Group LP,  
its Managing Member

By: Millennium Management LLC,  
its General Partner

By: /s/ David Nolan  
Name: David Nolan  
Title: Vice Chairman

INTEGRATED ASSETS II LLC

By: Integrated Holding Group LP,  
its Managing Member

By: Millennium Management LLC,  
its General Partner

By: /s/ David Nolan  
Name: David Nolan  
Title: Vice Chairman

INTEGRATED ASSETS, LTD.

By: Millennium International Management LP,  
its Investment Manager

By: /s/David Nolan

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Name: David Nolan  
Title: Vice Chairman

MILLENNIUM INTERNATIONAL MANAGEMENT LP

By: /s/David Nolan  
Name: David Nolan  
Title: Vice Chairman

MILLENNIUM INTERNATIONAL MANAGEMENT GP LLC

By: /s/David Nolan  
Name: David Nolan  
Title: Vice Chairman

MILLENNIUM MANAGEMENT LLC

By: /s/David Nolan  
Name: David Nolan  
Title: Vice Chairman

/s/ Israel A. Englander by David Nolan  
pursuant to Power of Attorney filed with  
the SEC on June 6, 2005  
Israel A. Englander

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**EXHIBIT I                      JOINT FILING AGREEMENT**

This will confirm the agreement by and among the undersigned that the Schedule 13G filed with the Securities and Exchange Commission on or about the date hereof with respect to the beneficial ownership by the undersigned of the Common Stock, par value \$0.01 per share, of Exterran Corporation, a Delaware corporation, will be filed on behalf of each of the persons and entities named below in accordance with Rule 13d-1(k) under the Securities Exchange Act of 1934, as amended. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Dated: November 12, 2015

INTEGRATED CORE STRATEGIES (US) LLC

By: Integrated Holding Group LP,  
its Managing Member

By: Millennium Management LLC,  
its General Partner

By: /s/ David Nolan  
Name: David Nolan  
Title: Vice Chairman

INTEGRATED ASSETS II LLC

By: Integrated Holding Group LP,  
its Managing Member

By: Millennium Management LLC,  
its General Partner

By: /s/ David Nolan  
Name: David Nolan  
Title: Vice Chairman

INTEGRATED ASSETS, LTD.

By: Millennium International Management LP,  
its Investment Manager

By: /s/David Nolan

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Name: David Nolan  
Title: Vice Chairman

MILLENNIUM INTERNATIONAL MANAGEMENT LP

By: /s/David Nolan  
Name: David Nolan  
Title: Vice Chairman

MILLENNIUM INTERNATIONAL MANAGEMENT GP LLC

By: /s/David Nolan  
Name: David Nolan  
Title: Vice Chairman

MILLENNIUM MANAGEMENT LLC

By: /s/David Nolan  
Name: David Nolan  
Title: Vice Chairman

/s/ Israel A. Englander by David Nolan  
pursuant to Power of Attorney filed with  
the SEC on June 6, 2005  
Israel A. Englander

-family:inherit;font-size:10pt;">

Unscored (a)

5

5

Total consumer automotive financing originations

100

%

100

%

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

Originations with a FICO® Score of less than 620 (considered nonprime) represented 12% of total consumer

originations for each of the three months ended March 31, 2016, and 2015, respectively. 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.

For discussion of manufacturing marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2015, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

#### Commercial Wholesale Financing Volume

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

Three months ended March 31, (\$ in millions)	Average balance		% Share of manufacturer franchise dealer inventory	
	2016	2015	2016	2015
GM new vehicles (a)	\$14,290	\$15,537	63	63
Chrysler new vehicles (a)	9,217	8,202	44	45
Growth new vehicles	4,108	3,432		
Used vehicles	3,870	3,320		
Total commercial wholesale finance receivables	\$31,485	\$30,491		

(a) Share of dealer inventory based on a 4-point average of dealer inventory.

Commercial wholesale financing average volume increased \$994 million during the three months ended March 31, 2016, compared to the same period in 2015. The increases in Growth new, Chrysler new, and Used commercial wholesale financing volume, including higher balances from the preferred provider agreement with Mitsubishi Motors North America, Inc. that was announced on April 27, 2015, were partially offset by a decrease in GM new receivables.

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## Management's Discussion and Analysis

## Ally Financial Inc. • Form 10-Q

## Insurance

## 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.

(\$ in millions)	Three months ended March 31,		
	2016	2015	Favorable/ (unfavorable) % change
Insurance premiums and other income			
Insurance premiums and service revenue earned	\$230	\$233	(1)
Investment income, net (a)	34	43	(21)
Other income	4	4	—
Total insurance premiums and other income	268	280	(4)
Expense			
Insurance losses and loss adjustment expenses	73	56	(30)
Acquisition and underwriting expense			
Compensation and benefits expense	18	19	5
Insurance commissions expense	94	93	(1)
Other expenses	33	34	3
Total acquisition and underwriting expense	145	146	1
Total expense	218	202	(8)
Income from continuing operations before income tax expense	\$50	\$78	(36)
Total assets	\$7,194	\$7,242	(1)
Insurance premiums and service revenue written	\$222	\$239	(7)
Combined ratio (b)	94.0	% 85.9	%

Includes realized gains on investments of \$22 million and \$33 million for the three months ended March 31, 2016, (a) and 2015, respectively, and interest expense of \$12 million and \$13 million for the three months ended March 31, 2016, and 2015, respectively.

Management uses a combined ratio as a primary measure of underwriting profitability. Underwriting profitability (b) 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.

Our Insurance operations earned income from continuing operations before income tax expense of \$50 million for the three months ended March 31, 2016, compared to \$78 million for the three months ended March 31, 2015. The decrease for the three months ended March 31, 2016, was primarily due to early and severe spring hailstorms, which drove higher weather related losses, and lower investment income.

Insurance premiums and service revenue earned was \$230 million for the three months ended March 31, 2016, compared to \$233 million for the same period in 2015. The decrease for the three months ended March 31, 2016, was due primarily to lower earned revenue on VSC products.

Net investment income was \$34 million for the three months ended March 31, 2016, compared to \$43 million for the three months ended March 31, 2015, respectively. The decrease for the three months ended March 31, 2016, was due primarily to lower realized investment gains as compared to the same period in 2015.

Insurance losses and loss adjustment expenses totaled \$73 million for the three months ended March 31, 2016, compared to \$56 million for the same period in 2015. The increase was primarily due to early and severe spring hailstorms, which drove higher weather related losses. Higher weather-related losses primarily drove the increase in

the combined ratio to 94.0% during the three months ended March 31, 2016, compared to 85.9% for the three months ended March 31, 2015.

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Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(\$ in millions)	Three months ended March 31,	
	2016	2015
Vehicle service contracts		
New retail	\$96	\$97
Used retail	109	130
Reinsurance (a)	(41 )	(40 )
Total vehicle service contracts (b)	164	187
Wholesale	41	37
Other finance and insurance (c)	17	15
Total	\$222	\$239

(a) Reinsurance represents the transfer of premiums and risk from an Ally insurance company to a third party insurance company.

