Ally Financial Inc.
Form 10-Q
August 02, 2013
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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 June 30, 2013, or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 1-3754

ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

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

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)
(866) 710-4623
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing for the past 90 days.
Yes þ No ¨

Indicate by checkmark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).
Yes þ No ¨

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

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

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 August 1, 2013, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

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Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
Ally Financial Inc. • Form 10-Q

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,139	$1,140	$2,274	$2,233
Interest on loans held-for-sale	3	20	19	51
Interest on trading assets	—	1	—	10
Interest and dividends on available-for-sale investment securities	76	77	144	151
Interest-bearing cash	2	9	5	11
Operating leases	788	561	1,522	1,068
Total financing revenue and other interest income	2,008	1,808	3,964	3,524
Interest expense				
Interest on deposits	162	160	326	323
Interest on short-term borrowings	16	19	32	36
Interest on long-term debt	703	837	1,404	1,717
Total interest expense	881	1,016	1,762	2,076
Depreciation expense on operating lease assets	499	335	934	640
Net financing revenue	628	457	1,268	808
Other revenue				
Servicing fees	19	113	101	235
Servicing asset valuation and hedge activities, net	(12)	46	(213)	(60)
Total servicing income, net	7	159	(112)	175
Insurance premiums and service revenue earned	258	261	517	531
(Loss) gain on mortgage and automotive loans, net	(1)	86	37	106
Other gain on investments, net	64	64	115	153
Other income, net of losses	74	144	231	354
Total other revenue	402	714	788	1,319
Total net revenue	1,030	1,171	2,056	2,127
Provision for loan losses	89	33	220	131
Noninterest expense				
Compensation and benefits expense	252	270	537	573
Insurance losses and loss adjustment expenses	146	149	261	247
Other operating expenses	403	552	961	1,006
Total noninterest expense	801	971	1,759	1,826
Income from continuing operations before income tax expense (benefit)	140	167	77	170
Income tax expense (benefit) from continuing operations	40	(16)	(83)	(15)
Net income from continuing operations	100	183	160	185
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net (loss) income	(927)	(898)	166	(588)
Other comprehensive loss, net of tax	(181)	(206)	(498)	(19)
Comprehensive loss	$(1,108)	$(1,104)	$(332)	$(607)

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)
Ally Financial Inc. • Form 10-Q

	Three months ended June 30,		Six months ended June 30,	
($ in millions except per share data)	2013	2012	2013	2012
Net loss attributable to common shareholders				
Net income from continuing operations	$100	$183	$160	$185
Preferred stock dividends — U.S. Department of Treasury	(133)	(134)	(267)	(267)
Preferred stock dividends	(67)	(67)	(134)	(134)
Net loss from continuing operations attributable to common shareholders	(100)	(18)	(241)	(216)
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net loss attributable to common shareholders	$(1,127)	$(1,099)	$(235)	$(989)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	$(847)	$(825)	$(176)	$(743)
Diluted earnings per common share (a)				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	$(847)	$(825)	$(176)	$(743)

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for the three months and six months ended June 30, 2013 and 2012, respectively, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The 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)	June 30, 2013	December 31, 2012
Assets		
Cash and cash equivalents		
Noninterest-bearing	$1,292	$1,073
Interest-bearing	6,482	6,440
Total cash and cash equivalents	7,774	7,513
Investment securities	17,015	14,178
Loans held-for-sale, net ($56 and $2,490 fair value-elected)	102	2,576
Finance receivables and loans, net		
Finance receivables and loans, net	96,993	99,055
Allowance for loan losses	(1,183)	(1,170)
Total finance receivables and loans, net	95,810	97,885
Investment in operating leases, net	16,085	13,550
Mortgage servicing rights	—	952
Premiums receivable and other insurance assets	1,611	1,609
Other assets	6,701	11,908
Assets of operations held-for-sale	5,529	32,176
Total assets	$150,627	$182,347
Liabilities		
Deposit liabilities		
Noninterest-bearing	$72	$1,977
Interest-bearing	50,053	45,938
Total deposit liabilities	50,125	47,915
Short-term borrowings	4,197	7,461
Long-term debt	64,534	74,561
Interest payable	999	932
Unearned insurance premiums and service revenue	2,301	2,296
Accrued expenses and other liabilities	5,043	6,585
Liabilities of operations held-for-sale	4,263	22,699
Total liabilities	131,462	162,449
Equity		
Common stock and paid-in capital	19,668	19,668
Mandatorily convertible preferred stock held by U.S. Department of Treasury	5,685	5,685
Preferred stock	1,255	1,255
Accumulated deficit	(7,256)	(7,021)
Accumulated other comprehensive (loss) income	(187)	311
Total equity	19,165	19,898
Total liabilities and equity	$150,627	$182,347

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)	June 30, 2013	December 31, 2012
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net	$29,001	$31,510
Allowance for loan losses	(144)	(144)
Total finance receivables and loans, net	28,857	31,366
Investment in operating leases, net	5,956	6,060
Other assets	1,479	2,868
Assets of operations held-for-sale	155	12,139
Total assets	$36,447	$52,433
Liabilities		
Short-term borrowings	$500	$400
Long-term debt	25,398	26,461
Interest payable	1	1
Accrued expenses and other liabilities	24	16
Liabilities of operations held-for-sale	155	9,686
Total liabilities	$26,078	$36,564

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	Mandatorily convertible preferred stock held by U.S. Department of Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2012	$19,668	$5,685	$1,255	$(7,415)	$87	$19,280
Net loss				(588)		(588)
Preferred stock dividends — U.S. Department of Treasury				(267)		(267)
Preferred stock dividends				(134)		(134)
Other comprehensive loss, net of tax					(19)	(19)
Balance at June 30, 2012	$19,668	$5,685	$1,255	$(8,404)	$68	$18,272
Balance at January 1, 2013	$19,668	$5,685	$1,255	$(7,021)	$311	$19,898
Net income				166		166
Preferred stock dividends — U.S. Department of Treasury				(267)		(267)
Preferred stock dividends				(134)		(134)
Other comprehensive loss, net of tax					(498)	(498)
Balance at June 30, 2013	$19,668	$5,685	$1,255	$(7,256)	$(187)	$19,165

