Ally Financial Inc.
Form 10-Q
May 07, 2018
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018, or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-3754
ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

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

Ally Detroit Center
500 Woodward Ave.
Floor 10, Detroit, Michigan
48226
(Address of principal executive offices)
(Zip Code)
(866) 710-4623
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).
Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ
At May 3, 2018, the number of shares outstanding of the Registrant's common stock was 430,028,556 shares.

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Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
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	Three months ended March 31,	
($ in millions)	2018	2017
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	$1,543	$1,368
Interest and dividends on investment securities and other earning assets	176	134
Interest on cash and cash equivalents	15	5
Operating leases	382	543
Total financing revenue and other interest income	2,116	2,050
Interest expense		
Interest on deposits	351	231
Interest on short-term borrowings	32	27
Interest on long-term debt	411	424
Total interest expense	794	682
Net depreciation expense on operating lease assets	273	389
Net financing revenue and other interest income	1,049	979
Other revenue		
Insurance premiums and service revenue earned	256	241
Gain on mortgage and automotive loans, net	1	14
Other (loss) gain on investments, net	(12)	27
Other income, net of losses	109	114
Total other revenue	354	396
Total net revenue	1,403	1,375
Provision for loan losses	261	271
Noninterest expense		
Compensation and benefits expense	306	285
Insurance losses and loss adjustment expenses	63	88
Other operating expenses	445	405
Total noninterest expense	814	778
Income from continuing operations before income tax expense	328	326
Income tax expense from continuing operations	76	113
Net income from continuing operations	252	213
(Loss) income from discontinued operations, net of tax	(2)	1
Net income	250	214
Other comprehensive (loss) income, net of tax	(328)	20
Comprehensive (loss) income	$(78)	$234

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)
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(in dollars) (a)	Three months ended March 31, 2018	2017
Basic earnings per common share		
Net income from continuing operations	$0.58	$0.46
Loss from discontinued operations, net of tax	(0.01)	—
Net income	$0.57	$0.46
Diluted earnings per common share		
Net income from continuing operations	$0.57	$0.46
Loss from discontinued operations, net of tax	(0.01)	—
Net income	$0.57	$0.46
Cash dividends declared per common share	$0.13	$0.08

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

Refer to Note 16 for additional earnings per share information. The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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Condensed Consolidated Balance Sheet (unaudited)
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($ in millions, except share data)	March 31, 2018	December 31, 2017
Assets		
Cash and cash equivalents		
Noninterest-bearing	$768	$844
Interest-bearing	2,953	3,408
Total cash and cash equivalents	3,721	4,252
Equity securities	680	518
Available-for-sale securities (refer to Note 6 for discussion of investment securities pledged as collateral)	22,726	22,303
Held-to-maturity securities (fair value of $1,895 and $1,865)	1,967	1,899
Loans held-for-sale, net	126	108
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	125,327	122,893
Allowance for loan losses	(1,278)	(1,276)
Total finance receivables and loans, net	124,049	121,617
Investment in operating leases, net	8,530	8,741
Premiums receivable and other insurance assets	2,197	2,047
Other assets	6,025	5,663
Total assets	$170,021	$167,148
Liabilities		
Deposit liabilities		
Noninterest-bearing	$122	$108
Interest-bearing	97,324	93,148
Total deposit liabilities	97,446	93,256
Short-term borrowings	9,564	11,413
Long-term debt	45,076	44,226
Interest payable	494	375
Unearned insurance premiums and service revenue	2,904	2,604
Accrued expenses and other liabilities	1,455	1,780
Total liabilities	156,939	153,654
Contingencies (refer to Note 24)		
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 491,993,371 and 489,883,553; and outstanding 432,690,882 and 437,053,936)	21,273	21,245
Accumulated deficit	(6,318)	(6,406)
Accumulated other comprehensive loss	(578)	(235)
Treasury stock, at cost (59,302,489 and 52,829,617 shares)	(1,295)	(1,110)
Total equity	13,082	13,494
Total liabilities and equity	$170,021	$167,148

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

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

($ in millions)	March 31, 2018	December 31, 2017
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	$ 19,080	$ 20,623
Allowance for loan losses	(142)	(136)
Total finance receivables and loans, net	18,938	20,487
Investment in operating leases, net	337	444
Other assets	785	689
Total assets	$ 20,060	$ 21,620
Liabilities		
Long-term debt	$ 11,710	$ 10,197
Accrued expenses and other liabilities	12	9
Total liabilities	$ 11,722	$ 10,206

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

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Condensed Consolidated Statement of Changes in Equity (unaudited)
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($ in millions)	Common stock and paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at January 1, 2017	$21,166	$ (7,151)	$ (341)	$(357)	$13,317
Net income		214			214
Share-based compensation	21				21
Other comprehensive income			20		20
Common stock repurchases				(169)	(169)
Common stock dividends ($0.08 per share)		(38)			(38)
Balance at March 31, 2017	$21,187	$ (6,975)	$ (321)	$(526)	$13,365
Balance at January 1, 2018, before cumulative effect of adjustments	$21,245	$ (6,406)	$ (235)	$(1,110)	$13,494
Cumulative effect of changes in accounting principles, net of tax (a)					
Adoption of Accounting Standards Update 2014-09		(126)			(126)
Adoption of Accounting Standards Update 2016-01		(20)	27		7
Adoption of Accounting Standards Update 2018-02		42	(42)		—
Balance at January 1, 2018, after cumulative effect of adjustments	21,245	(6,510)	(250)	(1,110)	13,375
Net income		250			250
Share-based compensation	28				28
Other comprehensive loss			(328)		(328)
Common stock repurchases				(185)	(185)
Common stock dividends ($0.13 per share)		(58)			(58)
Balance at March 31, 2018	$21,273	$ (6,318)	$ (578)	$(1,295)	$13,082

(a) Refer to the section titled Recently Adopted Accounting Standards in Note 1 for additional information.

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Three months ended March 31, ($ in millions)	2018	2017
Operating activities		
Net income	$250	$214
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	434	534
Provision for loan losses	261	271
Gain on mortgage and automotive loans, net	(1)	(14)
Other loss (gain) on investments, net	12	(27)
Originations and purchases of loans held-for-sale	(248)	(21)
Proceeds from sales and repayments of loans held-for-sale	230	20
Net change in		
Deferred income taxes	83	91
Interest payable	120	31
Other assets	29	60
Other liabilities	(106)	(20)
Other, net	33	36
Net cash provided by operating activities	1,097	1,175
Investing activities		
Purchases of equity securities	(374)	(137)
Proceeds from sales of equity securities	220	314
Purchases of available-for-sale securities	(2,360)	(2,696)
Proceeds from sales of available-for-sale securities	328	731
Proceeds from repayments of available-for-sale securities	795	589
Purchases of held-to-maturity securities	(155)	(215)
Proceeds from repayments of held-to-maturity securities	35	5
Purchases of finance receivables and loans held-for-investment	(1,497)	(405)
Proceeds from sales of finance receivables and loans initially held-for-investment	—	1,164
Originations and repayments of finance receivables and loans held-for-investment and other, net	(1,300)	(1,174)
Purchases of operating lease assets	(969)	(893)
Disposals of operating lease assets	976	1,545
Net change in nonmarketable equity investments	(19)	213
Other, net	(82)	(56)
Net cash used in investing activities	(4,402)	(1,015)

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Three months ended March 31, ($ in millions)	2018	2017
Financing activities		
Net change in short-term borrowings	(1,848)	(4,303)
Net increase in deposits	4,173	5,451
Proceeds from issuance of long-term debt	6,665	4,488
Repayments of long-term debt	(5,771)	(7,573)
Repurchase of common stock	(185)	(169)
Dividends paid	(58)	(38)
Net cash provided by (used in) financing activities	2,976	(2,144)
Effect of exchange-rate changes on cash and cash equivalents and restricted cash	(2)	—
Net decrease in cash and cash equivalents and restricted cash	(331)	(1,984)
Cash and cash equivalents and restricted cash at beginning of year	5,269	7,881
Cash and cash equivalents and restricted cash at March 31,	$4,938	$5,897
Supplemental disclosures		
Cash paid for		
Interest	$667	$648
Income taxes	5	2
Noncash items		
Held-to-maturity securities received in consideration for loans sold	—	56
Finance receivables and loans transferred to loans held-for-sale	—	1,213
Other disclosures		
Proceeds from repayments of mortgage loans held-for-investment originally designated as held-for-sale	11	8

The following table provides a reconciliation of cash and cash equivalents and restricted cash from the Condensed Consolidated Balance Sheet to the Condensed Consolidated Statement of Cash Flows.

March 31, ($ in millions)	2018	2017
Cash and cash equivalents as disclosed on the Condensed Consolidated Balance Sheet	$3,721	$4,302
Restricted cash included in other assets on the Condensed Consolidated Balance Sheet (a)	1,217	1,595
Total cash and cash equivalents and restricted cash as disclosed in the Condensed Consolidated Statement of Cash Flows	$4,938	$5,897

(a) Restricted cash balances relate primarily to Ally securitization arrangements. Refer to Note 11 for additional details describing the nature of restricted cash balances.

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

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

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

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

The Condensed Consolidated Financial Statements at March 31, 2018, and for the three months ended March 31, 2018, and 2017, are unaudited but reflect all adjustments that are, in management’s opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related Notes) included in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed on February 21, 2018, with the U.S. Securities and Exchange Commission (SEC).

Significant Accounting Policies

Investments

Our investment portfolio includes various debt and equity securities. Our debt securities include government securities, corporate bonds, asset-backed securities (ABS), and mortgage-backed securities (MBS). Debt securities are classified based on management’s intent to sell or hold the security. We classify debt securities as held-to-maturity only when we have both the intent and ability to hold the securities to maturity. We classify debt securities as trading when the securities are acquired for the purpose of selling or holding them for a short period of time. Debt securities not classified as either held-to-maturity or trading are classified as available-for-sale.

Our portfolio includes debt securities classified as available-for-sale and held-to-maturity. Our available-for-sale debt securities are carried at fair value with unrealized gains and losses included in accumulated other comprehensive loss and are subject to impairment. Our held-to-maturity debt securities are carried at amortized cost and are subject to impairment.

We assess our debt securities for potential other-than-temporary impairment. We employ a methodology that considers available evidence in evaluating potential other-than-temporary impairment of our debt securities classified as available-for-sale and held-to-maturity. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value. We also evaluate the financial health of and business outlook for the issuer, the performance of the underlying assets for interests in securitized assets, and, for debt securities classified as available-for-sale, our intent and ability to hold the investment through recovery of its amortized cost basis.

Once a decline in fair value of a debt security is determined to be other-than-temporary, an impairment charge for the credit component is recorded to other gain (loss) on investments, net, in our Condensed Consolidated Statement of Comprehensive Income, and a new cost basis in the investment is established. The noncredit loss component of an available-for-sale debt security continues to be recorded in other comprehensive (loss) income when we do not intend to sell the security and it is not more likely than not that we will have to sell the security prior to the security's anticipated recovery. Both the credit and noncredit loss components are recorded in earnings when we intend to sell the security or it is more likely than not that we will have to sell the security prior to the security's anticipated recovery. Subsequent increases and decreases to the fair value of available-for-sale debt securities are included in other comprehensive (loss) income, so long as they are not attributable to another other-than-temporary impairment.

We amortize premiums and discounts on debt securities as an adjustment to investment yield generally over the stated maturity of the security. For ABS and MBS where prepayments can be reasonably estimated, amortization is adjusted for expected prepayments.

Our investment in equity securities includes securities that are recognized at fair value with changes in the market value recorded in earnings, and equity securities that are recognized using other measurement principles.

Effective January 1, 2018, equity securities that are publicly traded and have a readily determinable fair value, as well as certain investments that do not have a readily determinable fair value and are not eligible to be recognized using other measurement principles, are recorded at fair value with changes in fair value recorded in earnings and reported in other gain (loss) on investments, net in our Condensed Consolidated Statement of Comprehensive Income. These investments, which are primarily attributable to the investment portfolio of our Insurance operations, are included in equity securities on our Condensed Consolidated Balance Sheet. Refer to Note 6 for further information on our equity securities that have a readily determinable market value.

Our equity securities recognized using other measurement principles include investments in Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock held to meet regulatory requirements, equity investments related to low income housing tax credits and the Community Reinvestment Act (CRA), which are not publicly traded and do not have a readily determinable fair value, and other equity investments that are not publicly traded and do not have a readily determinable fair value. Our low income housing tax credit investments are accounted for using the proportional amortization method of accounting for qualified affordable housing investments. Our obligations related to unfunded commitments for our low income housing tax credit investments are included in other liabilities. The majority of our CRA investments are accounted for using the equity method of accounting. Our investments in low income housing tax credits and CRA investments are included in other assets on our Condensed Consolidated Balance Sheet. Our investments in FHLB and FRB stock are carried at cost. Our remaining investments in equity securities are recorded at cost, less impairment and adjusted for observable price differences under the measurement alternative provided under GAAP. These investments, along with our investments in FHLB and FRB stock, are included in nonmarketable equity investments in other assets on our Condensed Consolidated Balance Sheet. As conditions warrant, we review these investments for impairment and adjust the carrying value of the investment if it is deemed to be impaired. Investments recorded under the measurement alternative are also reviewed at each reporting period to determine if any adjustments are required for observable price changes in identical or similar securities.

Realized gains and losses on the sale of securities are determined using the specific identification method and are reported in other gain (loss) on investments, net in our Condensed Consolidated Statement of Comprehensive Income.

Derivative Instruments and Hedging Activities

We use derivative instruments primarily for risk management purposes. We do not use derivative instruments for speculative purposes. Certain of our derivative instruments are designated as accounting hedges in qualifying relationships, whereas other derivative instruments have not been designated as accounting hedges. In accordance with applicable accounting standards, all derivative instruments, whether designated for hedge accounting or not, are required to be recorded on the balance sheet as assets or liabilities and measured at fair value. We have elected to report the fair value of derivative assets and liabilities on a gross basis—including the fair value for the right to reclaim cash collateral or the obligation to return cash collateral—arising from instruments executed with the same counterparty under a master netting arrangement where we do not have the intent to offset. For additional information on derivative instruments and hedging activities, refer to Note 18.