(b) VSC revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern.

(c) Other finance and insurance includes GAP coverage, excess wear and tear, wind-down of Canadian personal lines, and other ancillary products.

Insurance premiums and service revenue written was \$222 million for the three months ended March 31, 2016, compared to \$239 million for the same period in 2015. The decrease for the three months ended March 31, 2016, was due primarily to lower premium written from used VSCs, and discontinuation of the agent sales channel.

**Cash and Investments**

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

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

(\$ in millions)	March 31, December 31,	
	2016	2015
Cash		
Noninterest-bearing cash	\$ 261	\$ 293
Interest-bearing cash	944	995
Total cash	1,205	1,288
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	50	269
U.S. States and political subdivisions	727	698
Foreign government	191	177
Mortgage-backed	667	694
Asset-backed	5	6
Corporate debt	1,580	1,204
Total debt securities	3,220	3,048
Equity securities	716	717
Total available-for-sale securities	3,936	3,765

Total cash and securities	\$ 5,141	\$ 5,053
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## Mortgage Finance

## Results of Operations

The following table summarizes the operating results for our Mortgage Finance operations, which includes high-quality jumbo and LMI mortgage loans originated by third parties after January 1, 2009, excluding discontinued operations for the periods shown. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

(\$ in millions)	Three months ended March 31,		
	2016	2015	Favorable/ (unfavorable) % change
Net financing revenue			
Total financing revenue and other interest income	\$57	\$33	73
Interest expense	37	22	(68)
Net financing revenue	20	11	82
Provision for loan losses	3	2	(50)
Noninterest expense			
Compensation and benefits expense	3	1	n/m
Other operating expenses	12	7	(71)
Total noninterest expense	15	8	(88)
Income from continuing operations before income tax expense	\$2	\$1	100
Total assets	\$7,493	\$3,941	90

n/m = not meaningful

Our Mortgage Finance operations earned income from continuing operations before income tax expense of \$2 million for the three months ended March 31, 2016, compared to \$1 million for the three months ended March 31, 2015. The increase was primarily due to an increase in net financing revenue driven by portfolio growth as a result of bulk acquisitions of mortgage loans. The increase was partially offset by an increase in noninterest expense.

Net financing revenue was \$20 million for the three months ended March 31, 2016, compared to \$11 million for the three months ended March 31, 2015. The increase in net financing revenue was primarily due to portfolio growth as a result of bulk acquisitions of mortgage loans. The increase was partially offset by higher funding costs also driven by portfolio growth.

Total noninterest expense was \$15 million for the three months ended March 31, 2016, compared to \$8 million for the three months ended March 31, 2015. The increase was primarily due to increases in compensation and benefits expense and overhead expenses as we position for future portfolio growth.

Total assets increased \$3.6 billion compared to March 31, 2015. The increase was primarily due to continued purchases of high-quality jumbo and LMI mortgage loans originated by third parties. We expect this activity to continue in support of our treasury ALM activities and diversification. We also plan to introduce limited direct mortgage originations in late 2016. During the three months ended March 31, 2016, we purchased \$1.4 billion of mortgage loans that were originated by third parties.

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## Corporate Finance

## Results of Operations

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

(\$ in millions)	Three months ended March 31,		Favorable/ (unfavorable) % change
	2016	2015	
Net financing revenue			
Interest and fees on finance receivables and loans	\$44	\$33	33
Interest expense	16	13	(23)
Net financing revenue	28	20	40
Total other revenue	6	6	—
Total net revenue	34	26	31
Provision for loan losses	6	(5)	) n/m
Noninterest expense			
Compensation and benefits expense	10	8	(25)
Other operating expenses	7	6	(17)
Total noninterest expense	17	14	(21)
Income from continuing operations before income tax expense	\$11	\$17	(35)
Total assets	\$2,839	\$1,976	44

n/m = not meaningful

Our Corporate Finance operations earned income from continuing operations before income tax expense of \$11 million for the three months ended March 31, 2016, compared to \$17 million for the three months ended March 31, 2015. The decrease was primarily driven by lower recoveries on nonaccrual loan exposures compared to 2015, increased portfolio level reserves due primarily to higher asset growth, and an increase in noninterest expense. The decrease was partially offset by higher net financing revenue primarily due to asset growth.

Net financing revenue was \$28 million for the three months ended March 31, 2016, compared to \$20 million for the three months ended March 31, 2015. The increase was primarily due to asset growth across all business segments in line with our growth strategy, which resulted in a 44% increase in the gross carrying value of finance receivables and loans compared to March 31, 2015. This was partially offset by higher funding costs also driven by asset growth.

The provision for loan losses increased \$11 million for the three months ended March 31, 2016, compared to the three months ended March 31, 2015. The increase was primarily due to higher recoveries on nonaccrual loans in 2015 and increased reserves primarily due to asset growth.

Total noninterest expense was \$17 million for the three months ended March 31, 2016, compared to \$14 million for the three months ended March 31, 2015. The increase was primarily due to increased expenses to support the growth of the business.

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## Corporate and Other

The following table summarizes the activities of Corporate and Other excluding discontinued operations for the periods shown. Corporate and Other primarily consists of activity related to centralized corporate treasury activities such as management of the cash and corporate investment securities and loan portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, and the residual impacts of our corporate FTP and treasury ALM activities. Corporate and Other also includes certain equity investments, the management of our legacy mortgage portfolio, and reclassifications and eliminations between the reportable operating segments.

(\$ in millions)	Three months ended March 31,		Favorable/ (unfavorable) % change
	2016	2015	
Net financing loss			
Total financing revenue and other interest income	\$92	\$93	(1)
Interest expense			
Original issue discount amortization	18	14	(29)
Other interest expense	81	81	—
Total interest expense	99	95	(4)
Net financing loss (a)	(7 )	(2 )	n/m
Other revenue (expense)			
(Loss) gain on mortgage and automotive loans, net	(4 )	61	(107)
Loss on extinguishment of debt	(4 )	(198 )	98
Other gain on investments, net	32	22	45
Other income, net of losses	15	32	(53)
Total other revenue (expense)	39	(83 )	147
Total net revenue (loss)	32	(85 )	138
Provision for loan losses	2	(8 )	(125)
Total noninterest expense (b)	33	43	23
Loss from continuing operations before income tax expense	\$(3 )	\$(120 )	98
Total assets	\$26,690	\$29,016	(8)

n/m = not meaningful

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

Includes a reduction of \$202 million for the three months ended March 31, 2016, and the three months ended

(b) March 31, 2015, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

The following table summarizes the components of net financing revenue (loss) for Corporate and Other.