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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Six months ended June 30, ($ in millions)	2013	2012
Operating activities		
Net income (loss)	$166	$(588)
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	1,346	1,151
Changes in fair value of mortgage servicing rights	102	401
Provision for loan losses	270	169
Gain on sale of loans, net	(37)	(252)
Net gain on investment securities	(116)	(162)
Originations and purchases of loans held-for-sale	(6,221)	(15,801)
Proceeds from sales and repayments of loans held-for-sale	8,577	17,499
Impairment and settlement related to Residential Capital, LLC	1,350	1,192
Gain on sale of subsidiaries, net	(930)	(28)
Net change in		
Trading assets	—	595
Deferred income taxes	(617)	(85)
Interest payable	61	130
Other assets	1,377	1,028
Other liabilities	(1,240)	(528)
Other, net	(675)	219
Net cash provided by operating activities	3,413	4,940
Investing activities		
Purchases of available-for-sale securities	(9,305)	(6,758)
Proceeds from sales of available-for-sale securities	3,700	5,636
Proceeds from maturities and repayment of available-for-sale securities	3,125	2,792
Net decrease (increase) in finance receivables and loans	1,591	(7,475)
Proceeds from sales of finance receivables and loans	—	1,978
Purchases of operating lease assets	(4,786)	(3,350)
Disposals of operating lease assets	1,318	892
Sale of mortgage servicing rights	911	—
Proceeds from sale of business units, net (a)	6,933	516
Net cash effect from deconsolidation of Residential Capital, LLC	—	(539)
Net change in restricted cash	2,319	69
Other, net	(140)	96
Net cash provided by (used in) investing activities	5,666	(6,143)

Statement continues on the next page.

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

Condensed Consolidated Statement of Cash Flows (unaudited)
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Six months ended June 30, ($ in millions)	2013	2012
Financing activities		
Net change in short-term borrowings	(2,832)	(1,485)
Net increase in deposits	2,151	2,973
Proceeds from issuance of long-term debt	8,037	19,123
Repayments of long-term debt	(17,765)	(15,916)
Dividends paid	(401)	(401)
Net cash (used in) provided by financing activities	(10,810)	4,294
Effect of exchange-rate changes on cash and cash equivalents	50	(39)
Net (decrease) increase in cash and cash equivalents	(1,681)	3,052
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	1,942	39
Cash and cash equivalents at beginning of year	7,513	13,035
Cash and cash equivalents at June 30,	$7,774	$16,126
Supplemental disclosures		
Cash paid for		
Interest	$1,998	$2,563
Income taxes	47	273
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	24	104

(a) The amounts are net of cash and cash equivalents of $1,418 million at June 30, 2013 and $147 million at June 30, 2012 of business units at the time of disposition.

(b) Cash flows of discontinued operations are reflected within operating, investing, and financing activities in the Condensed Consolidated Statement of Cash Flows. The cash balance of these operations is reported as assets of operations held-for-sale on the Condensed Consolidated Balance Sheet.

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

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

Ally Financial Inc. (formerly GMAC Inc. and referred to herein as Ally, we, our, or us) is a leading, independent, diversified, financial services firm. Founded in 1919, we are a leading automotive financial services company with over 90 years experience providing a broad array of financial products and services to automotive dealers and their customers. We became a bank holding company on December 24, 2008, under the Bank Holding Company Act of 1956, as amended. Our banking subsidiary, Ally Bank, is an indirect wholly owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

The Condensed Consolidated Financial Statements at June 30, 2013, and for the three months and six months ended June 30, 2013, and 2012, 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, 2012, as filed on March 1, 2013, with the U.S. Securities and Exchange Commission (SEC) as revised by the Current Report on Form 8-K filed with the SEC on July 9, 2013 (referred to herein as 2012 Annual Report).

Residential Capital, LLC

Our mortgage operations were historically a significant portion of our operations and were conducted primarily through our Residential Capital, LLC (ResCap) subsidiary. On May 14, 2012, ResCap and certain of its wholly owned direct and indirect subsidiaries (collectively, the Debtors) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court). As a result of the bankruptcy filing, effective May 14, 2012, we deconsolidated ResCap from our financial statements and recorded a charge of $442 million for the impairment of Ally's investment in ResCap. During the first quarter of 2013, we discontinued performing certain mortgage activities, which were required as part of the bankruptcy process until the sale of certain assets occurred. As a result of us discontinuing these activities, the operations of ResCap were classified as discontinued, refer to Note 2.

On May 14, 2013, Ally Financial Inc., on behalf of itself and certain of its subsidiaries (collectively, AFI) entered into a Plan Support Agreement (the PSA) with the Debtors, the official committee of unsecured creditors appointed in the Debtors' Chapter 11 cases (the Creditors' Committee), and certain creditors, including AIG Asset Management (U.S.), LLC; Allstate Insurance Company; Financial Guaranty Insurance Company (FGIC), which has executed the agreement pending regulatory approval; counsel to the putative class of persons represented in the consolidated class action entitled In re: Community Bank of Northern Virginia Second Mortgage Lending Practice Litigation, filed in the United States District Court for the Western District of Pennsylvania, MDL No. 1674, Case Nos. 03-0425, 02-01201, 05-0688, 05-1386; Massachusetts Mutual Life Insurance Company; MBIA Insurance Corporation; Paulson & Co. Inc., a holder of ResCap's senior unsecured notes issued by ResCap; Prudential Insurance Company of America; certain investors in residential mortgage-backed securities (RMBS) backed by mortgage loans held by securitization trusts associated with securitizations sponsored by the Debtors between 2004 and 2007 represented by Kathy Patrick of Gibbs & Bruns LLP and Keith H. Wofford of Ropes & Gray LLP; Talcott Franklin of Talcott Franklin, P.C. as counsel for certain RMBS investors; Wilmington Trust, National Association in its capacity as Indenture Trustee for

ResCap's senior unsecured notes; and certain trustees or indenture trustee for certain mortgage-backed securities trusts (collectively, the Consenting Claimants).