At the inception of a hedge accounting relationship, we designate each qualifying hedge relationship as a hedge of the fair value of a specifically identified asset or liability (fair value hedge); as a hedge of the variability of cash flows to be received or paid, or forecasted to be received or paid, related to a recognized asset or liability (cash flow hedge); or as a hedge of the foreign-currency exposure of a net investment in a foreign operation (net investment hedge). We formally document all relationships between hedging instruments and hedged items, as well as the risk management objectives for undertaking various hedge transactions. Both at hedge inception and on an ongoing basis, we formally assess whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative instruments qualifying as fair value hedges, along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in current period earnings. For qualifying cash flow hedges, the changes in fair value of the derivative financial instruments are recorded in accumulated other comprehensive loss and recognized in the income statement when the hedged cash flows affect earnings. For a qualifying net investment hedge, the gain or loss is reported in accumulated other comprehensive loss as part of the cumulative translation adjustment.

Hedge accounting treatment is no longer applied if a derivative financial instrument is terminated, or if the hedge designation is removed or assessed to be no longer highly effective. For terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the hedged asset or liability and are recognized into income over the remaining life of the asset or liability. For terminated cash flow hedges, unless it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument previously recognized remain in accumulated other comprehensive loss, and are reclassified into earnings in the same period that the hedged cash flows affect earnings. Any previously recognized gain or loss for a net investment hedge continues to remain in accumulated other comprehensive loss until earnings are impacted by sale or liquidation of the associated foreign operation. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

Changes in the fair value of derivative financial instruments held for risk management purposes that are not designated as accounting hedges under GAAP are reported in current period earnings.

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification (ASC) 740, Income Taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. This method differs from that described in Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K, which describes our annual significant income tax accounting policy and related methodology.

Refer to Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

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

As of December 31, 2017, we elected to early-adopt Accounting Standards Update (ASU) 2016-18. The amendments in this update require that amounts classified as restricted cash and restricted cash equivalents be included within the beginning-of-period and end-of-period amounts along with cash and cash equivalents on the statement of cash flows. The amendments were applied retrospectively to all periods presented within the statement of cash flows. The implementation of this guidance resulted in a change in presentation of our Condensed Consolidated Statement of Cash Flows and additional disclosures surrounding restricted cash balances, but did not result in a change to our Condensed Consolidated Statement of Comprehensive Income or Condensed Consolidated Balance Sheet.

Revenue from Contracts with Customers (ASU 2014-09)

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09. The purpose of this guidance is to streamline and consolidate existing revenue recognition principles in GAAP and to converge revenue recognition principles with International Financial Reporting Standards. The core principle of the amendments is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. The amendments include a five step process for consideration of the core principle, guidance on the accounting treatment for costs associated with a contract, and disclosure requirements related to the revenue process. The FASB issued several additional ASUs to clarify guidance and provide implementation support for ASU 2014-09. The clarifying guidance elaborates on the key concepts within ASU 2014-09 and clarifies how those concepts interact with other GAAP requirements. On January 1, 2018, we adopted ASU 2014-09 and all subsequent ASUs that modified ASU 2014-09 (collectively, the amendments to the revenue recognition principles), which have been codified in ASC 606, Revenue from Contracts with Customers, and ASC 610-20, Gains and Losses from the Derecognition of Nonfinancial Assets, respectively. We elected to adopt this guidance using the modified retrospective approach applied to all contracts with customers that were not completed as of January 1, 2018. The adoption of the amendments resulted in a reduction to our opening retained earnings of approximately $126 million, net of income taxes. Refer to Note 2 for further details.

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

As of January 1, 2018, we adopted ASU 2016-01. The amendments in this update modify the requirements related to the measurement of certain financial instruments in the statement of financial condition and results of operations. The FASB subsequently issued ASU 2018-03 to clarify guidance and provide implementation support for ASU 2016-01, which we elected to early-adopt as of January 1, 2018, to align with the adoption of ASU 2016-01. For equity investments (other than investments accounted for using the equity method), entities must measure such instruments at fair value with changes in fair value recognized in net income. Changes in fair value for equity securities are no longer recognized through other comprehensive (loss) income, which creates additional volatility in our Condensed Consolidated Statement of Comprehensive Income. Reporting entities may continue to elect to measure certain equity investments that do not have a readily determinable fair value at cost with adjustments for impairment and observable changes in price. In addition, for a liability (other than a derivative liability) that an entity measures at fair value, any change in fair value related to the instrument-specific credit risk, that is the entity's own-credit, should be presented

separately in other comprehensive (loss) income and not as a component of net income. We adopted these amendments, as required, on a modified retrospective basis with a cumulative effect adjustment as of the beginning of the fiscal year of initial adoption. The adoption of the amendments resulted in a reduction to our opening retained earnings of approximately $20 million, net of income taxes.

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

As of January 1, 2018, we elected to early-adopt ASU 2017-12. The amendments in this update enhance the financial reporting of hedging relationships to better align hedge accounting with an entity's risk management activities. This update also makes certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP and better portrays economic results through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. We adopted the amendments to all cash flow and net investment hedge relationships that existed on the date of adoption using a modified retrospective approach. No cumulative effect adjustment to our opening retained earnings was required as a result of the adoption. The presentation and disclosure requirements included in this update were adopted prospectively. Refer to Note 18 for further details.

Accumulated Other Comprehensive Income — Reclassification of Certain Tax Effects (ASU 2018-02)

In February 2018, the FASB issued ASU 2018-02. The amendments in this update provide guidance concerning the treatment of the impact of income tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the Tax Act) on items included in accumulated other comprehensive income. Our policy is to use the portfolio method with respect to reclassification of stranded income tax effects in

accumulated other comprehensive loss. The amendments in ASU 2018-02 provide entities an election to reclassify the income tax effect of the Tax Act from accumulated other comprehensive income to retained earnings. We elected to early-adopt this standard as of January 1, 2018, and reclassified the effect of the change in the federal corporate income tax rate on items included in accumulated other comprehensive loss. This election resulted in a reclassification of $42 million from accumulated other comprehensive loss to retained earnings.

Recently Issued Accounting Standards

Leases (ASU 2016-02)

In February 2016, the FASB issued ASU 2016-02. The amendments in this update primarily replace the existing accounting requirements for operating leases for lessees. Lessee accounting requirements for finance leases and lessor accounting requirements for operating leases and sales type and direct financing leases (sales type and direct financing leases were both previously referred to as capital leases) are largely unchanged. The amendments require the lessee of an operating lease to record a balance sheet gross-up upon lease commencement by recognizing a right-of-use asset and lease liability equal to the present value of the lease payments. The right-of-use asset and lease liability should be derecognized in a manner that effectively yields a straight line lease expense over the lease term. In addition to the changes to the lessee operating lease accounting requirements, the amendments also change the types of costs that can be capitalized related to a lease agreement for both lessees and lessors for all types of leases. The amendments also require additional disclosures for all lease types for both lessees and lessors. The amendments are effective on January 1, 2019, with early adoption permitted. The amendments must be applied on a modified retrospective basis with a cumulative adjustment to the beginning of the earliest fiscal year presented in the financial statements in the period of adoption. Upon adoption, we expect to record a balance sheet gross-up, reflecting our right-of-use asset and lease liability for our operating leases where we are the lessee (for example, our facility leases). While we are currently reviewing our operating lease contracts where we are the lessee to determine the impact of the gross-up and the changes to capitalizable costs, as well as reviewing our leases where we are the lessor to determine the impact of the changes to capitalizable costs, we do not anticipate the adoption of these amendments will have a material impact to our financial statements. We currently plan to adopt these amendments on January 1, 2019, and expect to use the modified retrospective approach as required.

Financial Instruments — Credit Losses (ASU 2016-13)

In June 2016, the FASB issued ASU 2016-13. The amendments in this update introduce a new accounting model to measure credit losses for financial assets measured at amortized cost. Credit losses for financial assets measured at amortized cost should be determined based on the total current expected credit losses over the life of the financial asset or group of financial assets. In effect, the financial asset or group of financial assets should be presented at the net amount expected to be collected. Credit losses will no longer be recorded under the current incurred loss model for financial assets measured at amortized cost. The amendments also modify the accounting for available-for-sale debt securities whereby credit losses will be recorded through an allowance for credit losses rather than a write-down to the security’s cost basis, which allows for reversals of credit losses when estimated credit losses decline. Credit losses for available-for-sale debt securities should be measured in a manner similar to current GAAP. The amendments are effective on January 1, 2020, with early adoption permitted as of January 1, 2019. The amendments must be applied using a modified retrospective approach with a cumulative-effect adjustment through retained earnings as of the beginning of the fiscal year upon adoption. The new accounting model for credit losses represents a significant departure from existing GAAP, and will likely materially increase the allowance for credit losses with a resulting negative adjustment to retained earnings. Management created a formal working group to govern the implementation of these amendments consisting of key stakeholders from finance, risk, and accounting and is currently evaluating the impact of the amendments. We are in the process of designing and building the models and procedures that will be used to calculate the credit loss reserves in accordance with these amendments. We currently plan to adopt these amendments on January 1, 2020, and expect to use the modified retrospective approach as required.

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

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

2. Revenue from Contracts with Customers

On January 1, 2018, we adopted the amendments to the revenue recognition principles using the modified retrospective approach applied to contracts with customers outstanding as of the date of adoption. Results for reporting periods beginning after January 1, 2018, are presented in accordance with the amendments to the revenue recognition principles, while prior period amounts have not been adjusted and continue to be presented in accordance with the accounting standards in effect for those periods. Refer to Note 1 for additional information.

Our primary revenue sources, which include financing revenue and other interest income, are addressed by other GAAP and are not in the scope of the amendments to the revenue recognition principles. As part of our Insurance operations, we recognize revenue from insurance contracts, which are addressed by other GAAP and are not included in the scope of the amendments to the revenue recognition principles. Certain noninsurance contracts within our Insurance operations, including vehicle service contracts (VSCs), guaranteed asset protection (GAP) contracts, and vehicle maintenance contracts (VMCs), are included in the scope of the amendments to the revenue recognition

principles. Under the previous guidance, a portion of revenue earned on noninsurance contracts was recognized at contract inception, while the remainder was recognized over the contract term on a basis proportionate to the anticipated cost emergence. In addition, dealer and sales commissions incurred to obtain a noninsurance contract were recognized as expense when incurred, and certain direct-response advertising costs were deferred and recognized as expense over the term of the contract. Upon adoption of the amendments to the revenue recognition principles, all revenue associated with noninsurance contracts is recognized over the contract term on a basis proportionate to the anticipated cost emergence. Further, commissions and sales expense incurred to obtain these contracts are capitalized and recognized as expense over the contract term, and all advertising costs are recognized as expense when incurred.
The following table presents the impact to our Condensed Consolidated Balance Sheet as of January 1, 2018, as a result of adopting the amendments to the revenue recognition principles.

($ in millions)	As reported, December 31, 2017	Adjustment related to adoption	As adjusted, January 1, 2018
Assets			
Premiums receivable and other insurance assets	$2,047	$ 122	$2,169
Other assets	5,663	41	5,704
Total assets	$167,148	$ 163	$167,311
Liabilities			
Unearned insurance premiums and service revenue	$2,604	$ 289	$2,893
Total liabilities	153,654	289	153,943
Equity			
Accumulated deficit	(6,406)	(126)	(6,532)
Total equity	13,494	(126)	13,368
Total liabilities and equity	$167,148	$ 163	$167,311

The following tables present the impact of adopting the amendments to the revenue recognition principles to our Condensed Consolidated Statement of Comprehensive Income and Condensed Consolidated Balance Sheet.

($ in millions)	Three months ended March 31, 2018	
	As reported	Effect of adoption
Other revenue		
Insurance premiums and service revenue earned	$256	$ (6)
Total other revenue	354	(6)
Total net revenue	1,403	(6)
Noninterest expense		
Compensation and benefits expense	306	(1)
Other operating expenses	445	(2)
Total noninterest expense	814	(3)
Income from continuing operations before income tax expense	328	(3)
Income tax expense from continuing operations	76	(1)
Net income from continuing operations	252	(2)
Net income	250	(2)
Comprehensive loss	$(78)	$ (2)

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March 31, 2018 ($ in millions)	As reported	Effect of adoption
Assets		
Premiums receivable and other insurance assets	$2,197	$ 125
Other assets	6,025	42
Total assets	170,021	167
Liabilities		
Unearned insurance premiums and service revenue	$2,904	$ 295
Total liabilities	156,939	295
Equity		
Accumulated deficit	(6,318)	(128)
Total equity	13,082	(128)
Total liabilities and equity	$170,021	$ 167

The following is a description of our primary revenue sources that are derived from contracts with customers. As a result of the adoption of the amendments to the revenue recognition principles, our only revenue source for which the recognition pattern was affected was that of noninsurance contracts, as described in this note. Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to our customers, and in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. For information regarding our revenue recognition policies outside the scope of the amendments to the revenue recognition principles of ASC 606, Revenue from Contracts with Customers, refer to Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K.

- Noninsurance contracts — We sell VSCs that offer owners mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle limited warranty. We sell GAP contracts that protect the customer against having to pay certain amounts to a lender above the fair market value of their vehicle if the vehicle is damaged and declared a total loss or stolen. We also sell VMCs that provide coverage for certain agreed-upon services, such as oil changes and tire rotations, over the coverage period. We receive payment in full at the inception of each of these contracts. Our performance obligation for these contracts is satisfied over the term of the contract and we recognize revenue over the contract term on a basis proportionate to the anticipated cost emergence, as we believe this is the most appropriate method to measure progress towards satisfaction of the performance obligation. Upon adoption of the amendments to the revenue recognition principles, unearned revenue of $289 million was recognized as a component of unearned insurance premiums and service revenue on our Condensed Consolidated Balance Sheet associated with outstanding contracts at January 1, 2018, and $22 million of this balance was recognized as insurance premiums and service revenue earned in our Condensed Consolidated Statement of Comprehensive Income during the three months ended March 31, 2018. At March 31, 2018, we had unearned revenue of $2.5 billion associated with outstanding contracts, and with respect to this balance we expect to recognize revenue of $568 million during the remainder of 2018, $643 million in 2019, $528 million in 2020, $378 million in 2021, and $389 million thereafter. The incremental costs to obtain these contracts are initially deferred and recorded as a component of premiums receivable and other insurance assets on our Condensed Consolidated Balance Sheet. These deferred costs are amortized as an expense over the term of the related contract commensurate with how the related revenue is recognized, and are included in compensation and benefits and other operating expenses in our Condensed Consolidated Statement of Comprehensive Income. We had deferred insurance assets of $1.4 billion at March 31, 2018, and recognized $103 million of expense during the three months ended March 31, 2018.