(\$ in millions)	Three months ended March 31,	
	2016	2015
Original issue discount amortization (a)	\$(18 )	\$(14 )
Net impact of the funds-transfer pricing methodology	3	4
Other (including legacy mortgage net financing revenue)	8	8
Total net financing loss for Corporate and Other	\$(7 )	\$(2 )
Outstanding original issue discount balance	\$1,375	\$1,425

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



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The following table presents the scheduled remaining amortization of the original issue discount at March 31, 2016.

Year ended December 31, (\$ in millions)	2016	2017	2018	2019	2020	2021 and thereafter (a)	Total
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Original issue discount

Outstanding balance \$1,317 \$1,230 \$1,131 \$1,096 \$1,060 \$ 1,020

Total amortization (b) 58 87 99 35 36 1,060 \$1,375

(a) The maximum annual scheduled amortization for any individual year is \$158 million in 2030.

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

Loss from continuing operations before income tax expense for Corporate and Other was \$3 million for the three months ended March 31, 2016, compared to \$120 million for the three months ended March 31, 2015. The decrease in loss for the three months ended March 31, 2016, was primarily due to a decrease in loss on extinguishment of debt due to a tender offer in 2015. The decrease in loss was partially offset by a decrease in gain on mortgage and automotive loans due to sales of legacy TDR mortgage loans in 2015, and a decrease in income from certain equity method investments.

We recognized a net loss on mortgage and automotive loans of \$4 million for the three months ended March 31, 2016, compared to a net gain of \$61 million for the three months ended March 31, 2015. The decrease in gain was primarily due to nonrecurring sales of legacy TDR mortgage loans in 2015, which totaled \$614 million of unpaid principal balance.

Loss on extinguishment of debt was \$4 million for the three months ended March 31, 2016, compared to \$198 million for the three months ended March 31, 2015. The decrease in loss was due to nonrecurring debt tender offers in 2015. During the first quarter of 2015, we completed tender offers to buy back \$950 million of our high-coupon debt, resulting in a total loss on extinguishment of debt of \$197 million related to these transactions.

Other income, net of losses was \$15 million for the three months ended March 31, 2016, compared to \$32 million for the three months ended March 31, 2015. The decrease was primarily due to a decrease in income from certain equity method investments partially offset by favorable derivative activity.

Total assets were \$26.7 billion as of March 31, 2016, compared to \$29.0 billion as of March 31, 2015. The decline was primarily the result of a lower cash and cash equivalents balance due to lower secured debt levels, and the continued runoff of our legacy mortgage portfolio. These decreases were partially offset by growth of our available-for-sale and held-to-maturity investment security portfolios.

Cash and Securities

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

(\$ in millions)	March 31, December 31,	
	2016	2015
Cash		
Noninterest-bearing cash	\$ 1,620	\$ 1,829
Interest-bearing cash	2,145	3,232
Total cash	3,765	5,061
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	306	1,472
U.S. States and political subdivisions	16	18
Mortgage-backed	12,146	10,153
Asset-backed	1,776	1,749

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Total debt securities	14,244	13,392
Total available-for-sale securities	14,244	13,392
Total held-to-maturity securities	118	—
Total cash and securities	\$ 18,127	\$ 18,453

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## Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses. Our risk management program is overseen by the Ally Board of Directors (the Board), various risk committees, the executive leadership team, and our associates. The Risk and Compliance Committee of the Board, together with the Board, sets the risk appetite across our company while the risk committees, executive leadership team, and our associates identify and monitor current and emerging risks and manage those risks to be within our risk appetite. Ally's primary types of risk include credit, lease residual, market, operational, insurance/underwriting, and liquidity. For more information on our risk management process, refer to the Risk Management MD&A section of our 2015 Annual Report on Form 10-K.

## Loan and Lease Exposure

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

(\$ in millions)	March 31, December 31,	
	2016	2015
Finance receivables and loans		
Automotive Finance	\$97,338	\$ 99,187
Mortgage Finance	7,443	6,413
Corporate Finance	2,796	2,568
Corporate and Other (a)	3,299	3,432
Total finance receivables and loans	110,876	111,600
Loans held-for-sale		
Automotive Finance	—	—
Mortgage Finance	—	—
Corporate Finance	39	105
Corporate and Other	—	—
Total loans held-for-sale	39	105
Total on-balance sheet loans	110,915	111,705
Off-balance sheet securitized loans		
Automotive Finance (b)	3,139	2,529
Total off-balance sheet securitized loans	3,139	2,529
Operating lease assets		
Automotive Finance	14,958	16,271
Total operating lease assets	14,958	16,271
Total loan and lease exposure	\$ 129,012	\$ 130,505
Serviced loans and leases		
Automotive Finance (c)	\$ 118,581	\$ 119,808
Mortgage Finance	7,443	6,413
Corporate Finance	2,758	2,532
Corporate and Other	3,232	3,360
Total serviced loans and leases	\$ 132,014	\$ 132,113

(a) Includes \$3.2 billion and \$3.4 billion of consumer mortgage loans in our Mortgage — Legacy portfolio at March 31, 2016 and December 31, 2015, respectively.

(b) Represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions.

(c) Includes \$3.5 billion and \$2.3 billion of off-balance sheet whole-loan transactions at March 31, 2016, and December 31, 2015, respectively.

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement

impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automotive loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. We ultimately manage the associated risks based on the underlying economics of the exposure.

Over the past year, we have experienced significant growth in our consumer retail automotive loan portfolio, which offset a significant reduction in lease originations. As a result of this shift in the portfolio mix, the provision expense for loan losses has increased. However, our risk to future fluctuations in used vehicle prices has diminished because all leases are exposed to potential reductions in used vehicle prices, while only those loans that default and where we take possession of the vehicle are affected by potential reductions in used vehicle prices. Consumer lease residuals are not included in the allowance for loan losses as changes in the expected residual values on consumer leases are

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included in depreciation expense over the remaining life of the lease. Our risk to future fluctuations in used vehicle prices through lease residuals has declined materially and will continue to decline as the number of leases terminating currently is significantly larger than the number of new leases being originated.

**Credit Risk Management**

Credit risk is defined as the potential failure to receive payments due from an obligor in accordance with contractual obligations. Therefore, credit risk is a major source of potential economic loss to us. Credit risk is monitored by several groups and functions throughout the organization, including enterprise and line of business committees and the risk management function. Together, they oversee the credit decisioning and management processes, and monitor credit risk exposures to ensure they are managed in a safe-and-sound manner and are within our risk appetite. In addition, our Loan Review Group provides an independent assessment of the quality of our credit portfolios and credit risk management practices, and directly reports its findings to the Risk and Compliance Committee of the Board on a regular basis.