On June 26, 2013, the Bankruptcy Court entered an order approving the PSA. The PSA provides for the parties to support a Chapter 11 plan in the Debtors' Chapter 11 cases (the Plan) that will, among other things, settle and provide AFI full releases for all existing and potential claims between AFI and the Debtors, including all representation and warranty claims that reside with the Debtors, and all pending and potential claims held by third parties related to the Debtors that could be brought against AFI, except for securities claims by the Federal Housing Finance Agency and the Federal Deposit Insurance Corporation (FDIC), as receiver for certain failed banks. AFI believes it has strong defenses against these claims and will vigorously defend its position, as necessary.

The PSA also provides, among other things, that, on the effective date of the Plan, AFI will contribute to the Debtors' estates $1.95 billion in cash or cash equivalents, and will further contribute $150 million received by AFI for claims it pursues against its insurance carriers related to the claims released in connection with the Plan, with such amount guaranteed by AFI to be paid no later than September 30, 2014 (collectively, the Ally Contribution) in exchange for the releases of AFI to be included in the Plan. These amounts have been reflected within our accrued expenses and other liabilities, refer to Note 15. The Ally Contribution and other assets of the Debtors' estates will be distributed to creditors under the Plan. In addition, the PSA contemplated the payoff of Ally secured debt on or before the effective date of the Plan. On June 13, 2013, the Debtors paid AFI approximately $1.127 billion in full satisfaction of the AFI revolving credit facility and line of credit. The payment to AFI was approved by the Bankruptcy Court with an express reservation of rights, claims and remedies against AFI and a reciprocal reservation of rights, claims and remedies for AFI's benefit in the event the Plan does not become effective.

The PSA also provides that the Debtors will remain responsible for all costs and obligations imposed on the Debtors under (i) the consent judgment among the United States Department of Justice, the Attorneys General of certain states, ResCap, GMAC Mortgage, LLC (GMACM) and Ally Financial Inc. entered by the District Court for the District of Columbia on February 9, 2012, (ii) the consent order among ResCap, GMACM, Ally Financial Inc., Ally Bank, the Federal Reserve Board (FRB) and the FDIC, dated April 13, 2011 (the Consent Order) and (iii) the order of assessment among ResCap, GMACM, Ally Financial Inc. and the Board of Governors of the Federal Reserve System, excluding certain obligations that are being performed by Ocwen Financial Corporation (Ocwen). Notably, on June 26, 2013, the Bankruptcy Court approved a term sheet (the FRB Term Sheet) encompassing the terms of an amendment to the Consent Order (the Consent Order Amendment). The FRB Term Sheet, among other things, required the Debtors to escrow approximately $230 million (the FRB Settlement Amount) in exchange for the FRB suspending the foreclosure review mandated under the Consent Order (the FRB Foreclosure Review) for 30 days. The FRB Term Sheet was fully executed on June 27, 2013 and the FRB Foreclosure Review was suspended on June 28, 2013. On July 26, 2013, the Bankruptcy Court approved the Consent Order Amendment and, as a result, the Debtors are no longer responsible for the FRB Foreclosure Review, and the FRB Settlement Amount will be distributed to individual borrowers in full satisfaction of the Debtors' foreclosure review obligations.

Further, the PSA requires that the Plan include a settlement of insurance disputes between AFI and the Debtors under which the Debtors will relinquish in favor of AFI all of their rights to coverage under certain insurance policies. The PSA also requires that all litigation against AFI by the Debtors, the Creditors' Committee and the Consenting Claimants be stayed so long as the PSA has not been terminated.

The PSA requires, among other things, that the following milestones be satisfied: (i) the FGIC rehabilitation court must approve the PSA and a separate settlement agreement entered into among the Debtors, FGIC, trustees of residential mortgage-backed trusts and certain institutional investors (the FGIC Settlement) on or before August 19, 2013; (ii) the Bankruptcy Court must approve the Disclosure Statement on or before August 30, 2013; and (iii) the effective date of the Plan must occur on or before December 15, 2013. In the event any of the above milestones are not satisfied, the PSA could be terminated.

The PSA also includes a number of additional events that could result in the PSA being terminated, including the following: (i) the Bankruptcy Court enters an order appointing a Chapter 11 trustee; (ii) any of the Debtors' Chapter 11 cases are dismissed or converted to a case under Chapter 7 of the Bankruptcy Code; (iii) any court has entered a final, non-appealable judgment or order declaring any material portion of the PSA unenforceable; (iv) the releases set forth in the PSA are modified, amended, changed, severed or otherwise altered in the Plan or any other definitive document; and (v) the PSA ceases to be binding on AFI or the Creditors' Committee.

Additionally, the PSA requires that several conditions be satisfied or waived before the Plan can be effective, including, the following: (i) the Bankruptcy Court approves the Plan and Disclosure Statement on terms reasonably acceptable to the parties; (ii) the order confirming the Plan (the Confirmation Order) must have been entered by the Bankruptcy Court and provide for, among other things, the releases specified in the PSA; (iii) the Confirmation Order must not have been stayed, modified, or vacated on appeal, and the time to appeal shall have passed; (iv) the FGIC rehabilitation court must have approved the PSA and FGIC Settlement Agreement, including the release of all present and future claims against FGIC relating to FGIC policies; (v) AFI must have funded the Ally Contribution; and (vi) AFI's secured claims against the Debtors must have been fully satisfied.

On July 3, 2013, the Debtors filed the Plan, which incorporates the terms of the PSA described herein, and related disclosure statement (the Disclosure Statement), with the Bankruptcy Court. The Bankruptcy Court has scheduled a hearing to consider approval of the Disclosure Statement on August 21, 2013, and the Plan confirmation hearing is currently targeted for late October 2013.