- Sale of off-lease vehicles — When a customer's vehicle lease matures, the customer has the option of purchasing or returning the vehicle. If the vehicle is returned to us, we obtain possession with the intent to sell through

SmartAuction—our online auction platform, our dealer channel, or through various other physical auctions. Our performance obligation is satisfied and the remarketing gain or loss is recognized when control of the vehicle has passed to the buyer, which coincides with the sale date. Our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense on operating lease assets in our Condensed Consolidated Statement of Comprehensive Income.

- Remarketing fee income — In addition to using SmartAuction as a remarketing channel for our returned lease vehicles, we maintain the internet auction site and administer the auction process for third-party use. We earn a service fee from dealers for every third-party vehicle sold through SmartAuction. Our performance obligation is to provide the online marketplace for used vehicle transactions to be consummated. This obligation is satisfied and revenue is recognized when control of the vehicle has passed to the buyer, which coincides with the sale date. This revenue is recorded as remarketing fees within other income in our Condensed Consolidated Statement of Comprehensive Income.
- Brokerage commissions and other revenues through Ally Invest — We charge fees to customers related to their use of certain services on our Ally Invest digital wealth management and online brokerage platform. These fees include commissions on customer-directed trades, account service fees, account management fees on professional portfolio management services,

subscriptions for market data feeds, and other ancillary fees. Commissions on customer-directed trades and account service fees are based on published fee schedules and are generated from a customer option to purchase the services offered under the contract. These options do not represent a material right and are only considered a contract when the customer executes their option to purchase these services. Based on this, the term of the contract does not extend beyond services provided, and as such revenue is recognized upon the completion of our performance obligation, which we view as the successful execution of the trade or service. Revenue on professional portfolio management services is calculated monthly based upon a fixed percentage of the client's assets under management. Due to the fact that this revenue stream is composed of variable consideration that is based on factors outside of our control, we have deemed this revenue as constrained and we are unable to estimate the initial transaction price at the inception of the contract. We have elected to use the practical expedient under GAAP to recognize revenue monthly based on the amount we are able to invoice the customer. Subscriptions for market data feeds are based on published fee schedules, and our performance obligation for these contracts is satisfied over the term of the contract, which does not exceed 12 months. We receive payment in full at contract inception and recognize revenue over the related contract term on a straight-line basis, as we believe this is the most appropriate method to measure progress towards satisfaction of the performance obligation. We also earn revenue from a fee-sharing agreement with our clearing broker related to the interest income the clearing broker earns on customer cash balances and margin loans made to our customers. Ally concluded the initial transaction price is exclusively variable consideration and, based on the nature of our performance obligation to allow the clearing broker to collect interest income from cash deposits and customer loans from our customers, we are unable to determine the amount of revenue to be recognized until the total customer cash balance or the total interest income recognized on margin loans has been determined, which occurs monthly. These revenue streams are recorded as other income in our Condensed Consolidated Statement of Comprehensive Income.

- Brokered/agent commissions through Insurance operations — We have agreements with third parties to offer various vehicle protection products to consumers. We also have agreements with third-party insurers to offer various insurance coverages to dealers. Our performance obligation for these arrangements is satisfied when a customer or dealer has purchased a vehicle protection product or an insurance policy through the third-party provider. In determining the initial transaction price for these agreements, we noted that revenue on brokered/agent commissions is based on the volume of vehicle protection product contracts sold or a percentage of insurance premium written, which is not known to Ally at the inception of the agreements with these third-party providers. As such, we believe the initial transaction price is exclusively variable consideration and, based on the nature of the performance obligation, we are unable to determine the amount of revenue we will record until the customer purchases a vehicle protection product or a dealer purchases an insurance policy from the third-party provider. Once Ally is notified of vehicle protection product sales or insurance policies issued by the third-party providers, we record the commission earned as insurance premiums and service revenues earned in our Condensed Consolidated Statement of Comprehensive Income.
- Deposit account and other banking fees — We charge depositors various account service fees including those for outgoing wires, excessive transactions, overdrafts, stop payments, and returned deposits. These fees are generated from a customer option to purchase services offered under the contract. These options do not represent a material right and are only considered a contract in accordance with the amendments to the revenue recognition principles when the customer exercises their option to purchase these account services. Based on this, the term for our contracts with customers is considered day-to-day, and the contract does not extend beyond the services already provided. Revenue derived from deposit account fees is recorded at the point in time we perform the requested service, and is recorded as other income in our Condensed Consolidated Statement of Comprehensive Income. As a debit card issuer, we also generate interchange fee income from merchants during debit card transactions and incur certain corresponding charges from merchant card networks. Our performance obligation is satisfied when we have initiated the payment of funds from a customer's account to a merchant through our contractual agreements with the merchant card networks. Interchange fees are reported on a net basis as other income in our Condensed Consolidated Statement of

Comprehensive Income, and reflect interchange fee income of $3 million and interchange expenses of $3 million for the three months ended March 31, 2018.

- Other revenue — Other revenue primarily includes service revenue related to various account management functions, fee income derived from third-party loans arranged through Clearlane—our online automotive lender exchange, and revenue associated with licensing and marketing from the Ally CashBack Credit Card—our co-branded credit card. These revenue streams are recorded as other income in our Condensed Consolidated Statement of Comprehensive Income.

The following table presents a disaggregated view of our revenue from contracts with customers included in other revenue that falls within the scope of the amendments to the revenue recognition principles.

Three months ended March 31, 2018 ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated
Revenue from contracts with customers						
Noninsurance contracts	$ —	$ 123	$ —	$ —	$ —	$ 123
Remarketing fee income	23	—	—	—	—	23
Brokerage commissions and other revenue	—	—	—	—	16	16
Brokered/agent commissions	—	4	—	—	—	4
Deposit account and other banking fees	—	—	—	—	3	3
Other	2	1	—	—	—	3
Total revenue from contracts with customers	25	128	—	—	19	172
All other revenue	41	118	1	8	14	182
Total other revenue (a)	$ 66	$ 246	$ 1	$ 8	$ 33	$ 354

(a) Represents a component of total net revenue. Refer to Note 22 for further information on our reportable operating segments.

In addition to the components of other revenue presented above, as part of our Automotive Finance operations, we recognized $18 million of gain on the sale of off-lease vehicles through depreciation expense on operating lease assets in our Condensed Consolidated Statement of Comprehensive Income during the three months ended March 31, 2018.

3. Other Income, Net of Losses

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

	Three months ended March 31,	
($ in millions)	2018	2017
Late charges and other administrative fees	$29	$27
Remarketing fees	23	29
Servicing fees	8	16
Income from equity-method investments	6	—
Other, net	43	42
Total other income, net of losses	$109	$114

4. Reserves for Insurance Losses and Loss Adjustment Expenses

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

($ in millions)	2018	2017
Total gross reserves for insurance losses and loss adjustment expenses at January 1,	$140	$149
Less: Reinsurance recoverable	108	108
Net reserves for insurance losses and loss adjustment expenses at January 1,	32	41
Net insurance losses and loss adjustment expenses incurred related to:		
Current year	60	89
Prior years (a)	3	(1)
Total net insurance losses and loss adjustment expenses incurred	63	88
Net insurance losses and loss adjustment expenses paid or payable related to:		
Current year	(31)	(45)
Prior years	(19)	(23)
Total net insurance losses and loss adjustment expenses paid or payable	(50)	(68)
Foreign exchange and other	—	2
Net reserves for insurance losses and loss adjustment expenses at March 31,	45	63
Plus: Reinsurance recoverable	112	112
Total gross reserves for insurance losses and loss adjustment expenses at March 31,	$157	$175

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

5. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended March 31,	
($ in millions)	2018	2017
Insurance commissions	$110	$99
Technology and communications	71	69
Lease and loan administration	42	36
Advertising and marketing	39	30
Vehicle remarketing and repossession	32	28
Professional services	32	26
Regulatory and licensing fees	30	27
Premises and equipment depreciation	20	22
Occupancy	11	12
Non-income taxes	8	8
Amortization of intangible assets	3	3
Other	47	45
Total other operating expenses	$445	$405

6. Investment Securities

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

	March 31, 2018				December 31, 2017			
($ in millions)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury	$1,855	$ —	$ (86)	$1,769	$1,831	$ —	$ (54)	$1,777
U.S. States and political subdivisions	845	5	(19)	831	850	11	(7)	854
Foreign government	150	1	(2)	149	153	2	(1)	154
Agency mortgage-backed residential	15,316	4	(437)	14,883	14,412	35	(156)	14,291
Mortgage-backed residential	2,456	3	(75)	2,384	2,517	11	(34)	2,494
Mortgage-backed commercial	582	1	(3)	580	541	1	(1)	541
Asset-backed	901	2	(3)	900	933	4	(1)	936
Corporate debt	1,263	1	(34)	1,230	1,262	5	(11)	1,256
Total available-for-sale securities (a) (b) (c)	$23,368	$ 17	$ (659)	22,726	$22,499	$ 69	$ (265)	$22,303
Held-to-maturity securities								
Debt securities								
Agency mortgage-backed residential (d)	$1,936	$ —	$ (72)	$1,864	$1,863	$ 3	$ (37)	$1,829
Asset-backed retained notes	31	—	—	31	36	—	—	36
Total held-to-maturity securities	$1,967	$ —	$ (72)	$1,895	$1,899	$ 3	$ (37)	$1,865

(a) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $12 million at both March 31, 2018, and December 31, 2017.

(b) Certain available-for-sale securities are included in fair value hedging relationships. Refer to Note 18 for additional information.

(c) Investment securities with a fair value of $8.0 billion and $7.8 billion at March 31, 2018, and December 31, 2017, respectively, were pledged to secure advances from the Federal Home Loan Bank (FHLB), short-term borrowings or repurchase agreements, or for other purposes as required by contractual obligation or law. Under these agreements, we have granted the counterparty the right to sell or pledge $839 million and $1.0 billion of the underlying investment securities at March 31, 2018, and December 31, 2017, respectively.

(d) Securities with a fair value of $993 million and $664 million at March 31, 2018, and December 31, 2017, respectively, were pledged to secure advances from the FHLB.

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

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
March 31, 2018										
Fair value of available-for-sale securities (a)										
U.S. Treasury	$1,769	1.8%	$—	—%	$481	1.7%	$1,288	1.8%	$—	—%
U.S. States and political subdivisions	831	3.0	70	2.3	42	2.3	219	2.6	500	3.3
Foreign government	149	2.5	—	—	77	2.6	72	2.4	—	—
Agency mortgage-backed residential	14,883	3.2	—	—	—	—	3	2.6	14,880	3.2
Mortgage-backed residential	2,384	3.1	—	—	—	—	—	—	2,384	3.1
Mortgage-backed commercial	580	3.4	—	—	—	—	31	3.3	549	3.4
Asset-backed	900	3.2	—	—	655	3.2	121	3.3	124	2.9
Corporate debt	1,230	3.0	123	2.8	496	2.7	573	3.3	38	4.8
Total available-for-sale securities	$22,726	3.0	$193	2.6	$1,751	2.6	$2,307	2.3	$18,475	3.2
Amortized cost of available-for-sale securities	$23,368		$194		$1,776		$2,403		$18,995	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	$1,936	3.1%	$—	—%	$—	—%	$—	—%	$1,936	3.1%
Asset-backed retained notes	31	1.7	—	—	30	1.7	1	3.0	—	—
Total held-to-maturity securities	$1,967	3.1	$—	—	$30	1.7	$1	3.0	$1,936	3.1
December 31, 2017										
Fair value of available-for-sale securities (a)										
U.S. Treasury	$1,777	1.7%	$—	—%	$487	1.7%	$1,290	1.8%	$—	—%
U.S. States and political subdivisions	854	2.9	76	1.8	36	2.3	203	2.5	539	3.3
Foreign government	154	2.5	—	—	80	2.5	74	2.4	—	—
Agency mortgage-backed residential	14,291	3.1	—	—	—	—	3	2.9	14,288	3.1
Mortgage-backed residential	2,494	3.1	—	—	—	—	—	—	2,494	3.1
Mortgage-backed commercial	541	3.2	—	—	30	3.1	31	3.1	480	3.2
Asset-backed	936	3.1	—	—	698	3.1	106	3.1	132	2.8
Corporate debt	1,256	2.9	140	2.6	513	2.6	564	3.2	39	4.7
Total available-for-sale securities	$22,303	3.0	$216	2.3	$1,844	2.5	$2,271	2.3	$17,972	3.1
Amortized cost of available-for-sale securities	$22,499		$217		$1,852		$2,314		$18,116	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	$1,863	3.1%	$—	—%	$—	—%	$—	—%	$1,863	3.1%
Asset-backed retained notes	36	1.7	—	—	35	1.7	1	3.0	—	—
Total held-to-maturity securities	$1,899	3.1	$—	—	$35	1.7	$1	3.0	$1,863	3.1

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

and losses.

The balances of cash equivalents were $18 million and $10 million at March 31, 2018, and December 31, 2017, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents interest and dividends on investment securities.

	Three months ended March 31,	
($ in millions)	2018	2017
Taxable interest	$154	$119
Taxable dividends	3	2
Interest and dividends exempt from U.S. federal income tax	6	5
Interest and dividends on investment securities	$163	$126

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

	Three months ended March 31,	
($ in millions)	2018	2017
Available-for-sale securities		
Gross realized gains	$6	$ 27
Gross realized losses	—	—
Net realized gains on available-for-sale securities	6	27
Net realized gain on equity securities	22	
Net unrealized loss on equity securities (a)	(40)	
Other (loss) gain on investments, net	$(12)	$ 27

(a) As a result of our adoption of ASU 2016-01, beginning January 1, 2018, changes in the fair value of our portfolio of equity securities are recognized in net income. Prior to adoption, equity securities were included in our available-for-sale portfolio and unrealized changes in fair value were recognized through other comprehensive (loss) income until realized, at which point we recorded a gain or loss on sale. We adopted ASU 2016-01 on January 1, 2018, on a modified retrospective basis with a cumulative effect adjustment as of the beginning of the fiscal year of initial adoption. Refer to the section titled Recently Adopted Accounting Standards in Note 1 for additional information.