To mitigate risk, we have implemented specific policies and practices across all lines of business, utilizing both qualitative and quantitative analyses. This reflects our commitment to maintain an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and leases with potential credit weaknesses, and the assessment of the adequacy of internal credit risk policies and procedures to monitor compliance with relevant laws and regulations. Our consumer and commercial loan and lease portfolios are subject to regular stress tests that are based on plausible, but unexpected, economic scenarios to ensure that we can withstand a severe economic downturn. In addition, we establish and maintain underwriting policies and volume based limits across our portfolios and higher risk segments (e.g. nonprime) in support of our risk appetite. We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. We perform quarterly analyses of the consumer automotive, consumer mortgage, and commercial portfolios using a range of indicators to assess the adequacy of the allowance for loan losses based on historical and current trends. Refer to Note 6 to the Condensed Consolidated Financial Statements for additional information.

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

Furthermore, we manage our counterparty credit exposure based on the risk profile of the counterparty. Within our policies, we have established standards and requirements for managing counterparty risk exposures in a safe-and-sound manner. Counterparty credit risk is derived from multiple exposure types, including derivatives, securities trading, securities financing transactions, financial futures, cash balances (e.g., due from depository institutions, restricted accounts, and cash equivalents), and investment in debt securities. For more information on derivative counterparty credit risk, refer to Note 19 to the Condensed Consolidated Financial Statements.

During the three months ended March 31, 2016, the U.S. economy continued to expand. The labor market recovered further during the period, with nonfarm payrolls increasing and the annual unemployment rate remaining flat at 5% from December 31, 2015. Within the U.S. automotive market, new light vehicle sales continued to increase, resulting in a 17.1 million annual pace for the three months ended March 31, 2016. We closely monitor macro-economic trends

given the nature of our business and the potential impacts on our credit risk. We continue to be cautious with the economic outlook given continued weak global economic growth and the potential for higher interest rates.

**On-balance Sheet Portfolio**

Our on-balance sheet portfolio includes both finance receivables and loans and loans held-for-sale. At March 31, 2016, this primarily included \$97.3 billion of automotive finance receivables and loans and \$10.7 billion of mortgage finance receivables and loans. Our ongoing Mortgage Finance operations are limited to the management of our held-for-investment mortgage loan portfolio. During the three months ended March 31, 2016, we continued to execute bulk purchases of high-quality jumbo and LMI mortgage loans originated by third parties. We expect to continue this activity in support of our treasury ALM activities and diversification. We also plan to introduce limited direct mortgage originations in late 2016.

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The following table presents our total on-balance sheet consumer and commercial finance receivables and loans.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
<b>Consumer</b>						
Finance receivables and loans						
Loans at gross carrying value	\$ 73,688	\$ 74,065	\$ 608	\$ 603	\$ —	\$ —
Loans at fair value	—	—	—	—	—	—
Total finance receivables and loans	73,688	74,065	608	603	—	—
Loans held-for-sale	—	—	—	—	—	—
Total consumer loans (b)	73,688	74,065	608	603	—	—
<b>Commercial</b>						
Finance receivables and loans						
Loans at gross carrying value	37,188	37,535	90	77	—	—
Loans held-for-sale	39	105	—	—	—	—
Total commercial loans	37,227	37,640	90	77	—	—
Total on-balance sheet loans	\$ 110,915	\$ 111,705	\$ 698	\$ 680	\$ —	\$ —

(a) Includes nonaccrual TDR loans of \$276 million and \$277 million at March 31, 2016, and December 31, 2015, respectively.

(b) Includes outstanding loans from CSG of \$6.2 billion at both March 31, 2016, and December 31, 2015, and RV loans of \$1.5 billion at both March 31, 2016, and December 31, 2015.

Total on-balance sheet loans outstanding at March 31, 2016, decreased \$790 million to \$110.9 billion from December 31, 2015, reflecting a decrease of \$413 million in the commercial portfolio and a decrease of \$377 million in the consumer portfolio. The decrease in commercial on-balance sheet loans outstanding was primarily driven by seasonality of dealer inventories. The decrease in consumer on-balance sheet loans was primarily driven by the completion of \$2.6 billion in consumer automotive loan sales and securitizations of higher quality prime assets. This decrease was largely offset by our consumer automotive loan originations, which outpaced portfolio runoff, and the execution of bulk purchases of high-quality jumbo and LMI mortgage loans originated by third parties totaling \$1.4 billion during the three months ended March 31, 2016.

Total TDRs outstanding at March 31, 2016, increased \$16 million to \$641 million from December 31, 2015. Refer to Note 6 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at March 31, 2016, increased \$18 million to \$698 million from December 31, 2015, reflecting an increase of \$13 million of commercial nonperforming loans and an increase of \$5 million of consumer nonperforming loans. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K for additional information.

The following table includes consumer and commercial net charge-offs from finance receivables and loans at gross carrying value and related ratios.

(\$ in millions)	Three months ended March 31,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2016	2015	2016	2015
Consumer	\$ 179	\$ 151	1.0 %	0.9 %

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Commercial	—	(1	)	—	—
Total finance receivables and loans at gross carrying value	\$179	\$150	0.6	%	0.6

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

Net charge-offs were \$179 million for the three months ended March 31, 2016, compared to \$150 million for the three months ended March 31, 2015. The increase during the three months ended March 31, 2016, was driven primarily by consumer automotive 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.

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The Consumer Credit Portfolio and Commercial Credit Portfolio discussions that follow relate to consumer and commercial finance receivables and loans recorded at gross carrying value. Finance receivables and loans recorded at gross carrying value have an associated allowance for loan losses.

**Consumer Credit Portfolio**

During the three months ended March 31, 2016, the credit performance of the consumer portfolio remained strong and reflects both the continued execution of our underwriting strategy to originate consumer automotive assets across a broad risk spectrum, including used, nonprime, extended term, Growth, and nonsubvented finance receivables and loans and our continued execution of bulk purchases of high-quality jumbo and LMI mortgage loans originated by third parties. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K.

The following table includes consumer finance receivables and loans recorded at gross carrying value.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Consumer automotive (b) (c)	\$63,013	\$ 64,292	\$ 492	\$ 475	\$ —	\$ —
Consumer mortgage						
Mortgage Finance	7,443	6,413	11	15	—	—
Mortgage — Legacy	3,232	3,360	105	113	—	—
Total consumer finance receivables and loans	\$73,688	\$ 74,065	\$ 608	\$ 603	\$ —	\$ —

(a) Includes nonaccrual TDR loans of \$233 million at both March 31, 2016, and December 31, 2015.

Includes \$87 million and \$66 million of fair value adjustment for loans in hedge accounting relationships at (b) March 31, 2016, and December 31, 2015, respectively. Refer to Note 19 to the Condensed Consolidated Financial Statements for additional information.

Includes outstanding CSG loans of \$6.2 billion at both March 31, 2016, and December 31, 2015, and RV loans of (c) \$1.5 billion at both March 31, 2016, and December 31, 2015.

Total consumer outstanding finance receivables and loans decreased \$377 million at March 31, 2016, compared with December 31, 2015. The decrease in consumer automotive finance receivables and loans was primarily related to the completion of \$2.6 billion in loan sales and securitizations of higher quality prime assets, partially offset by our loan originations, which outpaced portfolio runoff. This decrease was partially offset by an increase in consumer mortgage finance receivables and loans primarily due to growth in the Mortgage Finance portfolio due to the execution of bulk loan purchases, which outpaced total consumer mortgage portfolio runoff.