On June 4, 2012, Berkshire Hathaway Inc. filed a motion in the Bankruptcy Court for the appointment of an independent examiner to investigate, among other things, certain of the Debtors' transactions with AFI occurring prior to the Petition Date, any claims the Debtors may hold against AFI's officers and directors, and any claims the Debtors

proposed to release under the Plan. On June 20, 2012, the Bankruptcy Court approved the appointment of an examiner and, subsequently, the United States Trustee for the Southern District of New York appointed former bankruptcy judge Arthur J. Gonzalez, Esq. as the examiner (the Examiner). Upon approving the PSA on June 26, 2013, the Bankruptcy Court unsealed the Examiner's investigative report. Under the terms of the PSA, the contents of the report may not be used by any party as a basis for terminating or modifying the PSA.
There can be no assurance that any of the required milestones will be satisfied, that the conditions to effectiveness will be satisfied or waived or that none of the specified termination events will occur. The termination of the PSA or the failure of the PSA to become effective could result in modifications to the Plan, or the pursuit of an alternative form of reorganization or liquidation. This would result in delay and significant expense, and any modifications to the Plan or other alternative may well be less favorable to AFI.
Significant Accounting Policies
Income Taxes
In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification 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. We exclude and record discretely the tax effect of unusual or infrequently occurring items, including, for example, changes in judgment about valuation allowances and effects of changes in tax law or rates. The provision for income taxes in tax jurisdictions with a projected full year or year-to-date loss for which a tax benefit cannot be realized is estimated using tax rates specific to that jurisdiction.

Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Balance Sheet - Disclosures about Offsetting Assets and Liabilities (ASU 2011-11 and ASU 2013-01)

As of January 1, 2013, we adopted Accounting Standards Update (ASU) 2011-11, which amends ASC 210, Balance Sheet. This ASU contains new disclosure requirements regarding the nature of an entity's rights of offset and related arrangements associated with its financial instruments and derivative instruments. In addition, we adopted ASU 2013-01, which simply clarified the scope of ASU 2011-11. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 and ASU 2013-01 were required to be applied retrospectively. Since the guidance relates only to disclosure of information, the adoption did not have an impact to our consolidated financial condition or results of operations.

Comprehensive Income - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)

As of January 1, 2013, we adopted ASU 2013-02, which amends ASC 220, Comprehensive Income. The ASU contains new requirements related to the presentation and disclosure of items that are reclassified out of accumulated other comprehensive income. The new requirements provide financial statement users a more comprehensive view of items that are reclassified out of accumulated other comprehensive income. ASU 2013-02 was required to be applied prospectively. Since the guidance relates only to presentation and disclosure of information, the adoption did not have an impact to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

Liabilities - Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (ASU 2013-04)

In February 2013, the Financial Accounting Standards Board issued ASU 2013-04. This ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. It further requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. ASU 2013-04 will be effective for us on January 1, 2014, with retrospective application required. The adoption of this guidance is not expected to have a material effect on our consolidated financial condition or results of operations.

Foreign Currency Matters - Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05)

In March 2013, the Financial Accounting Standards Board issued ASU 2013-05. This ASU requires a reporting entity that ceases to have a controlling financial interest, in a subsidiary or group of assets or a business, within a foreign entity to release any related Cumulative Translation Adjustment (CTA) into net income. The CTA should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For an equity method investment that is a foreign entity, a pro rata portion of the CTA should be released into net income upon a partial sale of such an investment. This ASU clarifies that the sale of an investment in a foreign entity includes both events that result in the loss of a controlling financial interest in a foreign entity, irrespective of any retained investment, and events that result in step acquisition under which an acquirer obtains control of an acquiree in which it held an equity interest immediately before the acquisition date. Under these circumstances, the CTA should be released into net income upon their occurrence. ASU 2013-04 will be effective for us prospectively on January 1, 2014. Management is currently assessing the potential impact of the application of this guidance. However, since the guidance is prospective and we are in the process of exiting most of our international businesses, it is not expected to have a material effect on our consolidated financial condition or results of operations.

Derivatives and Hedging - Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (ASU 2013-10)

In July 2013, The Financial Accounting Standards Board issued ASU 2013-10. This ASU establishes the Fed Funds Effective Swap Rate (OIS) as an additional U.S. benchmark interest rate for hedge accounting purposes. Prior to this ASU's addition of the OIS as a benchmark rate, only interest rates on direct Treasury obligations and the LIBOR swap rate were considered to be such benchmarks. Amendments of the update also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively when entering into new or redesignating existing hedging relationships on or after July 17, 2013. Since the new guidance simply allows for an additional hedge index to be utilized for hedge accounting purposes, the implementation of this guidance is not expected to have a material effect on our consolidated financial condition or results of operations.

Income Taxes - Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (ASU 2013-11)

In July 2013, The Financial Accounting Standards Board issued ASU 2013-11. This ASU requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The guidance further includes an exception that if a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available to settle any additional income taxes that would result from the disallowance of a tax position at the reporting date or the tax law of the applicable jurisdiction does not require the entity to use them and the entity does not intend to use them, the deferred tax asset for such purpose should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date. Early adoption and retrospective application are permitted. The adoption of this guidance is not expected to have a material affect to our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

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

Select Mortgage Operations

During the first quarter of 2013, the operations of ResCap were classified as discontinued. During the second quarter of 2012, we sold the Canadian mortgage operations of ResMor Trust.

Select Insurance Operations

During the second quarter of 2013, we sold our Mexican insurance business, ABA Seguros, to the ACE Group. During the first quarter of 2013, we sold our U.K.-based operations to a wholly owned subsidiary of AMTrust Financial Services, Inc.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. During the second quarter of 2013, we completed the sale of our operations in Europe and the majority of Latin America to GM Financial. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium, France and the Netherlands, and Latin American operations in Mexico, Chile, and Colombia. We expect to complete the sale of our remaining Latin American operations in Brazil and the joint venture in China during 2013 or possibly 2014.

During the first quarter of 2013, we sold our Canadian automotive finance operations, Ally Credit Canada Limited and ResMor Trust, to Royal Bank of Canada. During the first quarter of 2012, we completed the sale of our Venezuela operations.