The table below summarizes available-for-sale and held-to-maturity securities in an unrealized loss position, which we evaluated for other than temporary impairment applying the methodology described in Note 1. As of March 31, 2018, we did not have the intent to sell the available-for-sale or held-to-maturity securities with an unrealized loss position and we do not believe it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As a result of this evaluation, we believe that the securities with an unrealized loss position are not considered to be other-than-temporarily impaired at March 31, 2018.

	March 31, 2018				December 31, 2017			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury	$488	$ (16)	$1,282	$ (70)	$471	$ (8)	$1,305	$ (46)
U.S. States and political subdivisions	436	(9)	176	(10)	242	(2)	183	(5)
Foreign government	82	(2)	4	—	80	(1)	4	—
Agency mortgage-backed residential	8,951	(183)	5,395	(254)	4,066	(19)	5,671	(137)
Mortgage-backed residential	1,439	(29)	734	(46)	857	(2)	773	(32)
Mortgage-backed commercial	71	(2)	21	(1)	76	(1)	21	—
Asset-backed	426	(2)	76	(1)	220	(1)	91	—
Corporate debt	932	(20)	191	(14)	529	(4)	194	(7)
Total temporarily impaired available-for-sale securities	$12,825	$ (263)	$7,879	$ (396)	$6,541	$ (38)	$8,242	$ (227)
Held-to-maturity securities								
Agency mortgage-backed residential	$1,147	$ (26)	$672	$ (46)	$773	$ (5)	$687	$ (32)
Asset-backed retained certificates	31	—	—	—	35	—	—	—
Total held-to-maturity debt securities	$1,178	$ (26)	$672	$ (46)	$808	$ (5)	$687	$ (32)

7. Finance Receivables and Loans, Net

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

($ in millions)	March 31, 2018	December 31, 2017
Consumer automotive (a)	$69,318	$ 68,071
Consumer mortgage		
Mortgage Finance (b)	12,733	11,657
Mortgage — Legacy (c)	1,950	2,093
Total consumer mortgage	14,683	13,750
Total consumer	84,001	81,821
Commercial		
Commercial and industrial		
Automotive	32,781	33,025
Other	4,184	3,887
Commercial real estate	4,361	4,160
Total commercial	41,326	41,072
Total finance receivables and loans (d)	$125,327	$ 122,893

(a) Certain finance receivables and loans are included in fair value hedging relationships. Refer to Note 18 for additional information.

(b) Includes loans originated as interest-only mortgage loans of $19 million and $20 million at March 31, 2018, and December 31, 2017, respectively, 34% of which are expected to start principal amortization in 2019, and 46% in 2020. The remainder of these loans have already exited the interest-only period.

(c) Includes loans originated as interest-only mortgage loans of $459 million and $496 million at March 31, 2018, and December 31, 2017, respectively, 2% of which are expected to start principal amortization in 2018. The remainder of these loans have already exited the interest-only period.

(d) Totals include net unearned income, unamortized premiums and discounts, and deferred fees and costs of $586 million and $551 million at March 31, 2018, and December 31, 2017, respectively.

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

Three months ended March 31, 2018 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2018	$ 1,066	$79	$ 131	$1,276
Charge-offs (a)	(365)	(12)	—	(377)
Recoveries	112	6	—	118
Net charge-offs	(253)	(6)	—	(259)
Provision for loan losses	253	1	7	261
Allowance at March 31, 2018	$ 1,066	$74	$ 138	$1,278
Allowance for loan losses at March 31, 2018				
Individually evaluated for impairment	$ 40	$27	$ 21	$88
Collectively evaluated for impairment	1,026	47	117	1,190
Finance receivables and loans at gross carrying value				
Ending balance	$ 69,318	$14,683	$ 41,326	$125,327
Individually evaluated for impairment	463	230	147	840
Collectively evaluated for impairment	68,855	14,453	41,179	124,487

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of

the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K for more information regarding our charge-off policies.

Three months ended March 31, 2017 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2017	$ 932	$ 91	$ 121	$ 1,144
Charge-offs (a)	(341)	(9)	—	(350)
Recoveries	90	7	—	97
Net charge-offs	(251)	(2)	—	(253)
Provision for loan losses	267	(3)	7	271
Other (b)	(7)	—	—	(7)
Allowance at March 31, 2017	$ 941	$ 86	$ 128	$ 1,155
Allowance for loan losses at March 31, 2017				
Individually evaluated for impairment	$ 32	$ 33	$ 24	$ 89
Collectively evaluated for impairment	909	53	104	1,066
Finance receivables and loans at gross carrying value				
Ending balance	$ 65,663	$ 10,937	$ 42,402	$ 119,002
Individually evaluated for impairment	388	249	120	757
Collectively evaluated for impairment	65,275	10,688	42,282	118,245

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K for more information regarding our charge-off policies.

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

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

($ in millions)	Three months ended March 31, 2018	2017
Consumer automotive	$ —	$ 1,213
Consumer mortgage	1	3
Total sales and transfers	$ 1	$ 1,216

The following table presents information about significant purchases of finance receivables and loans based on unpaid principal balance at the time of purchase.

($ in millions)	Three months ended March 31, 2018	2017
Consumer automotive	$ 168	$ 68
Consumer mortgage	1,295	327
Total purchases of finance receivables and loans	$ 1,463	$ 395

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

($ in millions)	30–59 days past due	60–89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
March 31, 2018						
Consumer automotive	$ 1,574	$ 359	$ 253	$ 2,186	$67,132	$ 69,318
Consumer mortgage						
Mortgage Finance	97	8	18	123	12,610	12,733
Mortgage — Legacy	40	19	61	120	1,830	1,950
Total consumer mortgage	137	27	79	243	14,440	14,683
Total consumer	1,711	386	332	2,429	81,572	84,001
Commercial						
Commercial and industrial						
Automotive	23	6	4	33	32,748	32,781
Other	—	30	—	30	4,154	4,184
Commercial real estate	4	—	—	4	4,357	4,361
Total commercial	27	36	4	67	41,259	41,326
Total consumer and commercial	$ 1,738	$ 422	$ 336	$ 2,496	$122,831	$ 125,327
December 31, 2017						
Consumer automotive	$ 1,994	$ 478	$ 268	$ 2,740	$65,331	$ 68,071
Consumer mortgage						
Mortgage Finance	60	11	18	89	11,568	11,657
Mortgage — Legacy	43	25	62	130	1,963	2,093
Total consumer mortgage	103	36	80	219	13,531	13,750
Total consumer	2,097	514	348	2,959	78,862	81,821
Commercial						
Commercial and industrial						
Automotive	5	—	3	8	33,017	33,025
Other	—	—	—	—	3,887	3,887
Commercial real estate	—	—	—	—	4,160	4,160
Total commercial	5	—	3	8	41,064	41,072
Total consumer and commercial	$ 2,102	$ 514	$ 351	$ 2,967	$119,926	$ 122,893

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

($ in millions)	March 31, 2018	December 31, 2017
Consumer automotive	$ 601	$ 603
Consumer mortgage		
Mortgage Finance	28	25
Mortgage — Legacy	87	92
Total consumer mortgage	115	117
Total consumer	716	720
Commercial		
Commercial and industrial		
Automotive	68	27
Other	74	44
Commercial real estate	5	1
Total commercial	147	72
Total consumer and commercial finance receivables and loans	$ 863	$ 792

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

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at gross carrying value. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is not expected. Refer to Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K for additional information.

	March 31, 2018			December 31, 2017		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automotive	$68,717	$ 601	$69,318	$67,468	$ 603	$68,071
Consumer mortgage						
Mortgage Finance	12,705	28	12,733	11,632	25	11,657
Mortgage — Legacy	1,863	87	1,950	2,001	92	2,093
Total consumer mortgage	14,568	115	14,683	13,633	117	13,750
Total consumer	$83,285	$ 716	$84,001	$81,101	$ 720	$81,821

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

	March 31, 2018			December 31, 2017		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial and industrial						
Automotive	$30,433	$ 2,348	$32,781	$30,982	$ 2,043	$33,025
Other	3,284	900	4,184	2,986	901	3,887
Commercial real estate	4,151	210	4,361	4,023	137	4,160
Total commercial	$37,868	$ 3,458	$41,326	$37,991	$ 3,081	$41,072

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

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Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K.

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

($ in millions)	Unpaid principal balance (a)	Gross carrying value	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
March 31, 2018					
Consumer automotive	$ 473	$ 463	$ 107	$ 356	$ 40
Consumer mortgage					
Mortgage Finance	9	9	4	5	—
Mortgage — Legacy	226	221	61	160	27
Total consumer mortgage	235	230	65	165	27
Total consumer	708	693	172	521	67
Commercial					
Commercial and industrial					
Automotive	68	68	15	53	9
Other	85	74	41	33	11
Commercial real estate	5	5	4	1	1
Total commercial	158	147	60	87	21
Total consumer and commercial finance receivables and loans	$ 866	$ 840	$ 232	$ 608	$ 88
December 31, 2017					
Consumer automotive	$ 438	$ 430	$ 91	$ 339	$ 36
Consumer mortgage					
Mortgage Finance	8	8	4	4	—
Mortgage — Legacy	228	223	58	165	27
Total consumer mortgage	236	231	62	169	27
Total consumer	674	661	153	508	63
Commercial					
Commercial and industrial					
Automotive	27	27	9	18	3
Other	54	44	10	34	11
Commercial real estate	1	1	—	1	—
Total commercial	82	72	19	53	14
Total consumer and commercial finance receivables and loans	$ 756	$ 733	$ 172	$ 561	$ 77

(a) Adjusted for charge-offs.

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

Three months ended March 31, ($ in millions)	2018 Average balance	2018 Interest income	2017 Average balance	2017 Interest income
Consumer automotive	$444	$ 7	$379	$ 5
Consumer mortgage				
Mortgage Finance	9	—	8	—
Mortgage — Legacy	221	2	241	2
Total consumer mortgage	230	2	249	2
Total consumer	674	9	628	7
Commercial				
Commercial and industrial				
Automotive	47	1	33	—
Other	52	—	83	—
Commercial real estate	3	—	5	—
Total commercial	102	1	121	—
Total consumer and commercial finance receivables and loans	$776	$ 10	$749	$ 7

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. For automotive loans, we may offer several types of assistance to aid our customers, including extension of the loan maturity date and rewriting the loan terms. Additionally, for mortgage loans, as part of certain programs, we offer mortgage loan modifications to qualified borrowers. These programs are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Total TDRs recorded at gross carrying value were $742 million and $712 million at March 31, 2018, and December 31, 2017, respectively.

Total commitments to lend additional funds to borrowers whose terms had been modified in a TDR were $6 million at both March 31, 2018, and December 31, 2017. Refer to Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K for additional information.

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

Three months ended March 31, ($ in millions)	2018 Number of loans	2018 Pre-modification gross carrying value	2018 Post-modification gross carrying value	2017 Number of loans	2017 Pre-modification gross carrying value	2017 Post-modification gross carrying value
Consumer automotive	7,042	$ 128	$ 110	6,447	$ 115	$ 99
Consumer mortgage						
Mortgage Finance	1	1	1	1	—	—
Mortgage — Legacy	62	10	9	53	12	12
Total consumer mortgage	63	11	10	54	12	12
Total consumer	7,105	139	120	6,501	127	111
Commercial						
Commercial and industrial						
Other	—	—	—	1	23	23
Total commercial	—	—	—	1	23	23
Total consumer and commercial finance receivables and loans	7,105	$ 139	$ 120	6,502	$ 150	$ 134

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The following table presents information about finance receivables and loans recorded at gross carrying value that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (refer to Note 1 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

	2018			2017		
Three months ended March 31, ($ in millions)	Number of loans	Gross carrying value	Charge-off amount	Number of loans	Gross carrying value	Charge-off amount
Consumer automotive	2,326	$ 28	$ 18	1,989	$ 24	$ 16
Consumer mortgage						
Mortgage Finance	—	—	—	1	1	—
Total consumer finance receivables and loans	2,326	$ 28	$ 18	1,990	$ 25	$ 16

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	March 31, 2018	December 31, 2017
Vehicles	$ 10,206	$ 10,556
Accumulated depreciation	(1,676)	(1,815)
Investment in operating leases, net	$ 8,530	$ 8,741

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

	Three months ended March 31,	
($ in millions)	2018	2017
Depreciation expense on operating lease assets (excluding remarketing gains and losses)	$ 291	$ 386
Remarketing (gains) losses	(18)	3
Net depreciation expense on operating lease assets	$ 273	$ 389

9. Securitizations and Variable Interest Entities

We securitize, transfer, and service consumer and commercial automotive loans, and operating leases. We often securitize these loans and notes secured by operating leases (collectively referred to as financial assets) through the use of special-purpose entities (SPEs). A SPE is a legal entity that is designed to fulfill a specified limited need of the sponsor. Our principal use of SPEs is to obtain liquidity by securitizing certain of our financial assets and operating lease assets which may, or may not, be included on our Condensed Consolidated Balance Sheet.

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

The nature, purpose, and activities of nonconsolidated securitization entities are similar to those of our consolidated securitization entities with the primary difference being the nature and extent of our continuing involvement. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet appropriate sale accounting conditions. For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, or retained interests (if applicable). Liabilities incurred as part of these

securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction. We had no pretax gain on sales of financial assets into nonconsolidated VIEs for the three months ended March 31, 2018, and a pretax gain of $2 million for the three months ended March 31, 2017.

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

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We have involvement with various other nonconsolidated equity investments, including affordable housing entities and venture capital funds and loan funds. We do not consolidate these entities and our involvement is limited to our outstanding investment, additional capital committed to these funds plus any previously recognized low income housing tax credits that are subject to recapture.
Refer to Note 11 to the Consolidated Financial Statements in our 2017 Annual Report on Form 10-K for further description of our securitization activities and our involvement with VIEs.
The following table presents our involvement in consolidated and nonconsolidated VIEs in which we hold variable interests. For additional detail related to the assets and liabilities of consolidated variable interest entities refer to the Condensed Consolidated Balance Sheet.