Total consumer nonperforming finance receivables and loans at March 31, 2016, increased \$5 million to \$608 million from December 31, 2015, reflecting an increase of \$17 million of consumer automotive finance receivables and loans and a decrease of \$12 million of consumer mortgage nonperforming finance receivables and loans. The increase in nonperforming consumer automotive finance receivables and loans was primarily due to the change in our portfolio composition as we continued the execution of our underwriting strategy to expand our originations across a broad risk spectrum. The decrease in nonperforming consumer mortgage finance receivables and loans was primarily due to fewer accounts deteriorating into nonperforming status due to continued improvement in the macroeconomic environment, and the liquidation of certain nonperforming accounts. Refer to Note 6 to the Condensed Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 0.8% at both March 31, 2016, and December 31, 2015.

Consumer automotive loans accruing and past due 30 days or more decreased \$499 million to \$1.4 billion at March 31, 2016, compared with December 31, 2015, primarily due to seasonality.



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The following table includes consumer net charge-offs from finance receivables and loans at gross carrying value and related ratios.

(\$ in millions)	Three months ended March 31,			
	Net charge-offs (a)		Net charge-off ratios	
	2016	2015	2016	2015
Consumer automotive	\$173	\$132	1.1 %	0.9 %
Consumer mortgage				
Mortgage Finance	—	1	—	0.1
Mortgage — Legacy	6	18	0.7	1.9
Total consumer finance receivables and loans	\$179	\$151	1.0 %	0.9 %

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

Our net charge-offs from total consumer finance receivables and loans were \$179 million for the three months ended March 31, 2016, compared to \$151 million for the three months ended March 31, 2015. The increase during the three months ended March 31, 2016, was driven primarily by consumer automotive portfolio growth and the change in our automotive portfolio composition as we continued the execution of our underwriting strategy to originate consumer automotive assets across a broad risk spectrum.

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

(\$ in millions)	Three months ended March 31,	
	2016	2015
Consumer automotive (a)	\$8,208	\$8,201
Consumer mortgage	4	—
Total consumer loan originations	\$8,212	\$8,201

(a) Includes \$1.2 billion of loans originated as held-for-sale during the first quarter of 2015.

The following table shows the percentage of total consumer finance receivables and loans recorded at gross carrying value by state concentration. Total automotive loans were \$63.0 billion and \$64.3 billion at March 31, 2016, and December 31, 2015, respectively. Total mortgage and home equity loans were \$10.7 billion and \$9.8 billion at March 31, 2016, and December 31, 2015, respectively.

	March 31, 2016 (a)		December 31, 2015	
	Consumer automotive	Consumer mortgage	Consumer automotive	Consumer mortgage
Texas	13.7 %	6.4 %	13.7 %	6.2 %
California	7.5	34.5	7.3	33.6
Florida	7.8	4.1	7.7	4.1
Pennsylvania	4.9	1.5	5.0	1.5
Illinois	4.4	3.8	4.4	4.1
Georgia	4.4	2.3	4.4	2.2
North Carolina	3.6	1.7	3.6	1.8
Ohio	3.7	0.6	3.7	0.6
New York	3.4	1.9	3.5	1.9

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Michigan	2.9	2.1	3.1	2.4
Other United States	43.7	41.1	43.6	41.6
Total consumer loans	100.0%	100.0 %	100.0%	100.0 %

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at March 31, 2016.

We monitor our consumer loan portfolio for concentration risk across the geographies in which we lend. The highest concentrations of consumer loans are in Texas and California, which represented an aggregate of 24.0% and 23.5% of our total outstanding consumer finance receivables and loans at March 31, 2016, and December 31, 2015, respectively.

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## Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in other assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken, which includes the transfer of title through foreclosure or other similar proceedings. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K.

Repossessed consumer automotive loan assets in our Automotive Finance operations at March 31, 2016, decreased \$8 million to \$114 million from December 31, 2015. Foreclosed mortgage assets at March 31, 2016, decreased \$1 million to \$9 million from December 31, 2015.

## Commercial Credit Portfolio

During the three months ended March 31, 2016, the credit performance of the commercial portfolio remained strong, as nonperforming finance receivables and loans remained low and no net charge-offs were realized. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements included in our 2015 Annual Report on Form 10-K.

The following table includes total commercial finance receivables and loans reported at gross carrying value.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more	
	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015	March 31, 2016	December 31, 2015
Commercial and industrial						
Automotive	\$30,829	\$31,469	\$19	\$25	\$—	\$—
Other (b)	2,863	2,640	66	44	—	—
Commercial real estate — Automotive	3,496	3,426	5	8	—	—
Total commercial finance receivables and loans	\$37,188	\$37,535	\$90	\$77	\$—	\$—

(a) Includes nonaccrual TDR loans of \$43 million and \$44 million at March 31, 2016, and December 31, 2015, respectively.

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

Total commercial finance receivables and loans outstanding decreased \$347 million from December 31, 2015, to \$37.2 billion at March 31, 2016. The commercial and industrial finance receivables and loans outstanding decreased \$417 million primarily due to seasonality of dealer inventories, as well as the competitive environment across the automotive lending market. This decrease was partially offset by the increase within Other, representing the Corporate Finance portfolio, as the growth in this portfolio continues in line with our business strategy.

Total commercial nonperforming finance receivables and loans were \$90 million at March 31, 2016, reflecting an increase of \$13 million when compared to December 31, 2015. However, nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans remained flat at 0.2% at both March 31, 2016, and December 31, 2015.

The following table includes total commercial net charge-offs from finance receivables and loans at gross carrying value and related ratios.

(\$ in millions)	Three months ended March 31, Net Net (recoveries) charge-off charge-offs ratios (a)			
	2016	2015	2016	2015
Commercial and industrial				
Automotive	\$—	\$(1)	%	%

Other

	—	—	—
Total commercial finance receivables and loans	\$	\$(1)	%

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

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were \$3.5 billion and \$3.4 billion at March 31, 2016, and December 31, 2015, respectively.

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The following table presents the percentage of total commercial real estate finance receivables and loans by state concentration. These finance receivables and loans are reported at gross carrying value.

	March 31, 2016		December 31, 2015	
		%		%
Texas	17.8	%	17.7	%
Florida	9.9		10.0	
California	8.7		8.7	
Michigan	8.2		8.9	
North Carolina	3.8		3.8	
Virginia	3.7		3.8	
Pennsylvania	3.6		3.4	
Georgia	3.6		3.6	
Illinois	3.0		2.9	
New York	3.0		3.1	
Other United States	34.7		34.1	
Total commercial real estate finance receivables and loans	100.0	%	100.0	%

Commercial Criticized Exposure

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

The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentrations. These finance receivables and loans within our automotive and Corporate Finance portfolios are reported at gross carrying value.