Select Corporate and Other Operations

During the fourth quarter of 2012, we ceased operations at our Commercial Finance Group's European division and classified it as discontinued.

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Select Financial Information

Select financial information of discontinued operations is summarized below. The pretax income or loss, including direct costs to transact a sale, includes any impairment recognized to present the operations at the lower-of-cost or fair value. Fair value was based on the estimated sales price, which could differ from the ultimate sales price due to price volatility, changing interest rates, changing foreign-currency rates, and future economic conditions.

($ in millions)	Three months ended June 30, 2013		Three months ended June 30, 2012		Six months ended June 30, 2013		Six months ended June 30, 2012	
Select Mortgage operations								
Total net revenue	$—		$37		$—		$440	
Pretax loss including direct costs to transact a sale (a) (b)	(1,584	)	(1,298	)	(1,604	)	(1,165	)
Tax (benefit) expense (c)	(549	)	8		(533	)	24	
Select Insurance operations								
Total net revenue	$42		$149		$190		$305	
Pretax income (loss) including direct costs to transact a sale (a)	286	(d)	(3	)	314	(d)	35	
Tax (benefit) expense (c)	(16	)	9		(15	)	18	
Select Automotive Finance operations								
Total net revenue	$83		$385		$369		$772	
Pretax (loss) income including direct costs to transact a sale (a)	(348	)(e)	230		694	(e)(f)	426	
Tax (benefit) expense (c)	(52	)	19		(53	)	58	
Select Corporate and Other operations								
Total net revenue	$—		$7		$—		$9	
Pretax income	2		26		1		32	
Tax expense	—		—		—		1	

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.

(b) Includes the results of ResCap. Refer to Note 1 for more information regarding the Debtors' bankruptcy.

(c) Includes certain income tax activity recognized by Corporate and Other.

(d) Includes recognized pretax gain of $274 million in connection with the sale of our Mexican insurance business, ABA Seguros.

(e) Includes recognized pretax loss of $371 million in connection with the sale of our European and the majority of our Latin American automotive finance operations.

(f) Includes recognized pretax gain of $888 million in connection with the sale of our Canadian automotive finance operations, Ally Credit Canada Limited, and ResMor Trust.

Held-for-sale Operations

The assets and liabilities of operations held-for-sale are summarized below.

June 30, 2013 ($ in millions)	Select Automotive Finance operations (a)
Assets	
Cash and cash equivalents	
Noninterest-bearing	$30
Interest-bearing	174
Total cash and cash equivalents	204
Finance receivables and loans, net	
Finance receivables and loans, net	3,953
Allowance for loan losses	(90)
Total finance receivables and loans, net	3,863
Other assets	1,462
Total assets	$5,529
Liabilities	
Short-term borrowings	$379
Long-term debt	3,299
Interest payable	106
Accrued expenses and other liabilities	479
Total liabilities	$4,263

(a) Includes Brazil and our joint venture in China that are being sold to GM Financial.

December 31, 2012 ($ in millions)	Select Insurance operations (a)	Select Automotive Finance operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	$8	$100	$108
Interest-bearing	119	1,918	2,037
Total cash and cash equivalents	127	2,018	2,145
Investment securities	576	424	1,000
Finance receivables and loans, net			
Finance receivables and loans, net	—	25,835	25,835
Allowance for loan losses	—	(208)	(208)
Total finance receivables and loans, net	—	25,627	25,627
Investment in operating leases, net	—	144	144
Premiums receivable and other insurance assets	277	—	277
Other assets	94	2,942	3,036
Impairment on assets of held-for-sale operations	(53)	—	(53)
Total assets	$1,021	$31,155	$32,176
Liabilities			
Interest-bearing deposit liabilities	$—	$3,907	$3,907
Short-term borrowings	—	2,800	2,800
Long-term debt	—	13,514	13,514
Interest payable	—	177	177
Unearned insurance premiums and service revenue	506	—	506
Accrued expenses and other liabilities	297	1,498	1,795
Total liabilities	$803	$21,896	$22,699

(a) Includes our U.K.-based operations and ABA Seguros.
(b) Includes our Canadian operations sold to Royal Bank of Canada and international entities being sold to GM Financial.

Recurring Fair Value

There were no assets or liabilities for our held-for-sale operations measured at fair value on a recurring basis as of June 30, 2013. The December 31, 2012 balances can be found on the Consolidated Financial Statements in our 2012 Annual Report. Refer to Note 22 for descriptions of valuation methodologies used to measure material assets at fair value and details of the valuation models, key inputs to these models, and significant assumptions used.

3. Other Income, Net of Losses

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Late charges and other administrative fees	$23	$21	$46	$42
Remarketing fees	19	15	39	32
Fair value adjustment on derivatives (a)	10	(46)	10	(34)
Mortgage processing fees and other mortgage income	2	108	81	230
Other, net	20	46	55	84
Total other income, net of losses	$74	$144	$231	$354

(a) Refer to Note 20 for a description of derivative instruments and hedging activities.

4. Other Operating Expenses

Details of other operating expenses were as follows.

($ in millions)	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Insurance commissions	$93	$94	$185	$193
Technology and communications	92	80	163	169
Professional services	54	32	102	70
Lease and loan administration	31	57	112	111
Regulatory and licensing fees	29	31	62	64
Advertising and marketing	28	32	63	67
Premises and equipment depreciation	21	19	41	36
Vehicle remarketing and repossession	13	12	27	28
Occupancy	11	12	22	26
Mortgage representation and warranty obligation, net (a)	(2)	141	81	141
Other	33	42	103	101
Total other operating expenses	$403	$552	$961	$1,006

(a) Refer to Note 26 for further details on representation and warranty obligation.

5. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, notes, interests in securitization trusts, and other investments. The cost, fair value, and gross unrealized gains and losses on available-for-sale securities were as follows:

($ in millions)	June 30, 2013 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	December 31, 2012 Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$1,840	$1	$(51)	$1,790	$2,212	$3	$(1)	$2,214
Foreign government	290	4	(2)	292	295	8	—	303
Mortgage-backed residential (a)	10,558	39	(269)	10,328	6,779	130	(3)	6,906
Asset-backed	2,258	22	(4)	2,276	2,309	32	(1)	2,340
Corporate debt	1,297	24	(12)	1,309	1,209	57	(3)	1,263
Total debt securities	16,243	90	(338)	15,995	12,804	230	(8)	13,026
Equity securities	1,051	40	(71)	1,020	1,193	32	(73)	1,152
Total available-for-sale securities (b)	$17,294	$130	$(409)	$17,015	$13,997	$262	$(81)	$14,178

(a) Residential mortgage-backed securities include agency-backed bonds totaling $7,720 million and $4,983 million at June 30, 2013, and December 31, 2012, respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $15 million and $15 million at June 30, 2013, and December 31, 2012, respectively.

The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments may cause actual maturities to differ from scheduled maturities.

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years (a)	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
June 30, 2013										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$1,790	1.1 %	$349	0.1 %	$507	1.2 %	$934	1.3 %	$—	— %
Foreign government	292	3.9	10	7.4	111	4.3	171	3.5	—	—
Mortgage-backed residential	10,328	2.6	—	—	—	—	113	2.1	10,215	2.6
Asset-backed	2,276	1.9	—	—	1,700	1.9	484	1.8	92	2.6
Corporate debt	1,309	5.0	25	6.6	593	4.0	608	5.6	83	5.9
Total available-for-sale debt securities	$15,995	2.5	$384	0.7	$2,911	2.2	$2,310	2.7	$10,390	2.6
Amortized cost of available-for-sale debt securities	$16,243		$384		$2,898		$2,342		$10,619	
December 31, 2012										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$2,214	0.9 %	$422	— %	$682	0.7 %	$1,110	1.4 %	$—	— %
Foreign government	303	2.5	1	2.2	136	1.8	166	3.0	—	—
Mortgage-backed residential	6,906	2.7	—	—	—	—	35	4.3	6,871	2.7
Asset-backed	2,340	2.1	—	—	1,543	2.0	510	1.7	287	3.3
Corporate debt	1,263	5.1	9	3.2	560	4.0	596	6.0	98	5.8
Total available-for-sale debt securities	$13,026	2.4	$432	0.1	$2,921	2.0	$2,417	2.6	$7,256	2.6
Amortized cost of available-for-sale debt securities	$12,804		$431		$2,880		$2,369		$7,124	

(a) Investments with no stated maturities are included as contractual maturities of greater than 10 years. Actual maturities may differ due to call or prepayment options.

(b) Yields on tax-exempt obligations are computed on a tax-equivalent basis.

The balances of cash equivalents were $3.2 billion and $3.4 billion at June 30, 2013, and December 31, 2012, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

	Three months ended June 30,	Six months ended June 30,

($ in millions)	2013	2012	2013	2012
Gross realized gains	$67	$68	$137	$165
Gross realized losses	(3)	(4)	(14)	(12)
Other-than-temporary impairment	—	—	(8)	—
Net realized gains	$64	$64	$115	$153

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

($ in millions)	Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
Taxable interest	$69	$70	$132	$139
Taxable dividends	7	7	12	12
Interest and dividends on available-for-sale securities	$76	$77	$144	$151

Certain available-for-sale securities were sold at a loss in 2013 as a result of market conditions. The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology described below that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of June 30, 2013, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of June 30, 2013, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at June 30, 2013. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	June 30, 2013				December 31, 2012			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$1,648	$(51)	$—	$—	$244	$(1)	$—	$—
Foreign government	113	(2)	—	—	11	—	—	—
Mortgage-backed residential	7,326	(269)	13	—	493	(2)	23	(1)
Asset-backed	426	(4)	1	—	143	(1)	1	—
Corporate debt	501	(12)	2	—	120	(2)	15	(1)
Total temporarily impaired debt securities	10,014	(338)	16	—	1,011	(6)	39	(2)
Temporarily impaired equity securities	327	(42)	146	(29)	380	(39)	218	(34)
Total temporarily impaired available-for-sale securities	$10,341	$(380)	$162	$(29)	$1,391	$(45)	$257	$(36)

6. Loans Held-for-Sale, Net

The composition of loans held-for-sale, net, was as follows.

($ in millions)	June 30, 2013	December 31, 2012
Consumer mortgage		
1st Mortgage	$56	$2,490
Total consumer mortgage (a)	56	2,490

Commercial and industrial		
Other	46	86
Total loans held-for-sale (b)	$ 102	$ 2,576

(a) Fair value option-elected domestic consumer mortgages were $56 million and $2.5 billion at June 30, 2013, and December 31, 2012, respectively. Refer to Note 22 for additional information.

(b) Totals are net of unamortized premiums and discounts and deferred fees and costs. Included in the totals are net unamortized discounts of $58 million at June 30, 2013, and net unamortized premiums of $26 million at December 31, 2012.

The following table summarizes held-for-sale mortgage loans reported at carrying value by higher-risk loan type.

($ in millions)	June 30, 2013	December 31, 2012
High original loan-to-value (greater than 100%) mortgage loans	$2	$ 378
Interest-only mortgage loans	—	10
Total higher-risk mortgage loans held-for-sale	$2	$ 388

7. Finance Receivables and Loans, Net

The composition of finance receivables and loans, net, reported at carrying value before allowance for loan losses was as follows.

($ in millions)	June 30, 2013	December 31, 2012
Consumer automobile	$56,028	$ 53,715
Consumer mortgage		
1st Mortgage	6,774	7,173
Home equity	2,496	2,648
Total consumer mortgage	9,270	9,821
Commercial		
Commercial and industrial		
Automobile	27,518	30,270
Mortgage	—	—
Other	1,502	2,697
Commercial real estate		
Automobile	2,675	2,552
Mortgage	—	—
Total commercial	31,695	35,519
Total finance receivables and loans (a) (b)	$96,993	$ 99,055

(a) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of $781 million and $895 million at June 30, 2013, and December 31, 2012, respectively.