($ in millions)	Carrying value of total assets		Carrying value of total liabilities		Assets sold to nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs	
March 31, 2018							
On-balance sheet variable interest entities							
Consumer automotive	$17,993	(b)	$8,232	(c)			
Commercial automotive	10,428		3,521				
Off-balance sheet variable interest entities							
Consumer automotive	32	(d)	—		$ 1,658	$ 1,691	(e)
Commercial other	702	(f)	331	(g)	—	882	(h)
Total	$29,155		$12,084		$ 1,658	$ 2,573	
December 31, 2017							
On-balance sheet variable interest entities							
Consumer automotive	$17,597	(b)	$7,677	(c)			
Commercial automotive	12,550		2,558				
Off-balance sheet variable interest entities							
Consumer automotive	37	(d)	—		$ 1,964	$ 2,001	(e)
Commercial other	592	(f)	248	(g)	—	790	(h)
Total	$30,776		$10,483		$ 1,964	$ 2,791	

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

(b) Includes $8.4 billion and $8.5 billion of assets that are not encumbered by VIE beneficial interests held by third parties at March 31, 2018, and December 31, 2017, respectively. Ally or consolidated affiliates hold the interests in these assets.

(c) Includes $31 million and $29 million of liabilities that are not obligations to third-party beneficial interest holders at March 31, 2018, and December 31, 2017, respectively.

(d) Represents retained notes and certificated residual interests, of which $31 million and $36 million is classified as held-to-maturity securities at March 31, 2018, and December 31, 2017, respectively. $1 million is classified as other assets at both March 31, 2018, and December 31, 2017. These assets represent our compliance with the risk retention rules under the Dodd-Frank Act, requiring us to retain at least five percent of the credit risk of the assets underlying asset-backed securitizations.

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

(f) Amounts are classified as other assets.

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

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

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Cash Flows with Off-balance Sheet Securitization Entities

The following table summarizes cash flows received and paid related to securitization entities and asset-backed financings where the transfer is accounted for as a sale and we have a continuing involvement with the transferred consumer automotive assets (e.g., servicing) that were outstanding during the three months ended March 31, 2018, and 2017. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Three months ended March 31, ($ in millions)	Consumer automotive
2018	
Cash disbursements for repurchases during the period	$ (1)
Servicing fees	5
Cash flows received on retained interests in securitization entities	5
2017	
Cash proceeds from transfers completed during the period	$ 1,138
Servicing fees	9
Other cash flows	2

Delinquencies and Net Credit Losses

The following tables present quantitative information about delinquencies and net credit losses for off-balance sheet securitizations and whole-loan sales where we have continuing involvement.

($ in millions)	Total amount		Amount 60 days or more past due	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Off-balance sheet securitization entities				
Consumer automotive	$ 1,658	$ 1,964	$ 12	$ 16
Total off-balance sheet securitization entities	1,658	1,964	12	16
Whole-loan sales (a)	1,167	1,399	3	4
Total	$ 2,825	$ 3,363	$ 15	$ 20

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

($ in millions)	Net credit losses Three months ended March 31, 2018	2017
Off-balance sheet securitization entities		
Consumer automotive	$ 3	$ 3
Total off-balance sheet securitization entities	3	3
Whole-loan sales (a)	1	1
Total	$ 4	$ 4

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

10. Servicing Activities

Automotive Finance Servicing Activities

We service consumer automotive contracts. Historically, we have sold a portion of our consumer automotive contracts. With respect to contracts we sell, we generally retain the right to service and earn a servicing fee for our servicing function. We have concluded that the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automotive servicing fee income of $8 million and $16 million during the three months ended March 31, 2018, and 2017, respectively.

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Automotive Finance Serviced Assets

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

($ in millions)	March 31, 2018	December 31, 2017
On-balance sheet automotive finance loans and leases		
Consumer automotive	$68,738	$ 67,631
Commercial automotive	36,935	37,058
Operating leases	8,489	8,682
Other	131	121
Off-balance sheet automotive finance loans		
Securitizations	1,666	1,977
Whole-loan sales	1,175	1,409
Total serviced automotive finance loans and leases	$117,134	$ 116,878

11. Other Assets

The components of other assets were as follows.

($ in millions)	March 31, 2018	December 31, 2017
Property and equipment at cost	$ 1,107	$ 1,064
Accumulated depreciation	(627)	(608)
Net property and equipment	480	456
Nonmarketable equity investments (a)	1,250	1,233
Restricted cash collections for securitization trusts (b)	986	812
Accrued interest and rent receivables	533	550
Net deferred tax assets	530	461
Goodwill (c)	240	240
Other accounts receivable	142	116
Restricted cash and cash equivalents (d)	119	94
Cash reserve deposits held for securitization trusts (e)	112	111
Fair value of derivative contracts in receivable position (f)	56	39
Cash collateral placed with counterparties	33	29
Other assets	1,544	1,522
Total other assets	$ 6,025	$ 5,663

(a) Includes investments in FHLB stock of $764 million and $745 million at March 31, 2018, and December 31, 2017, respectively; FRB stock of $446 million and $445 million at March 31, 2018, and December 31, 2017, respectively; and equity securities without a readily determinable fair value of $40 million at March 31, 2018, measured at cost with adjustments for impairment and observable changes in price. We have not recorded any impairments or adjustments for observable price differences to these investments during the three months ended March 31, 2018.

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

(c) Includes goodwill of $27 million within our Insurance operations at both March 31, 2018, and December 31, 2017; $193 million within Corporate and Other at both March 31, 2018, and December 31, 2017; and $20 million within Automotive Finance operations at both March 31, 2018, and December 31, 2017. No changes to the carrying amount of goodwill were recorded during the three months ended March 31, 2018.

(d)

Primarily represents a number of arrangements with third parties where certain restrictions are placed on balances we hold due to collateral agreements associated with operational processes with a third-party bank, or letter of credit arrangements and corresponding collateral requirements.

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

(f) For additional information on derivative instruments and hedging activities, refer to Note 18.

12. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	March 31, 2018	December 31, 2017
Noninterest-bearing deposits	$ 122	$ 108
Interest-bearing deposits		
Savings and money market checking accounts	50,293	49,267
Certificates of deposit	47,025	43,869
Dealer deposits	6	12
Total deposit liabilities	$ 97,446	$ 93,256

At March 31, 2018, and December 31, 2017, certificates of deposit included $20.6 billion and $18.9 billion, respectively, of those in denominations of $100 thousand or more. At March 31, 2018, and December 31, 2017, certificates of deposit included $5.4 billion and $5.3 billion, respectively, of those in denominations in excess of $250 thousand federal insurance limits.

13. Debt

Short-term Borrowings

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

($ in millions)	March 31, 2018			December 31, 2017		
	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$2,957	$—	$2,957	$3,171	$—	$3,171
Federal Home Loan Bank	—	5,900	5,900	—	7,350	7,350
Financial instruments sold under agreements to repurchase	—	707	707	—	892	892
Total short-term borrowings	$2,957	$6,607	$9,564	$3,171	$8,242	$11,413

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

We periodically enter into term repurchase agreements, short-term borrowing agreements in which we sell financial instruments to one or more investors while simultaneously committing to repurchase them at a specified future date, at the stated price plus accrued interest. As of March 31, 2018, the financial instruments sold under agreements to repurchase consisted of $707 million of agency mortgage-backed residential debt securities set to mature as follows: $432 million within 31 to 60 days, and $275 million within 61 to 90 days. Refer to Note 6 and Note 21 for further details.

The primary risk associated with these repurchase agreements is that the counterparty will be unable to perform under the terms of the contract. As the borrower, we are exposed to the excess market value of the securities pledged over the amount borrowed. Daily mark-to-market collateral management is designed to limit this risk to the initial margin. However, should a counterparty declare bankruptcy or become insolvent, we may incur additional delays and costs. In some instances, we may place or receive cash collateral with counterparties under collateral arrangements associated with our repurchase agreements. At March 31, 2018, we placed cash collateral totaling $5 million and received cash collateral totaling $1 million. At December 31, 2017, we placed cash collateral totaling $10 million and received cash collateral totaling $1 million.

Long-term Debt

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

($ in millions)	March 31, 2018			December 31, 2017		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	$3,681	$7,639	$11,320	$3,482	$7,499	$10,981

Due after one year (a)	11,153	22,476	33,629	11,909	21,128	33,037
Fair value adjustment (b)	190	(63)	127	240	(32)	208
Total long-term debt (c)	$15,024	$30,052	$45,076	$15,631	$28,595	$44,226

(a) Includes $2.6 billion of trust preferred securities at both March 31, 2018, and December 31, 2017.

(b) Represents the basis adjustment associated with the application of hedge accounting on certain of our long-term debt positions. Refer to Note 18 for additional information.

(c) Includes advances from the FHLB of Pittsburgh of $12.7 billion and $10.3 billion at March 31, 2018, and December 31, 2017, respectively.

The following table presents the scheduled remaining maturity of long-term debt at March 31, 2018, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

($ in millions)	2018	2019	2020	2021	2022	2023 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$2,987	$1,680	$2,251	$650	$1,066	$7,411	$ 190	$16,235
Original issue discount	(76)	(39)	(39)	(43)	(47)	(967)	—	(1,211)
Total unsecured	2,911	1,641	2,212	607	1,019	6,444	190	15,024
Secured								
Long-term debt	4,924	7,467	6,845	5,717	4,094	1,068	(63)	30,052
Total long-term debt	$7,835	$9,108	$9,057	$6,324	$5,113	$7,512	$ 127	$45,076

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

	March 31, 2018		December 31, 2017	
($ in millions)	Total (a)	Ally Bank	Total (a)	Ally Bank
Investment securities (b)	$8,891	$ 8,443	$8,371	$ 7,443
Mortgage assets held-for-investment and lending receivables	14,501	14,501	13,579	13,579
Consumer automotive finance receivables	17,472	6,639	19,787	6,200
Commercial automotive finance receivables	14,618	14,558	16,567	16,472
Operating leases	350	—	457	—
Total assets restricted as collateral (c) (d)	$55,832	$ 44,141	$58,761	$ 43,694
Secured debt	$36,659 (e)	$ 25,874	$36,837 (e)	$ 23,278

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

(b) A portion of the restricted investment securities at March 31, 2018, and December 31, 2017, were restricted under repurchase agreements. Refer to the section above titled Short-term Borrowings for information on the repurchase agreements.

(c) Ally Bank has an advance agreement with the FHLB, and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling $27.0 billion and $25.2 billion at March 31, 2018, and December 31, 2017, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans and investment securities. Ally Bank has access to the FRB Discount Window. Ally Bank had assets pledged and restricted as collateral to the FRB totaling $2.3 billion at both March 31, 2018, and December 31, 2017. These assets were composed of consumer automotive finance receivables and loans. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(d) Excludes restricted cash and cash reserves for securitization trusts recorded within other assets on the Condensed Consolidated Balance Sheet. Refer to Note 11 for additional information.

(e) Includes $6.6 billion and $8.2 billion of short-term borrowings at March 31, 2018, and December 31, 2017, respectively.

Trust Preferred Securities

At March 31, 2018, we have issued and outstanding approximately $2.6 billion in aggregate liquidation preference of 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 (Series 2 TRUPS). Each Series 2 TRUPS security has a liquidation amount of $25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. To but excluding February 15, 2040, distributions are payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears. Ally has the right to defer

payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. Ally at any time may redeem the Series 2 TRUPS at a redemption price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest through the date of redemption. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case.

Funding Facilities

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

As of March 31, 2018, Ally Bank had exclusive access to $1.5 billion of funding capacity from committed credit facilities. Funding programs supported by the FRB and the FHLB complement Ally Bank's private collateralized funding vehicles.

The total capacity in our committed funding facilities is provided by banks through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At March 31, 2018, all of our $8.7 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, 2018, we had $6.6 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

($ in millions)	Outstanding		Unused capacity (a)		Total capacity	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Bank funding						
Secured	$1,500	$ 1,785	$—	$ 890	$1,500	$ 2,675
Parent funding						
Secured	4,255	6,330	2,970	2,920	7,225	9,250
Total committed facilities	$5,755	$ 8,115	$2,970	$ 3,810	$8,725	$ 11,925

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

14. Accrued Expenses and Other Liabilities

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

($ in millions)	March 31, 2018	December 31, 2017
Accounts payable	$ 390	$ 746
Employee compensation and benefits	161	248
Reserves for insurance losses and loss adjustment expenses	157	140
Fair value of derivative contracts in payable position (a)	56	41
Deferred revenue	34	32
Cash collateral received from counterparties	31	17
Other liabilities	626	556
Total accrued expenses and other liabilities	$ 1,455	$ 1,780

(a) For additional information on derivative instruments and hedging activities, refer to Note 18.

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15. Accumulated Other Comprehensive Loss

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

($ in millions)	Unrealized (losses) gains on investment securities (a)	Translation adjustments and net investment hedges (b)	Cash flow hedges (b)	Defined benefit pension plans	Accumulated other comprehensive loss
Balance at December 31, 2016	$ (273)	$ 14	$ 8	$ (90)	$ (341)
2017 net change	21	—	—	(1)	20
Balance at March 31, 2017	$ (252)	$ 14	$ 8	$ (91)	$ (321)
Balance at December 31, 2017, before cumulative effect of adjustments	$ (173)	$ 16	$ 11	$ (89)	$ (235)
Cumulative effect of changes in accounting principles, net of tax (c)					
Adoption of Accounting Standards Update 2016-01	27	—	—	—	27
Adoption of Accounting Standards Update 2018-02	(40)	4	—	(6)	(42)
Balance at January 1, 2018, after cumulative effect of adjustments	(186)	20	11	(95)	(250)
2018 net change	(338)	(1)	14	(3)	(328)
Balance at March 31, 2018	$ (524)	$ 19	$ 25	$ (98)	$ (578)

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

(b) For additional information on derivative instruments and hedging activities, refer to Note 18.

(c) Refer to the section titled Recently Adopted Accounting Standards in Note 1 for additional information.