Industry	March 31, 2016		December 31, 2015	
		%		%
Automotive	75.1	%	80.5	%
Manufacturing	7.8		7.8	
Services	5.9		5.3	
Other	11.2		6.4	
Total commercial criticized finance receivables and loans	100.0	%	100.0	%

Total criticized exposures increased \$167 million from December 31, 2015, to \$2.7 billion at March 31, 2016. The increase was primarily related to the overall growth of the Corporate Finance portfolio.

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## Allowance for Loan Losses

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

Three months ended March 31, 2016 (\$ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2016	\$ 834	\$ 114	\$ 948	\$ 106	\$1,054
Charge-offs	(253 )	(10 )	(263 )	—	(263 )
Recoveries	80	4	84	—	84
Net charge-offs	(173 )	(6 )	(179 )	—	(179 )
Provision for loan losses	207	7	214	6	220
Other (a)	(18 )	—	(18 )	—	(18 )
Allowance at March 31, 2016	\$ 850	\$ 115	\$ 965	\$ 112	\$1,077
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2016 (b)	1.3 %	1.1 %	1.3 %	0.3 %	1.0 %
Net charge-offs to average finance receivables and loans outstanding for the three months ended March 31, 2016 (b)	1.1 %	0.3 %	1.0 %	— %	0.6 %
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2016 (b)	172.9 %	99.0 %	158.8 %	123.3 %	154.2 %
Ratio of allowance for loan losses to net charge-offs at March 31, 2016	1.2	4.4	1.3	n/m	1.5

n/m = not meaningful

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

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

Three months ended March 31, 2015 (\$ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2015	\$ 685	\$ 152	\$ 837	\$ 140	\$977
Charge-offs	(193 )	(22 )	(215 )	—	(215 )
Recoveries	61	3	64	1	65
Net charge-offs	(132 )	(19 )	(151 )	1	(150 )
Provision for loan losses	158	(5 )	153	(37 )	116
Other (a)	—	(9 )	(9 )	(1 )	(10 )
Allowance at March 31, 2015	\$ 711	\$ 119	\$ 830	\$ 103	\$933
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2015 (b)	1.2 %	1.6 %	1.3 %	0.3 %	0.9 %
Net charge-offs to average finance receivables and loans outstanding for the three months ended March 31, 2015 (b)	0.9 %	1.0 %	0.9 %	— %	0.6 %
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2015 (b)	188.8 %	78.8 %	157.3 %	159.1 %	157.5 %
Ratio of allowance for loan losses to net charge-offs at March 31, 2015	1.3	1.5	1.4	(26.8 )	1.6

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

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

The allowance for consumer loan losses at March 31, 2016, increased \$135 million compared to March 31, 2015. The increase was primarily due to growth in the consumer automotive portfolio and the change in our automotive portfolio

composition as we continued the execution of our underwriting strategy to originate consumer automotive assets across a broad risk spectrum.

The allowance for commercial loan losses increased \$9 million at March 31, 2016, compared to March 31, 2015, primarily due to portfolio growth.

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## Allowance for Loan Losses by Type

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

March 31, (\$ in millions)	2016			2015		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of total allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of total allowance for loan losses
<b>Consumer</b>						
Consumer automotive	\$850	1.3 %	78.9 %	\$711	1.2 %	76.1 %
Consumer mortgage						
Mortgage Finance	18	0.2	1.7	11	0.3	1.2
Mortgage — Legacy	97	3.0	9.0	108	2.9	11.6
Total consumer mortgage	115	1.1	10.7	119	1.6	12.8
Total consumer loans	965	1.3	89.6	830	1.3	88.9
<b>Commercial</b>						
<b>Commercial and industrial</b>						
Automotive	31	0.1	2.9	44	0.1	4.7
Other	57	2.0	5.3	36	1.8	3.9
Commercial real estate — Automotive	24	0.7	2.2	23	0.7	2.5
Total commercial loans	112	0.3	10.4	103	0.3	11.1
Total allowance for loan losses	\$1,077	1.0 %	100.0 %	\$933	0.9 %	100.0 %

## Provision for Loan Losses

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

(\$ in millions)	Three months ended	
	March 31, 2016	March 31, 2015
<b>Consumer</b>		
Consumer automotive	\$207	\$158
Consumer mortgage		
Mortgage Finance	3	2
Mortgage — Legacy	4	(7 )
Total consumer mortgage	7	(5 )
Total consumer loans	214	153
<b>Commercial</b>		
<b>Commercial and industrial</b>		
Automotive	1	(22 )
Other	4	(6 )
Commercial real estate — Automotive	1	(9 )
Total commercial loans	6	(37 )
Total provision for loan losses	\$220	\$116

The provision for consumer loan losses increased \$61 million for the three months ended March 31, 2016, compared to the same period in 2015. The increase in the consumer automotive portfolio was primarily 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. The increase in the consumer mortgage portfolio was

primarily due to growth in the Mortgage Finance portfolio, combined with reserve releases in the prior year that did not repeat. The reserve releases in the prior year period were driven by lower reserve requirements due to favorable macroeconomic factors in the Mortgage — Legacy portfolio.

The provision for commercial loan losses was \$6 million for the three months ended March 31, 2016, compared to a net credit of \$37 million for the same period in 2015. The increase was primarily due to reserve releases that did not repeat.

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## Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. For information on our valuation of automotive lease residuals including periodic revisions through adjustments to depreciation expense based on current and forecasted market conditions, refer to the section titled Critical Accounting Estimates — Valuation of Automotive Lease Assets and Residuals within the MD&A included in our 2015 Annual Report on Form 10-K.

## Lease Vehicle Terminations and Remarketing

The following table summarizes the volume of lease terminations and average gain per vehicle over recent periods, as well as our methods of vehicle sales at lease termination, stated as a percentage of total lease vehicle disposals. The actual gain per vehicle on lease terminations varies based upon the type of vehicle.

	Three months ended March 31,	
	2016	2015
Off-lease vehicles terminated (in units)	78,820	65,060
Average gain per vehicle (\$ per unit)	\$700	\$1,067
Method of vehicle sales		
Auction		
Internet	57 %	53 %
Physical	13	10
Sale to dealer, lessee, and other	30	37

The number of off-lease vehicles remarketed during the three months ended March 31, 2016, increased 21%, compared to the same period in 2015. The increase in the number of off-lease vehicles remarketed during the three months ended March 31, 2016, reflects a shift of incentive programs from two-year leases in 2012 towards three-year leases in 2013. We expect termination volumes to increase during 2016 as three-year leases continue to terminate. In 2018 and beyond, we expect our termination volumes to decrease significantly as a direct result of lower GM lease originations.