(b) Includes $1 million and $2 million of international consumer automobile loans, and $15 million and $18 million of international commercial other loans at June 30, 2013, and December 31, 2012, respectively.

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

Three months ended June 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at April 1, 2013	$599	$451	$147	$1,197
Charge-offs (a)	(133)	(31)	(2)	(166)
Recoveries	53	5	5	63
Net charge-offs	(80)	(26)	3	(103)
Provision for loan losses	92	6	(9)	89
Other	(1)	—	1	—
Allowance at June 30, 2013	$610	$431	$142	$1,183

(a) Includes international commercial charge-offs of $1 million.

Three months ended June 30, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at April 1, 2012	$832	$501	$213	$1,546
Charge-offs (a)	(130)	(41)	(3)	(174)
Recoveries (b)	60	4	22	86
Net charge-offs	(70)	(37)	19	(88)
Provision for loan losses	18	21	(6)	33
Other (c)	(2)	(13)	(49)	(64)
Allowance at June 30, 2012	$778	$472	$177	$1,427

(a) Includes international consumer automobile and international commercial charge-offs of $45 million and $2 million, respectively.
(b) Includes international consumer automobile and international commercial recoveries of $18 million and $20 million, respectively.
(c) Includes negative provision for loan losses relating to discontinued operations of $4 million.

Six months ended June 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	$575	$452	$143	$1,170
Charge-offs (a)	(275)	(55)	(3)	(333)
Recoveries	102	8	6	116
Net charge-offs	(173)	(47)	3	(217)
Provision for loan losses	199	26	(5)	220
Other	9	—	1	10
Allowance at June 30, 2013	$610	$431	$142	$1,183
Allowance for loan losses				
Individually evaluated for impairment	$22	$214	$26	$262
Collectively evaluated for impairment	588	217	116	921
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost				
Ending balance	56,028	9,270	31,695	96,993
Individually evaluated for impairment	268	936	305	1,509
Collectively evaluated for impairment	55,744	8,334	31,390	95,468
Loans acquired with deteriorated credit quality	16	—	—	16

(a) Includes international commercial charge-offs of $1 million.

Six months ended June 30, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2012	$766	$516	$221	$1,503
Charge-offs (a)	(266)	(86)	(5)	(357)
Recoveries (b)	122	6	34	162
Net charge-offs	(144)	(80)	29	(195)
Provision for loan losses	101	48	(18)	131
Other (c)	55	(12)	(55)	(12)
Allowance at June 30, 2012	$778	$472	$177	$1,427
Allowance for loan losses				
Individually evaluated for impairment	$9	$166	$32	$207
Collectively evaluated for impairment	763	306	145	1,214
Loans acquired with deteriorated credit quality	6	—	—	6
Finance receivables and loans at historical cost				
Ending balance	68,136	9,823	41,954	119,913
Individually evaluated for impairment	97	688	1,525	2,310
Collectively evaluated for impairment	67,980	9,135	40,429	117,544
Loans acquired with deteriorated credit quality	59	—	—	59

(a) Includes international consumer automobile and international commercial charge-offs of $81 million and $2 million, respectively.
(b) Includes international consumer automobile and international commercial recoveries of $34 million and $25 million, respectively.
(c) Includes provision for loan losses relating to discontinued operations of $37 million.

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Consumer automobile	$—	$1,960	$—	$1,960
Consumer mortgage	—	—	—	40
Commercial	27	—	45	—
Total sales and transfers	$27	$1,960	$45	$2,000

The following table presents an analysis of our past due finance receivables and loans, net, recorded at historical cost reported at carrying value before allowance for loan losses.

($ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
June 30, 2013						
Consumer automobile	$868	$193	$134	$1,195	$54,833	$ 56,028
Consumer mortgage						
1st Mortgage	79	28	131	238	6,536	6,774
Home equity	12	5	12	29	2,467	2,496
Total consumer mortgage	91	33	143	267	9,003	9,270
Commercial						
Commercial and industrial						
Automobile	—	—	20	20	27,498	27,518
Mortgage	—	—	—	—	—	—
Other	—	—	—	—	1,502	1,502
Commercial real estate						
Automobile	—	—	8	8	2,667	2,675
Mortgage	—	—	—	—	—	—
Total commercial	—	—	28	28	31,667	31,695
Total consumer and commercial	$959	$226	$305	$1,490	$95,503	$ 96,993
December 31, 2012						
Consumer automobile	$920	$213	$138	$1,271	$52,444	$ 53,715
Consumer mortgage						
1st Mortgage	66	37	156	259	6,914	7,173
Home equity	15	6	18	39	2,609	2,648
Total consumer mortgage	81	43	174	298	9,523	9,821
Commercial						
Commercial and industrial						
Automobile	—	—	16	16	30,254	30,270
Mortgage	—	—	—	—	—	—
Other	—	—	1	1	2,696	2,697
Commercial real estate						
Automobile	—	—	8	8	2,544	2,552
Mortgage	—	—	—	—	—	—
Total commercial	—	—	25	25	35,494	35,519
Total consumer and commercial	$1,001	$256	$337	$1,594	$97,461	$ 99,055

The following table presents the carrying value before allowance for loan losses of our finance receivables and loans recorded at historical cost on nonaccrual status.

($ in millions)	June 30, 2013	December 31, 2012
Consumer automobile	$277	$ 260
Consumer mortgage		
1st Mortgage	388	342
Home equity	36	40
Total consumer mortgage	424	382
Commercial		
Commercial and industrial		
Automobile	186	146
Mortgage	—	—
Other	88	33
Commercial real estate		
Automobile	31	37
Mortgage	—	—
Total commercial	305	216
Total consumer and commercial finance receivables and loans	$1,006	$ 858

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

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information.