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

Three months ended March 31, 2018 ($ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized losses arising during the period	$(436)	$103	$(333)
Less: Net realized gains reclassified to income from continuing operations	6 (a)	(1) (b)	5
Net change	(442)	104	(338)
Translation adjustments			
Net unrealized losses arising during the period	(5)	1	(4)
Net investment hedges (c)			
Net unrealized gains arising during the period	4	(1)	3
Cash flow hedges (c)			
Net unrealized gains arising during the period	18	(4)	14
Defined benefit pension plans			
Net unrealized losses arising during the period	(3)	—	(3)
Other comprehensive loss	$(428)	$100	$(328)

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

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

(c) For additional information on derivative instruments and hedging activities, refer to Note 18.

Three months ended March 31, 2017 ($ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized gains arising during the period	$ 51	$ (5)	$46
Less: Net realized gains reclassified to income from continuing operations	27 (a)	(2) (b)	25
Net change	24	(3)	21
Translation adjustments			
Net unrealized gains arising during the period	2	(1)	1
Net investment hedges (c)			
Net unrealized losses arising during the period	(2)	1	(1)
Defined benefit pension plans			
Net unrealized losses arising during the period	(1)	—	(1)
Other comprehensive income	$ 23	$ (3)	$20

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

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

(c) For additional information on derivative instruments and hedging activities, refer to Note 18.

16. Earnings per Common Share

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

($ in millions, except per share data; shares in thousands) (a)	Three months ended March 31, 2018	2017
Net income from continuing operations attributable to common stockholders	$252	$ 213
(Loss) income from discontinued operations, net of tax	(2)	1
Net income attributable to common stockholders	$250	$ 214
Basic weighted-average common shares outstanding (b)	436,213	465,961
Diluted weighted-average common shares outstanding (b)	438,931	466,829
Basic earnings per common share		
Net income from continuing operations	$0.58	$ 0.46
Loss from discontinued operations, net of tax	(0.01)	—
Net income	$0.57	$ 0.46
Diluted earnings per common share		
Net income from continuing operations	$0.57	$ 0.46
Loss from discontinued operations, net of tax	(0.01)	—
Net income	$0.57	$ 0.46

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

(b) Includes shares related to share-based compensation that vested but were not yet issued for the three months ended March 31, 2018, and 2017.

17. Regulatory Capital and Other Regulatory Matters

The FRB and other U.S. banking agencies have adopted risk-based and leverage capital standards that establish minimum capital-to-asset ratios for BHCs, like Ally, and depository institutions, like Ally Bank. The risk-based capital ratios are based on a banking organization’s risk-weighted assets (RWAs), which are generally determined under the Basel III standardized approach applicable to Ally and Ally Bank by (1) assigning on-balance sheet

exposures to broad risk weight categories according to the counterparty or, if relevant, the guarantor or collateral (with higher risk weights assigned to categories of exposures perceived as representing greater risk), and (2) multiplying off-balance sheet exposures by specified credit conversion factors to calculate credit equivalent amounts and assigning those credit equivalent amounts to the relevant risk weight categories. The leverage ratio, in contrast, is based on an institution's average unweighted on-balance sheet exposures.

Ally and Ally Bank are subject to capital requirements issued by U.S. banking regulators that require us to maintain risk-based and leverage capital ratios above minimum levels. As of January 1, 2015, Ally and Ally Bank became subject to the rules implementing the 2010 Basel III capital framework in the United States (U.S. Basel III), which generally reflects higher capital requirements, capital buffers, and changes to regulatory capital definitions, deductions and adjustments, relative to the predecessor requirements implementing the Basel I capital framework in the United States. Certain aspects of U.S. Basel III, including the capital buffers are subject to a phase-in period through December 31, 2018.

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

Under U.S. Basel III, Ally and Ally Bank must maintain a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum total risk-based capital ratio of 8%. In addition to these minimum risk-based capital ratios, Ally and Ally Bank are also subject to a Common Equity Tier 1 capital conservation buffer of more than 2.5%, subject to a phase-in period from January 1, 2016, through December 31, 2018. Failure to maintain the full amount of the buffer would result in restrictions on the ability of Ally and Ally Bank to make capital distributions, including dividend payments and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. U.S. Basel III also subjects Ally and Ally Bank to a minimum Tier 1 leverage ratio of 4%.

U.S. Basel III also revised the eligibility criteria for regulatory capital instruments and provides for the phase-out of instruments that had previously been recognized as capital but that do not satisfy these criteria. For example, subject to certain exceptions (e.g., certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other hybrid securities were excluded from a BHC's Tier 1 capital as of January 1, 2016. Also, subject to a phase-in schedule, certain items are deducted from Common Equity Tier 1 capital under U.S. Basel III that had not previously been deducted from regulatory capital, and certain other deductions from regulatory capital have been modified. Among other things, U.S. Basel III requires significant investments in the common stock of unconsolidated financial institutions, mortgage servicing assets, and certain deferred tax assets that exceed specified individual and aggregate thresholds to be deducted from Common Equity Tier 1 capital. U.S. Basel III also revised the standardized approach for calculating RWAs by, among other things, modifying certain risk weights and the methods for calculating RWAs for certain types of assets and exposures.

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

On April 13, 2018, the FRB and other U.S. banking agencies proposed a revision to their regulatory capital rules to address the regulatory capital treatment related to ASU 2016-13, which Ally plans to adopt effective January 1, 2020, as further described in Note 1. We expect the implementation of ASU 2016-13 will significantly increase our allowance for credit losses upon adoption. If finalized, the proposed changes to the regulatory capital rules would allow Ally to phase in the impact to our regulatory capital as a result of the increase to our allowance for credit losses on a straight-line basis over a three-year period. In addition, the U.S. banking agencies are proposing to make amendments to the stress testing regulations which would exclude the impact of the adoption of ASU 2016-13 until the 2020 stress testing cycle.

On April 10, 2018, the FRB issued a proposal that would seek to more closely align forward-looking stress testing results with the FRB's non-stress capital requirements for banking organizations with $50 billion or more in assets. The proposal would introduce a "stress capital buffer" based on firm-specific stress test performance, which would effectively replace the capital conservation buffer for determining non-stress capital requirements. The proposal

would also incorporate several other changes to the CCAR process including eliminating the CCAR quantitative objection, narrowing the set of planned capital actions assumed to occur in the stress scenario and eliminating the thirty percent dividend payout ratio as a criterion for heightened scrutiny of a firm's capital plan, among other proposed changes. If finalized, the rule would be effective on December 31, 2018, and a firm's first stress buffer requirements would generally be effective on October 1, 2019. We are currently evaluating the effect this proposal will have on our capital planning and stress testing requirements. In December 2017, the Basel Committee approved revisions to the global Basel III capital framework (commonly known as Basel IV), many of which—if adopted in the United States—could heighten regulatory capital standards even more. At this time, it is not clear how all of these proposals and revisions will be harmonized and finalized in the United States.

On March 7, 2016, Ally Bank received approval from the FRB to become a state member bank. Ally Bank is now regulated by the FRB through the Federal Reserve Bank of Chicago, as well as the Utah Department of Financial Institutions (UDFI). As a requirement of FRB membership, we held $446 million of FRB stock at March 31, 2018. In addition, in connection with the application for membership in the Federal Reserve System, Ally Bank made commitments to the FRB relating to capital, liquidity, and business plan requirements. These commitments were consistent with the prior requirements under the now-terminated Capital and Liquidity Maintenance Agreement with the Federal Deposit Insurance Corporation (FDIC), including the requirement to maintain capital at a level such that Ally Bank's Tier 1 leverage ratio was at least 15%. On August 22, 2017, banking agencies lifted the capital, liquidity, and business plan commitments that Ally Bank had made in connection with its application for membership in the Federal Reserve System, including the commitment to maintain a Tier 1 leverage ratio of at least 15%.

Compliance with capital requirements is a strategic priority for Ally. We expect to be in compliance with all applicable requirements within the established timeframes.

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The following table summarizes our capital ratios under the U.S. Basel III capital framework.

	March 31, 2018		December 31, 2017		Required minimum	Well-capitalized minimum
($ in millions)	Amount	Ratio	Amount	Ratio	(a)	
Capital ratios						
Common Equity Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	$13,079	9.26 %	$13,237	9.53 %	4.50 %	(b)
Ally Bank	16,535	13.93	17,059	15.04	4.50	6.50 %
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	$15,512	10.98 %	$15,628	11.25 %	6.00 %	6.00 %
Ally Bank	16,535	13.93	17,059	15.04	6.00	8.00
Total (to risk-weighted assets)						
Ally Financial Inc.	$17,760	12.57 %	$17,974	12.94 %	8.00 %	10.00 %
Ally Bank	17,480	14.72	17,886	15.77	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (c)						
Ally Financial Inc.	$15,512	9.26 %	$15,628	9.53 %	4.00 %	(b)
Ally Bank	16,535	11.94	17,059	12.87	4.00	5.00 %

(a) In addition to the minimum risk-based capital requirements for common equity Tier 1 capital, Tier 1 capital, and total capital ratios, Ally and Ally Bank were required to maintain a minimum capital conservation buffer of 1.875% and 1.25% at March 31, 2018, and December 31, 2017, respectively, which ultimately increases to 2.5% on January 1, 2019.

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

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

At March 31, 2018, Ally and Ally Bank were "well-capitalized" and met all applicable capital requirements to which each was subject.

Capital Planning and Stress Tests

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

Ally's proposed capital plan must include an assessment of our expected uses and sources of capital and a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any dividend or other capital distribution, and any similar action that the FRB determines could have an impact on Ally's capital. The proposed capital plan must also include a discussion of how Ally, under expected and stressful conditions, will maintain capital commensurate with its risks and above the minimum regulatory capital ratios, and serve as a source of strength to Ally Bank. The FRB will either object to Ally's proposed capital plan, in whole or in part, or provide a notice of non-objection to Ally's proposed capital plan, and must do so before Ally may take any capital action. In addition, even if the FRB does not object to our capital plan, Ally may be precluded from or limited in paying dividends or other capital distributions without the FRB's approval under certain circumstances—for example, when we would not meet minimum regulatory capital ratios and capital buffers after giving effect to the distributions.

As part of the 2017 Comprehensive Capital Analysis and Review (CCAR) process, on April 5, 2017, we submitted our 2017 capital plan and stress test results to the FRB. On June 23, 2017, we publicly disclosed summary results of the stress test under the most severe scenario in accordance with regulatory requirements. On June 28, 2017, we received a non-objection to our capital plan from the FRB, including the proposed capital actions contained in our

submission. The capital actions included a 50% increase in the quarterly cash dividend on common stock from $0.08 per share to $0.12 per share, and a 9% increase in our share repurchase program, which has been authorized by the Ally Board of Directors (the Board), permitting us to repurchase up to $760 million of our common stock from time to time from the third quarter of 2017 through the second quarter of 2018. In addition, we submitted to the FRB the results of our company-run mid-cycle stress test conducted under multiple macroeconomic scenarios and disclosed the results of this stress test under the most severe scenario on October 5, 2017, in accordance with regulatory requirements. Additionally, in connection with the 2017 CCAR process, on April 10, 2018, the Board declared a quarterly cash dividend of $0.13 per share on all common stock, payable on May 15, 2018.

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

($ in millions, except per share data; shares in thousands)	Common stock repurchased during period (a)		Number of common shares outstanding		Cash dividends declared per common share (b)
	Approximate dollar value	Number of shares	Beginning of period	End of period	
2016					
Third quarter	$159	8,298	483,753	475,470	$ 0.08
Fourth quarter	167	8,745	475,470	467,000	0.08
2017					
First quarter	$169	8,097	467,000	462,193	$ 0.08
Second quarter	204	10,485	462,193	452,292	0.08
Third quarter	190	8,507	452,292	443,796	0.12
Fourth quarter	190	7,033	443,796	437,054	0.12
2018					
First quarter	$185	6,473	437,054	432,691	$ 0.13

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

(b) On April 10, 2018, the Board declared a quarterly cash dividend of $0.13 per share on all common stock, payable on May 15, 2018. Refer to Note 25 for further information regarding this common stock dividend.

Ally submitted its 2018 capital plan on April 5, 2018, with capital actions including distributions to common stockholders through share repurchases and cash dividends. We expect to receive the FRB's response (either a non-objection or objection) to Ally's 2018 capital plan by June 30, 2018. Our ability to make capital distributions, including our ability to pay dividends or repurchase shares of our common stock, will continue to be subject to the FRB's review of and non-objection to the actions that we propose each year in our annual capital plan. The amount and size of any future dividends and share repurchases will depend upon our results of operations, capital levels, future opportunities, consideration and approval by the Board, and other considerations including the degree of severity of stress scenarios assigned by the FRB as part of the CCAR process.

In January 2017, the FRB amended the capital planning and stress testing rules, effective for the 2017 cycle and beyond. As a result of this amendment, the FRB may no longer object to the capital plan of a large and noncomplex BHC, like Ally, on the basis of qualitative deficiencies in its capital planning process. Instead, the qualitative assessment of Ally's capital planning process is now conducted outside of CCAR through the supervisory review process. The amendment also decreased the de minimis threshold for the amount of capital that Ally could distribute to stockholders outside of an approved capital plan without seeking prior approval of the FRB, and modified Ally's reporting requirements to reduce unnecessary burdens.

18. Derivative Instruments and Hedging Activities

We enter into derivative instruments, such as interest rate, foreign-currency, and equity swaps, futures, forwards, and options in connection with our risk management activities. Our primary objective for utilizing derivative financial instruments is to manage interest rate risk associated with our fixed- and variable-rate assets and liabilities, foreign exchange risks related to our foreign-currency denominated assets and liabilities, and market risks related to our investment portfolio.

Interest Rate Risk

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

Derivatives qualifying for hedge accounting can include receive-fixed swaps designated as fair value hedges of specific fixed-rate unsecured debt obligations, receive-fixed swaps designated as fair value hedges of specific fixed-rate FHLB advances, fair value hedges of securities within our available-for-sale portfolio, and pay-fixed swaps designated as fair value hedges of closed portfolios of fixed-rate held-for-investment retail automotive loan assets in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. Other derivatives qualifying for hedge accounting consist of pay-fixed swaps designated as cash flow hedges of the expected future cash flows in the form of interest payments on certain variable-rate borrowings and deposit liabilities.