Average gain per vehicle decreased for the three months ended March 31, 2016, compared to the same period in 2015. The decrease for the three months ended March 31, 2016, was primarily due to lower lifetime depreciation recognized on terminated lease vehicles as a result of higher anticipated proceeds based on recent market conditions. This trend is expected to continue in the near term. For more information on our investment in operating leases, refer to Note 7 to the Condensed Consolidated Financial Statements, and Note 1 to the Consolidated Financial Statements in our 2015 Annual Report on Form 10-K.

## Lease Portfolio Mix

We monitor the concentration of our outstanding operating leases. The following table presents the mix of leased vehicles by type, based on volume of units.

March 31,	2016	2015
Car	37 %	39 %
Truck	14	13
Sport utility vehicle	49	48

## Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes in interest rates related to financing, investing, and cash management activities. More specifically, we have entered

into contracts to provide financing and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 19 to the Condensed Consolidated Financial Statements for further information.

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

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We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets. Additionally, we have exposure to equity price risk related to certain share-based compensation programs. We enter into prepaid equity forward contracts to economically hedge a portion of this exposure.

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

Net Financing Revenue Sensitivity Analysis

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

We prepare forward-looking forecasts of net financing revenue, which take into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. Simulations are used to assess changes in net financing revenue in multiple interest rates scenarios relative to the baseline forecast.

The changes in net financing revenue relative to the baseline are defined as the sensitivity. Our simulation incorporates contractual cash flows and repricing characteristics for all assets, liabilities and off-balance sheet exposures and incorporates the effects of changing interest rates on the prepayment and attrition rates of certain assets and liabilities. The analysis is highly dependent upon a variety of assumptions including the repricing characteristics of deposits with noncontractual maturities. Our simulation does not assume any specific future actions are taken to mitigate the impacts of changing interest rates. Relative to our baseline forecast, which is based on the implied forward curve, our net financing revenue over the next twelve months would decrease by \$26 million if interest rates remain unchanged.

The net financing revenue sensitivity tests measure the potential change in our pretax net financing revenue over the following twelve months. A number of alternative rate scenarios are tested, including immediate and gradual parallel shocks to both current spot rates and the market forward curve. We also evaluate nonparallel shocks to interest rates and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.

Our twelve-month pretax net financing revenue sensitivity based on the market forward-curve was as follows.

Change in Interest Rates (\$ in millions)	March 31, 2016		December 31, 2015	
	Instantaneous	Gradual (a)	Instantaneous	Gradual (a)
-100 basis points	\$ (84 )	\$ (14 )	\$ 47	\$ 17
+100 basis points	(29 )	(16 )	(109 )	(37 )
+200 basis points	(151 )	(48 )	(278 )	(96 )

(a) Gradual changes in interest rates are recognized over 12 months.

Our exposure to upward interest rate shocks has declined since December 31, 2015 primarily due to a reduction in implied forward interest rates. In addition, we reduced our receive-fixed interest rate swap portfolio and the sensitivity to consumer deposits with embedded optionality declined given the lower interest rate environment. The adverse change in the downward interest rate shock scenario is primarily driven by increased prepayment sensitivity across our whole loan mortgage and mortgage-backed securities portfolios. The downward shock scenario is impacted by the current low rate environment, which limits absolute declines in short-term rates in a shock scenario.

The future repricing behavior of retail deposit liabilities, particularly non-maturity deposits, remains a significant driver of interest rate sensitivity. The sustained low interest rate environment increases the uncertainty of assumptions for deposit repricing relationships to market interest rates. Our interest rate risk models use dynamic assumptions

driven by a number of factors, including the overall level of interest rates and the spread between short-term and long-term interest rates to project changes in our retail deposit offered rates. Our interest rate risk metrics currently assume a long-term retail deposit beta of greater than 75%. We believe our deposits may ultimately be less sensitive to interest rate changes, which will reduce our overall exposure to rising rates. Assuming a long-term retail deposit beta of 50% (vs. current assumption of greater than 75%) would result in a consolidated interest rate risk position that is asset sensitive.

Our pro-forma rate sensitivity assuming a 50% deposit pass-through based on the forward-curve was as follows.

Change in Interest Rates (\$ in millions)	March 31, 2016		December 31, 2015	
	Instantaneous	Gradual (a)	Instantaneous	Gradual (a)
-100 basis points	\$(233)	\$ (67 )	\$(89)	\$ (19 )
+100 basis points	73	21	13	4
+200 basis points	104	35	(13 )	(1 )

(a) Gradual changes in interest rates are recognized over 12 months.

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Our liability sensitive risk position is also driven by receive-fixed interest rate swaps designated as fair value hedges of certain fixed-rate liabilities including legacy unsecured debt. These swaps continue to generate positive financing revenue in the current interest rate environment, but also add to our liability sensitive position. The impact of receive-fixed interest rate swaps is partially offset by pay-fixed interest rate swaps designated as fair value hedges of certain retail automotive assets. The size, maturity and mix of our hedging activities change frequently as we adjust our broader asset and liability management objectives.

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Liquidity Management, Funding, and Regulatory Capital  
Overview

The purpose of liquidity management is to ensure our ability to meet loan and lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of funding include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, and investor profiles.

Additional liquidity is available through a pool of unencumbered highly liquid securities, borrowing facilities, repurchase agreements, as well as funding programs supported by the Federal Reserve and the Federal Home Loan Bank of Pittsburgh (FHLB).

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. Liquidity risk can arise from a variety of institution specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk helps ensure an organization's preparedness to meet cash flow obligations caused by unanticipated events. Managing liquidity needs and contingent funding exposures has proven essential to the solvency of financial institutions.

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

Funding Strategy

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

We diversify Ally Bank's overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost of funds characteristics. We optimize our funding sources at Ally Bank by growing retail deposits, maintaining active public and private securitization programs, managing a prudent maturity profile of our brokered deposit portfolio, utilizing repurchase agreements, and continuing to access funds from the FHLB.

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

### Liquidity Risk Management

Multiple metrics are used to frame the level of liquidity risk, manage the liquidity position, and identify related trends. These metrics include coverage ratios and stress tests that measure the sufficiency of the liquidity portfolio, stability ratios that measure longer-term structural liquidity, and concentration ratios that ensure prudent funding diversification. In addition, we have established internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist senior management in the execution of its funding strategy and risk management accountabilities.

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We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available committed credit facility capacity that, taken together, would allow us to operate and to meet our contractual and contingent obligations in the event that market-wide disruptions and enterprise-specific events disrupt normal access to funding. The available liquidity is held at various entities and considers regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. The following table summarizes our total available liquidity.

March 31, 2016 (\$ in millions)	Parent	
	Ally Bank	company (nonbank) (a)
Unencumbered highly liquid U.S. federal government and U.S. agency securities	\$6,822	\$ 1,809
Liquid cash and equivalents	2,114	2,679
Committed funding facilities (b)		
Total capacity	4,510	15,790
Outstanding	2,760	15,325
Unused capacity (c)	1,750	465
Intercompany loan (d)	(775 )	775
Total available liquidity	\$9,911	\$ 5,728

(a) Parent company liquidity is defined as our consolidated operations less Ally Bank and the regulated subsidiaries of Ally Insurance's holding company.