We may also execute economic hedges, which consist of interest rate swaps, interest rate caps, forwards, futures, options, and swaptions to mitigate interest rate risk.

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

Foreign Exchange Risk
We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to our various foreign-currency exposures.
We enter into foreign-currency forwards with external counterparties as net investment hedges of foreign exchange exposure on our investments in foreign subsidiaries. Our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive loss. We also periodically enter into foreign-currency forwards to economically hedge any foreign-denominated debt, centralized lending, and foreign-denominated third-party loans. These foreign currency forwards that are used as economic hedges are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.
Market Risk
We enter into equity options to economically hedge our exposure to the equity markets. We purchase options to assume a long position on certain equities and write options to assume a short position.
Counterparty Credit Risk
Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument.
To mitigate the risk of counterparty default, we maintain collateral agreements with certain counterparties. The agreements generally require both parties to post collateral in the event the fair values of the derivative financial instruments meet posting thresholds established under the agreements. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. These payments are characterized as collateral for over-the-counter (OTC) derivatives.
We execute certain derivatives such as interest rate swaps with clearinghouses, which requires us to post collateral. For these clearinghouse derivatives, these payments are recognized as settlements rather than collateral.
Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. No such specified credit risk related events occurred during the three months ended March 31, 2018, or 2017.
We placed cash collateral totaling $28 million and securities collateral totaling $100 million at March 31, 2018, and $20 million and $97 million at December 31, 2017, respectively, in accounts maintained by counterparties. This amount primarily relates to collateral posted to support our derivative positions. This amount also excludes cash and securities pledged as collateral under repurchase agreements. Refer to Note 13 for details on the repurchase agreements. The receivables for cash collateral placed are included on our Condensed Consolidated Balance Sheet in other assets.
We received cash collateral from counterparties totaling $30 million and $17 million at March 31, 2018, and December 31, 2017, respectively, primarily to support these derivative positions. This amount also excludes cash and securities pledged as collateral under repurchase agreements. The payables for cash collateral received are included on our Condensed Consolidated Balance Sheet in accrued expenses and other liabilities. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. We received noncash collateral of $2 million at both March 31, 2018, and December 31, 2017. Included in these amounts is noncash collateral where we have been granted the right to sell or pledge the underlying assets. We have not sold or pledged any of the noncash collateral received

under these agreements.

Balance Sheet Presentation

The following table summarizes the amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories.

Derivative contracts in a receivable and payable position exclude open trade equity on derivatives cleared through central clearing counterparties. Any associated collateral exchanged with our central clearing counterparties are treated as settlements of the derivative exposure, rather than collateral. Such payments are recognized as settlements of the derivatives contracts in a receivable and payable position on our Condensed Consolidated Balance Sheet. Notional amounts are reference amounts from which contractual obligations are derived and are not recorded on the balance sheet. In our view, derivative notional is not an accurate measure of our derivative exposure when viewed in isolation from other factors, such as market rate fluctuations and counterparty credit risk.

($ in millions)	March 31, 2018			December 31, 2017		
	Derivative contracts in a		Notional amount	Derivative contracts in a		Notional amount
	receivable position	payable position		receivable position	payable position	
Derivatives designated as accounting hedges						
Interest rate contracts						
Swaps	$ —	$ —	$ 20,250	$ —	$ —	$ 6,915
Foreign exchange contracts						
Forwards	—	—	145	—	1	136
Total derivatives designated as accounting hedges	—	—	20,395	—	1	7,051
Derivatives not designated as accounting hedges						
Interest rate contracts						
Futures and forwards	—	—	5	—	—	23
Written options	1	55	6,139	1	39	8,327
Purchased options	55	—	6,081	38	—	8,237
Total interest rate risk	56	55	12,225	39	39	16,587
Foreign exchange contracts						
Futures and forwards	—	—	297	—	1	124
Total foreign exchange risk	—	—	297	—	1	124
Equity contracts						
Written options	—	1	—	—	—	—
Total equity risk	—	1	—	—	—	—
Total derivatives not designated as accounting hedges	56	56	12,522	39	40	16,711
Total derivatives	$ 56	$ 56	$ 32,917	$ 39	$ 41	$ 23,762

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The following table presents amounts recorded on our Condensed Consolidated Balance Sheet related to cumulative basis adjustments for fair value hedges.

($ in millions)	Carrying amount of the hedged items		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged items			
			Total		Discontinued (a)	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Assets						
Available-for-sale securities (b)	$985	$ 173	$—	$ 2	$2	$ 2
Finance receivables and loans, net (c)	22,121	2,305	(31)	18	14	19
Liabilities						
Long-term debt	$14,958	$ 14,640	$127	$ 208	$163	$ 235

(a) Represents the fair value hedging adjustment on qualifying hedges for which the hedging relationship was discontinued. This represents a subset of the amounts reported in the total hedging adjustment.

(b) The carrying amount of hedged available-for-sale securities is presented above using amortized cost. Refer to Note 6 for a reconciliation of the amortized cost and fair value of available-for-sale securities.

(c) The hedged item represents the carrying value of the hedged portfolio of assets. The amount that is identified as the last of layer in the hedge relationship is $9.7 billion as of March 31, 2018. The basis adjustment associated with the last-of-layer relationship is $45 million liability as of March 31, 2018, which would be allocated across the entire remaining closed pool upon termination or maturity of the hedge relationship. A last-of-layer hedge strategy did not exist at December 31, 2017.

Statement of Comprehensive Income Presentation

The following table summarizes the location and amounts of gains and losses on derivative instruments not designated as accounting hedges reported in our Condensed Consolidated Statement of Comprehensive Income.

($ in millions)	Three months ended March 31, 2018	2017
Gain (loss) recognized in earnings		
Interest rate contracts		
Other income, net of losses	$2	$(2)
Total interest rate contracts	2	(2)
Foreign exchange contracts (a)		
Other income, net of losses	—	(1)
Total foreign exchange contracts	—	(1)
Gain (loss) recognized in earnings	$2	$(3)

(a) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivables. Gains of $0 million and $1 million were recognized for the three months ended March 31, 2018, and 2017, respectively.

The following table summarizes the location and amounts of gains and losses on derivative instruments designated as fair value hedges reported in our Condensed Consolidated Statement of Comprehensive Income. We had no gains or losses on derivative instruments designated as cash flow hedges for the periods shown.

	Interest and fees on finance receivables and loans		Interest and dividends on investment securities and other earning assets		Interest on long-term debt	
Three months ended March 31, ($ in millions)	2018	2017	2018	2017	2018	2017
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Hedged fixed-rate unsecured debt	$—	$—	$—	$—	$36	$(2)
Derivatives designated as hedging instruments on fixed-rate unsecured debt	—	—	—	—	(35)	3
Hedged fixed-rate FHLB advances	—	—	—	—	33	(1)
Derivatives designated as hedging instruments on fixed-rate FHLB advances	—	—	—	—	(33)	1
Hedged available-for-sale securities	—	—	(3)	—	—	—
Derivatives designated as hedging instruments on available-for-sale securities	—	—	3	—	—	—
Hedged fixed-rate retail automotive loans	(45)	(4)	—	—	—	—
Derivatives designated as hedging instruments on fixed-rate retail automotive loans	45	2	—	—	—	—
Total (loss) gain on fair value hedging relationships	$—	$(2)	$—	$—	$1	$1
Total amounts presented in the Condensed Consolidated Statement of Comprehensive Income	$1,543	$1,368	$176	$134	$411	$424

The following table summarizes the location and amounts of gains and losses related to interest and amortization on derivative instruments designated as fair value and cash flow hedges reported in our Condensed Consolidated Statement of Comprehensive Income.

	Interest and fees on finance receivables and loans		Interest and dividends on investment securities and other earning assets		Interest on long-term debt	
Three months ended March 31, ($ in millions)	2018	2017	2018	2017	2018	2017
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Amortization of deferred unsecured debt basis adjustments	$—	$—	$—	$—	$15	$20
Interest for qualifying accounting hedges of unsecured debt	—	—	—	—	3	5
Amortization of deferred secured debt basis adjustments (FHLB advances)	—	—	—	—	(1)	(1)
Interest for qualifying accounting hedges of secured debt (FHLB advances)	—	—	—	—	2	—
Interest for qualifying accounting hedges of available-for-sale securities	—	—	(1)	—	—	—
Amortization of deferred loan basis adjustments	(4)	(5)	—	—	—	—
Interest for qualifying accounting hedges of retail automotive loans held-for-investment	(7)	(1)	—	—	—	—
Total (loss) gain on fair value hedging relationships	(11)	(6)	(1)	—	19	24
Gain on cash flow hedging relationships						
Interest rate contracts (a)						
Interest for qualifying accounting hedges of variable-rate borrowings	—	—	—	—	1	—
Total gain on cash flow hedging relationships	$—	$—	$—	$—	$1	$—
Total amounts presented in the Condensed Consolidated Statement of Comprehensive Income	$1,543	$1,368	$176	$134	$411	$424

(a) During the next twelve months, we estimate $13 million will be reclassified into pretax earnings from derivatives designated as cash flow hedges.

The following table summarizes the effect of cash flow hedges on accumulated other comprehensive loss.

	Three months ended March 31,	
($ in millions)	2018	2017
Cash flow hedges		
Interest rate contracts		
Gain recognized in other comprehensive loss	$ 18	$ —

The following table summarizes the effect of net investment hedges on accumulated other comprehensive loss and the Condensed Consolidated Statement of Comprehensive Income.

Gain (loss) recognized in

	other comprehensive (loss) income on derivatives	
Three months ended March 31, ($ in millions)	2018	2017
Foreign exchange contracts (a) (b)	$ 4	$ (2)

(a) There were no amounts excluded from effectiveness testing for the three months ended March 31, 2018, or 2017, respectively.

(b) Gains and losses reclassified from accumulated other comprehensive loss are reported as other income, net of losses, on the Condensed Consolidated Statement of Comprehensive Income. There were no amounts reclassified for the three months ended March 31, 2018, or 2017, respectively.

19. Income Taxes

We recognized total income tax expense from continuing operations of $76 million for the three months ended March 31, 2018, compared to income tax expense of $113 million for the same period in 2017. The decrease in income tax expense for the three months ended March 31, 2018, compared to the same period in 2017, was primarily driven by the reduction of the U.S. federal corporate tax rate enacted as a result of the Tax Act, partially offset by tax benefits in 2017 from the release of valuation allowance against our capital-in-nature deferred tax assets and foreign tax credit carryforwards.

As further described in Note 1, we elected to early-adopt ASU 2018-02 effective January 1, 2018. As a result of this adoption, we reclassified $42 million from accumulated other comprehensive loss to retained earnings, which eliminated the stranded federal income tax effects in accumulated other comprehensive loss resulting from the Tax Act. Our policy is to use the portfolio method with respect to reclassification of stranded income tax effects in accumulated other comprehensive loss.

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for certain foreign tax credits carryforwards, state net operating loss carryforwards, and state capital loss carryforwards will not be realized. In recognition of this risk, we continue to provide a partial valuation allowance on the deferred tax assets relating to these carryforwards.

20. Fair Value

Fair Value Measurements

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

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

Level 1	Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.
Level 2	Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.
Transfers	Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels for the three months ended March 31, 2018.

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

- Equity Securities — Includes various marketable equity securities measured at fair value with changes in fair value recognized in net income. Measurements based on observable market prices are classified as Level 1.
- Available-for-sale securities — All classes of available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- Interests retained in financial asset sales — Includes certain noncertificated interests retained from the sale of automotive finance receivables. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as

available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (e.g., forward interest rates) and internally developed inputs (e.g., prepayment speeds, delinquency levels, and credit losses).

- Derivative instruments — We enter into a variety of derivative financial instruments as part of our risk management strategies. Certain of these derivatives are exchange traded, such as Eurodollar futures, options of Eurodollar futures, and equity options. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

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

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

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

Recurring Fair Value

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

	Recurring fair value measurements			
March 31, 2018 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Equity securities (a)	$668	$—	$ 12	$680
Available-for-sale securities				
Debt securities				
U.S. Treasury	1,769	—	—	1,769
U.S. States and political subdivisions	—	831	—	831
Foreign government	7	142	—	149
Agency mortgage-backed residential	—	14,883	—	14,883
Mortgage-backed residential	—	2,384	—	2,384
Mortgage-backed commercial	—	580	—	580
Asset-backed	—	900	—	900
Corporate debt	—	1,230	—	1,230
Total available-for-sale securities	1,776	20,950	—	22,726
Mortgage loans held-for-sale (b)	—	—	7	7
Interests retained in financial asset sales	—	—	5	5
Derivative contracts in a receivable position				
Interest rate	—	55	1	56
Total derivative contracts in a receivable position	—	55	1	56
Total assets	$2,444	$21,005	$ 25	$23,474
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$—	$55	$ —	$55
Other	1	—	—	1
Total derivative contracts in a payable position	1	55	—	56
Total liabilities	$1	$55	$ —	$56

(a) Our investment in any one industry did not exceed 13%.
(b) Carried at fair value due to fair value option elections.

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	Recurring fair value measurements			
December 31, 2017 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Equity securities (a)	$518	$—	$ —	$518
Available-for-sale securities				
Debt securities				
U.S. Treasury	1,777	—	—	1,777
U.S. States and political subdivisions	—	854	—	854
Foreign government	8	146	—	154
Agency mortgage-backed residential	—	14,291	—	14,291
Mortgage-backed residential	—	2,494	—	2,494
Mortgage-backed commercial	—	541	—	541
Asset-backed	—	936	—	936
Corporate debt	—	1,256	—	1,256
Total available-for-sale securities	1,785	20,518	—	22,303
Mortgage loans held-for-sale (b)	—	—	13	13
Interests retained in financial asset sales	—	—	5	5
Derivative contracts in a receivable position				
Interest rate	—	38	1	39
Total derivative contracts in a receivable position	—	38	1	39
Total assets	$2,303	$20,556	$ 19	$22,878
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$—	$39	$ —	$39
Foreign currency	—	2	—	2
Total derivative contracts in a payable position	—	41	—	41
Total liabilities	$—	$41	$ —	$41

(a) Our investment in any one industry did not exceed 14%.
(b) Carried at fair value due to fair value option elections.

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

	Level 3 recurring fair value measurements								
		Net realized/unrealized (losses) gains							
($ in millions)	Fair value at Jan. 1, 2018	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at March 31, 2018	Net unrealized losses included in earnings still held at March 31, 2018
Assets									
Equity securities (a)	$19	$(4) (b)	$—	$—	$—	$—	$(3)	$12	$(5)
Mortgage loans held-for-sale (c)	13	1 (d)	—	59	(66)	—	—	7	—
Other assets									
Interests retained in financial asset sales	5	—	—	—	—	—	—	5	—
Derivative assets	1	—	—	—	—	—	—	1	—
Total assets	$38	$(3)	$—	$59	$(66)	$—	$(3)	$25	$(5)

(a) In connection with our adoption of ASU 2016-01 on January 1, 2018, certain of our equity securities previously measured using the cost method of accounting are now measured at fair value on a recurring basis, and have been categorized as Level 3 within the fair value hierarchy. Accordingly, the fair value of such investments has been included in the opening balance of the reconciliation above.
(b) Reported as other loss on investments, net, in the Condensed Consolidated Statement of Comprehensive Income.
(c) Carried at fair value due to fair value option elections.
(d) Reported as gain on mortgage and automotive loans, net, in the Condensed Consolidated Statement of Comprehensive Income.

	Level 3 recurring fair value measurements								
		Net realized/unrealized gains							
($ in millions)	Fair value at Jan. 1, 2017	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at March 31, 2017	Net unrealized gains included in earnings still held at March 31, 2017
Assets									
Mortgage loans held-for-sale (a)	$—	$—	$—	$3	$(2)	$—	$—	$1	$—
Other assets									
Interests retained in financial asset sales	29	—	—	—	4	—	(2)	31	—

Total assets	$29	$ —	$ —	$ 3	$ 2	$ —	$ (2)	$ 32	$ —

(a) Carried at fair value due to fair value option elections.

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Nonrecurring Fair Value
We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower-of-cost or fair value accounting or certain impairment measures. These items would constitute nonrecurring fair value measures.
The following tables display the assets and liabilities measured at fair value on a nonrecurring basis.

March 31, 2018 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total gain (loss) included in earnings for the three months ended	
Assets							
Loans held-for-sale, net	$—	$—	$ 119	$119	$ —	n/m	(a)
Commercial finance receivables and loans, net (b)							
Automotive	—	—	51	51	(10)	n/m	(a)
Other	—	—	22	22	(11)	n/m	(a)
Total commercial finance receivables and loans, net	—	—	73	73	(21)	n/m	(a)
Other assets							
Repossessed and foreclosed assets (c)	—	—	13	13	(1)	n/m	(a)
Total assets	$—	$—	$ 205	$205	$ (22)	n/m	

n/m = not meaningful

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

(b) Represents the portion of the portfolio specifically impaired during 2018. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

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

December 31, 2017 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total gain (loss) included in earnings for the three months ended	
Assets							
Loans held-for-sale, net	$—	$—	$ 77	$77	$ —	n/m	(a)
Commercial finance receivables and loans, net (b)							
Automotive	—	—	20	20	(3)	n/m	(a)
Other	—	—	22	22	(12)	n/m	(a)
Total commercial finance receivables and loans, net	—	—	42	42	(15)	n/m	(a)
Other assets							
	—	—	14	14	(1)	n/m	(a)

Repossessed and foreclosed assets (c)							
Other	—	—	3	3	—	n/m	(a)
Total assets	$ —	$ —	$ 136	$ 136	$ (16)	n/m	

n/m = not meaningful

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

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

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

Fair Value Option for Financial Assets

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

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled Recurring Fair Value. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting current market data to develop the market assumptions and inputs necessary to estimate fair value. As such, the actual amount received to sell an asset or the amount paid to settle a liability could differ from our estimates. Fair value information presented herein was based on information available at March 31, 2018, and December 31, 2017.

		Estimated fair value			
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total
March 31, 2018					
Financial assets					
Held-to-maturity securities	$1,967	$—	$1,895	$—	$1,895
Loans held-for-sale, net	119	—	—	119	119
Finance receivables and loans, net	124,049	—	—	125,530	125,530
Nonmarketable equity investments	1,210	—	1,210	—	1,210
Financial liabilities					
Deposit liabilities (a)	$49,025	$—	$—	$48,845	$48,845
Short-term borrowings	9,564	—	—	9,567	9,567
Long-term debt	45,076	—	28,384	18,589	46,973
December 31, 2017					
Financial assets					
Held-to-maturity securities	$1,899	$—	$1,865	$—	$1,865
Loans held-for-sale, net	95	—	—	95	95
Finance receivables and loans, net	121,617	—	—	123,302	123,302
Nonmarketable equity investments	1,233	—	1,190	49	1,239
Financial liabilities					
Deposit liabilities (a)	$45,869	$—	$—	$45,827	$45,827
Short-term borrowings	11,413	—	—	11,417	11,417
Long-term debt	44,226	—	27,807	18,817	46,624

(a) In connection with our adoption of ASU 2016-01 on January 1, 2018, deposit liabilities with no defined or contractual maturities are no longer included in the table above. Amounts for December 31, 2017, have been adjusted to conform to the current presentation and exclude $47.4 billion and $45.2 billion of deposit liabilities with no defined or contractual maturities from the carrying value and Level 3 fair value, respectively. Refer to Note 12 for information regarding the composition of our deposits portfolio, and Note 1 for further information regarding recently adopted accounting standards.

21. Offsetting Assets and Liabilities

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

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

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

assets and liabilities subject to a master netting agreement on a net basis if certain qualifying criteria are met. At March 31, 2018, these instruments are reported as gross assets and gross liabilities on the Condensed Consolidated Balance Sheet.

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

March 31, 2018 ($ in millions)	Gross amounts of recognized assets/liabilities	Gross amounts offset on the Condensed Consolidated Balance Sheet	Net amounts of assets/liabilities presented on the Condensed Consolidated Balance Sheet	Gross amounts not offset on the Condensed Consolidated Balance Sheet		Net amount
				Financial instruments	Collateral (a) (b) (c)	
Assets						
Derivative assets in net asset positions	$ 55	$ —	$ 55	$ —	$ —	$ 55
Derivative assets with no offsetting arrangements	1	—	1	—	—	1
Total assets (d)	$ 56	$ —	$ 56	$ —	$ —	$ 56
Liabilities						
Derivative liabilities in net liability positions (d)	$ 56	$ —	$ 56	$ —	$ (1)	$ 55
Securities sold under agreements to repurchase (e)	707	—	707	—	(707)	—
Total liabilities	$ 763	$ —	$ 763	$ —	$ (708)	$ 55

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

(b) Amounts disclosed are limited to the financial asset or liability balance and, accordingly, exclude excess collateral received or pledged and noncash collateral received. $2 million of noncash derivative collateral pledged to us was excluded at March 31, 2018. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.

(c) Certain agreements grant us the right to sell or pledge the noncash assets we receive as collateral. Noncash collateral pledged to us where the agreement grants us the right to sell or pledge the underlying assets had a fair value of $2 million at March 31, 2018. We have not sold or pledged any of the noncash collateral received under these agreements as of March 31, 2018.

(d) For additional information on derivative instruments and hedging activities, refer to Note 18.

(e) For additional information on securities sold under agreements to repurchase, refer to Note 13.

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December 31, 2017 ($ in millions)	Gross amounts of recognized assets/liabilities	Gross amounts offset on the Condensed Consolidated Balance Sheet	Net amounts of assets/liabilities presented on the Condensed Consolidated Balance Sheet	Gross amounts not offset on the Condensed Consolidated Balance Sheet		Net amount
				Financial instruments	Collateral (a)(b)(c)	
Assets						
Derivative assets in net asset positions	$ 38	$ —	$ 38	$ —	$ —	$ 38
Derivative assets with no offsetting arrangements	1	—	1	—	—	1
Total assets (d)	$ 39	$ —	$ 39	$ —	$ —	$ 39
Liabilities						
Derivative liabilities in net liability positions (d)	$ 41	$ —	$ 41	$ —	$ (1)	$ 40
Securities sold under agreements to repurchase (e)	892	—	892	—	(892)	—
Total liabilities	$ 933	$ —	$ 933	$ —	$ (893)	$ 40

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

(b) Amounts disclosed are limited to the financial asset or liability balance and, accordingly, exclude excess collateral received or pledged and noncash collateral received. $2 million of noncash derivative collateral pledged to us was excluded at December 31, 2017. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.

(c) Certain agreements grant us the right to sell or pledge the noncash assets we receive as collateral. Noncash collateral pledged to us where the agreement grants us the right to sell or pledge the underlying assets had a fair value of $2 million at December 31, 2017. We have not sold or pledged any of the noncash collateral received under these agreements as of December 31, 2017.

(d) For additional information on derivative instruments and hedging activities, refer to Note 18.

(e) For additional information on securities sold under agreements to repurchase, refer to Note 13.

22. Segment Information

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

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

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

municipalities for the purchase or lease of vehicles and equipment, and vehicle remarketing services.
Insurance operations — A complementary automotive-focused business offering both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer financial and insurance products, we provide VSCs, VMCs, and GAP products. We also underwrite select commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory.
Mortgage Finance operations — Primarily consists of the management of a held-for-investment consumer mortgage finance loan portfolio, which includes bulk purchases of high-quality jumbo and low-to-moderate income (LMI) mortgage loans originated by third parties. In late 2016, we introduced our direct-to-consumer mortgage offering, named Ally Home, consisting of a variety of jumbo and conforming fixed- and adjustable-rate mortgage products with the assistance of a third-party fulfillment partner. Jumbo mortgage loans are generally held on our balance sheet and are accounted for as held-for-investment. Conforming mortgage loans are generally originated as held-for-sale and then sold to the fulfillment partner, and we retain no mortgage servicing rights associated with those loans that are sold.
Corporate Finance operations — Primarily provides senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle market companies. Our primary focus is on businesses owned by private equity sponsors with loans typically used for

leveraged buyouts, mergers and acquisitions, debt refinancing, restructurings, and working capital. In 2017, we introduced a commercial real estate product to serve companies in the healthcare industry.

Corporate and Other primarily consists of 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, original issue discount, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes certain equity investments, which primarily consist of FHLB and FRB stock, the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, and reclassifications and eliminations between the reportable operating segments. Additionally, financial results related to Ally Invest are currently included within Corporate and Other.

We utilize an FTP methodology for the majority of our business operations. The FTP methodology assigns charge rates and credit rates to classes of assets and liabilities based on expected duration and the benchmark rate curve plus an assumed credit spread. Matching duration allocates interest income and interest expense to these reportable segments so their respective results are insulated from interest rate risk. This methodology is consistent with our ALM practices, which includes managing interest rate risk centrally at a corporate level. The net residual impact of the FTP methodology is included within the results of Corporate and Other.

The information presented in our reportable operating segments is based in part on internal allocations, which involve management judgment.

Financial information for our reportable operating segments is summarized as follows.

Three months ended March 31, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2018						
Net financing revenue and other interest income	$ 909	$ 12	$ 43	$ 46	$ 39	$ 1,049
Other revenue	66	246	1	8	33	354
Total net revenue	975	258	44	54	72	1,403
Provision for loan losses	259	—	2	—	—	261
Total noninterest expense	448	231	34	25	76	814
Income (loss) from continuing operations before income tax expense	$ 268	$ 27	$ 8	$ 29	$ (4)	$ 328
Total assets	$ 114,934	$ 7,557	$ 12,780	$ 4,375	$ 30,375	$ 170,021
2017						
Net financing revenue and other interest income	$ 892	$ 15	$ 34	$ 34	$ 4	$ 979
Other revenue	101	264	—	18	13	396
Total net revenue	993	279	34	52	17	1,375
Provision for loan losses	268	—	1	6	(4)	271
Total noninterest expense	437	239	24	21	57	778
Income (loss) from continuing operations before income tax expense	$ 288	$ 40	$ 9	$ 25	$ (36)	$ 326
Total assets	$ 115,154	$ 7,230	$ 8,362	$ 3,438	$ 27,917	$ 162,101

(a) Net financing revenue and other interest income after the provision for loan losses totaled $788 million and $708 million for the three months ended March 31, 2018, and March 31, 2017, respectively.

23. Parent and Guarantor Condensed Consolidating Financial Statements

Certain of our senior notes issued by the parent are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of March 31, 2018, the Guarantors include Ally US LLC and IB Finance Holding Company, LLC (IB Finance), each of which fully and unconditionally guarantee the senior notes on a joint and several basis.

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

Investments in subsidiaries are accounted for by the parent company and the Guarantors using the equity-method for this presentation. Results of operations of subsidiaries are therefore classified in the parent company’s and Guarantors’ investment in subsidiaries accounts. The

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elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, the Guarantors, and nonguarantors.

Condensed Consolidating Statements of Comprehensive Income

Three months ended March 31, 2018 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$ 11	$ —	$ 1,532	$ —	$ 1,543
Interest and fees on finance receivables and loans — intercompany	2	—	1	(3)	—
Interest and dividends on investment securities and other earning assets	—	—	176	—	176
Interest on cash and cash equivalents	2	—	14	(1)	15
Interest-bearing cash — intercompany	2	—	2	(4)	—
Operating leases	2	—	380	—	382
Total financing revenue and other interest income	19	—	2,105	(8)	2,116
Interest expense					
Interest on deposits	—	—	354	(3)	351
Interest on short-term borrowings	10	—	22	—	32
Interest on long-term debt	258	—	153	—	411
Interest on intercompany debt	3	—	2	(5)	—
Total interest expense	271	—	531	(8)	794
Net depreciation expense on operating lease assets	4	—	269	—	273
Net financing revenue	(256)	—	1,305	—	1,049
Cash dividends from subsidiaries					
Bank subsidiary	1,000	1,000	—	(2,000)	—
Nonbank subsidiaries	169	—	—	(169)	—
Other revenue					
Insurance premiums and service revenue earned	—	—	256	—	256
Gain on mortgage and automotive loans, net	28	—	1	(28)	1
Other loss on investments, net	—	—	(12)	—	(12)
Other income, net of losses	96	—	221	(208)	109