(b) Committed funding facilities include both consolidated and nonconsolidated facilities.

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

To optimize cash and secured facility capacity between entities, the parent company lends cash to Ally Bank on (d) occasion under an intercompany loan agreement. Amounts outstanding on this loan are repayable to the parent company upon demand, subject to a five day notice period.

As of March 31, 2016, assuming a long-term capital markets stress, we expect that our available liquidity would allow us to continue to fund all planned loan originations and meet all of our financial obligations for approximately 36 months, assuming no issuance of unsecured debt or term securitizations.

In addition, our estimated Modified Liquidity Coverage Ratio exceeded 100% at March 31, 2016. Refer to Note 18 to the Condensed Consolidated Financial Statements for further discussion of our liquidity requirements.

Ally Bank

Ally Bank gathers retail deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. These retail deposits provide our Automotive Finance, Mortgage Finance, and Corporate Finance operations with a stable and low-cost funding source.

Optimizing bank funding continues to be a key part of our long-term liquidity strategy. We have made significant progress in migrating asset originations to Ally Bank and growing our retail deposit base since becoming a BHC in December 2008. Retail deposit growth is a key driver of optimizing funding costs and reducing reliance on capital markets based funding. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through both direct and indirect marketing channels. Current retail deposit offerings consist of a variety of products including CDs, savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries.

The following table shows Ally Bank's number of accounts and deposit balances by type as of the end of each quarter since 2015.

(\$ in millions)

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	1st Quarter 2016	4th Quarter 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015
Number of retail accounts	2,139,184	1,969,562	1,931,380	1,874,632	1,818,770
Deposits					
Retail	\$ 58,977	\$ 55,437	\$ 53,502	\$ 51,750	\$ 50,633
Brokered	10,979	10,723	10,180	9,844	9,835
Other (a)	91	89	91	89	79
Total deposits	\$ 70,047	\$ 66,249	\$ 63,773	\$ 61,683	\$ 60,547

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

During the first three months of 2016, the deposit base at Ally Bank grew \$3.8 billion. The growth in total deposits has been primarily attributable to our retail deposit portfolio, particularly within our savings and money market accounts. Strong retention rates and customer acquisition continue to drive growth in retail deposits. Refer to Note 11 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

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In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our Ally Bank automotive loan portfolios. During the first quarter of 2016, Ally Bank raised \$1.8 billion through the completion of term securitization transactions backed by retail automotive loans, which includes \$1.0 billion through the completion of one off-balance sheet securitization transaction backed by retail automotive loans. In addition, Ally Bank raised \$1.6 billion related to whole-loan sales comprised of retail automotive loans.

Securitization has proven to be a reliable and cost-effective funding source. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset, creating an effective tool for managing interest rate and liquidity risk. We manage secured funding execution risk by maintaining a diverse investor base and available committed credit facility capacity. Ally Bank has exclusive access to private committed funding facilities, the largest of which is a \$3.0 billion syndicated credit facility of sixteen lenders shared with the parent company. This facility can fund automotive retail and dealer floorplan loans, as well as leases. During March 2016, this facility was renewed with the maturity extended to March 2018. Our ability to access the unused capacity in the secured facility depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges.

Ally Bank also has access to funding through advances with the FHLB. These advances are primarily secured by consumer mortgage and commercial real estate automotive finance receivables and loans. As of March 31, 2016, Ally Bank had pledged \$14.1 billion of assets to the FHLB resulting in \$9.2 billion in total funding capacity with \$6.4 billion of debt outstanding.

In addition, Ally Bank has access to repurchase agreements. A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. The financial instruments sold in repurchase agreements typically include U.S. government and federal agency obligations. As of March 31, 2016, Ally Bank had no debt outstanding under repurchase agreements.

Additionally, Ally Bank has access to the Federal Reserve Bank Discount Window and can borrow funds to meet short-term liquidity demands. However, the Federal Reserve Bank is not a primary source of funding for day to day business. Instead, it is a liquidity source that can be accessed in stressed environments or periods of market disruption. Ally Bank has assets pledged and restricted as collateral to the Federal Reserve Bank totaling \$2.9 billion. Ally Bank had no debt outstanding with the Federal Reserve as of March 31, 2016.

Parent Company (Nonbank) Funding

Funding sources at the parent company generally consist of long-term unsecured debt, unsecured retail term notes, floating rate demand notes, committed credit facilities, asset-backed securitizations, and a modest amount of short-term borrowings. The parent company's ability to access unused capacity in secured facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges.

In addition, we have short-term and long-term unsecured debt outstanding from retail term note programs. These programs generally consist of callable fixed-rate instruments with fixed-maturity dates. There were \$416 million of retail term notes outstanding at March 31, 2016.

We obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were \$3.6 billion at March 31, 2016. Refer to Note 12 and Note 13 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt, respectively.

Secured funding continues to be a significant source of financing at the parent company. The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the

commitment period, or they can be amortizing and not allow for any further funding after the closing date. At March 31, 2016, \$15.6 billion of our \$15.8 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of March 31, 2016, we had \$12.2 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. The parent company's largest facility is an \$8.0 billion revolving syndicated credit facility secured by automotive receivables. This facility was renewed in March 2016 by a syndicate of sixteen lenders and extended until March 2018. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At March 31, 2016, there was \$8.0 billion outstanding under this facility. In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets.

During the first quarter of 2016, the parent company raised \$1.0 billion through a public securitization transaction comprised of retail automotive loan collateral.

At March 31, 2016, the parent company had debt of \$725 million outstanding under repurchase agreements.

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Recent Funding Developments

During the first three months of 2016, we accessed the public and private markets to execute secured funding transactions, whole-loan sales, unsecured funding transactions, and funding facility renewals totaling \$17.5 billion.

Key funding highlights from January 1, 2016 to date were as follows:

Ally Financial Inc. closed, renewed, increased, and/or extended \$13.1 billion in U.S. credit facilities. The automotive credit facility renewal amount includes the March 2016 refinancing of \$11.0 billion for our shared credit facilities at both the parent company and Ally Bank with a syndicate of sixteen lenders. The \$11.0 billion capacity is secured by retail, lease, and dealer floorplan automotive assets and is allocated to two separate facilities; one is an \$8.0 billion facility which is available to the parent company, while the other is a \$3.0 billion facility available to Ally Bank. Both facilities mature in March 2018.

Ally Financial Inc. continued to access the public and private term asset-backed securitization markets raising \$2.8 billion, with \$1.8 billion and \$1.0 billion raised by Ally Bank and the parent company, respectively. Included in Ally Bank's funding for 2016 is one off-balance sheet securitization backed by retail automotive loans, which raised \$1.0 billion. In addition, Ally Bank raised \$1.6 billion relat