	June 30, 2013			December 31, 2012		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	$55,751	$277	$56,028	$53,455	$260	$53,715
Consumer mortgage						
1st Mortgage	6,386	388	6,774	6,831	342	7,173
Home equity	2,460	36	2,496	2,608	40	2,648
Total consumer mortgage	$8,846	$424	$9,270	$9,439	$382	$9,821

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	June 30, 2013			December 31, 2012		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	$26,118	$1,400	$27,518	$28,978	$1,292	$30,270
Mortgage	—	—	—	—	—	—
Other	1,212	290	1,502	2,417	280	2,697
Commercial real estate						
Automobile	2,593	82	2,675	2,440	112	2,552
Mortgage	—	—	—	—	—	—
Total commercial	$29,923	$1,772	$31,695	$33,835	$1,684	$35,519

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

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information.

The following table presents information about our impaired finance receivables and loans recorded at historical cost.

($ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
June 30, 2013					
Consumer automobile	$268	$268	$—	$268	$22
Consumer mortgage					
1st Mortgage	795	789	126	663	162
Home equity	146	147	2	145	52
Total consumer mortgage	941	936	128	808	214
Commercial					
Commercial and industrial					
Automobile	186	186	69	117	9
Mortgage	—	—	—	—	—
Other	88	88	17	71	7
Commercial real estate					
Automobile	31	31	8	23	10
Mortgage	—	—	—	—	—
Total commercial	305	305	94	211	26
Total consumer and commercial finance receivables and loans	$1,514	$1,509	$222	$1,287	$262
December 31, 2012					
Consumer automobile	$260	$260	$90	$170	$16
Consumer mortgage					
1st Mortgage	811	725	123	602	137
Home equity	147	148	1	147	49
Total consumer mortgage	958	873	124	749	186
Commercial					
Commercial and industrial					
Automobile	146	146	54	92	7
Mortgage	—	—	—	—	—
Other	33	33	9	24	7
Commercial real estate					
Automobile	37	37	9	28	12
Mortgage	—	—	—	—	—
Total commercial	216	216	72	144	26
Total consumer and commercial finance receivables and loans	$1,434	$1,349	$286	$1,063	$228

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

Three months ended June 30, ($ in millions)	2013 Average balance	2013 Interest income	2012 Average balance	2012 Interest income
Consumer automobile	$275	$5	$94	$3
Consumer mortgage				
1st Mortgage	781	5	574	7
Home equity	147	2	96	1
Total consumer mortgage	928	7	670	8
Commercial				
Commercial and industrial				
Automobile	177	1	185	3
Mortgage	—	—	15	—
Other	68	1	25	5
Commercial real estate				
Automobile	35	1	54	1
Mortgage	—	—	7	—
Total commercial	280	3	286	9
Total consumer and commercial finance receivables and loans	$1,483	$15	$1,050	$20

Six months ended June 30, ($ in millions)	2013 Average balance	2013 Interest income	2012 Average balance	2012 Interest income
Consumer automobile	$273	$9	$88	$5
Consumer mortgage				
1st Mortgage	760	12	546	11
Home equity	139	3	97	2
Total consumer mortgage	899	15	643	13
Commercial				
Commercial and industrial				
Automobile	167	3	197	5
Mortgage	—	—	9	—
Other	63	1	29	5
Commercial real estate				
Automobile	35	1	58	1
Mortgage	—	—	10	—
Total commercial	265	5	303	11
Total consumer and commercial finance receivables and loans	$1,437	$29	$1,034	$29

Troubled Debt Restructurings

Troubled debt restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Additionally for automobile loans, we offer several types of assistance to aid our customers including extension of the maturity date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were $1.3 billion and $1.2 billion at June 30, 2013, and December 31, 2012, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information.

Notes to Condensed Consolidated Financial Statements (unaudited)
Ally Financial Inc. • Form 10-Q

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

	2013 (a)			2012		
Three months ended June 30, ($ in millions)	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	4,414	$ 68	$ 57	1,980	$ 25	$ 25
Consumer mortgage						
1st Mortgage	144	42	35	845	231	161
Home equity	43	2	2	54	3	3
Total consumer mortgage	187	44	37	899	234	164
Commercial						
Commercial and industrial						
Automobile	2	7	7	3	5	5
Mortgage	—	—	—	—	—	—
Other	2	20	20	—	—	—
Commercial real estate						
Automobile	1	2	2	3	7	6
Mortgage	—	—	—	—	—	—
Total commercial	5	29	29	6	12	11
Total consumer and commercial finance receivables and loans	4,606	$ 141	$ 123	2,885	$ 271	$ 200

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

	2013 (a)			2012		
Six months ended June 30, ($ in millions)	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automobile	9,699	$ 147	$ 125	4,772	$ 58	$ 58
Consumer mortgage						
1st Mortgage	618	207	165	922	259	188
Home equity	114	6	6	227	13	12
Total consumer mortgage	732	213	171	1,149	272	200
Commercial						
Commercial and industrial						
Automobile	6	32	32	6	8	8
Mortgage	—	—	—	—	—	—
Other	3	53	51	—	—	—
Commercial real estate						
Automobile	4	13	13	4	9	8
Mortgage	—	—	—	—	—	—
Total commercial	13	98	96	10	17	16
Total consumer and commercial finance receivables and loans	10,444	$ 458	$ 392	5,931	$ 347	$ 274

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

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The following table presents information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information) except for commercial finance receivables and loans where redefault is defined as 90 days past due.

	2013 (a)			2012		
Three months ended June 30, ($ in millions)	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	1,414	$ 18	$ 9	161	$ 1	$ 1
Consumer mortgage						
1st Mortgage	2	—	—	7	2	1
Home equity	—	—	—	9	—	—
Total consumer mortgage	2	—	—	16	2	1
Commercial						
Commercial and industrial						
Automobile	—	—	—	2	1	—
Commercial real estate						
Automobile	—	—	—	1	2	—
Total commercial	—	—	—	3	3	—
Total consumer and commercial finance receivables and loans	1,416	$ 18	$ 9	180	$ 6	$ 2

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

	2013 (a)			2012		
Six months ended June 30, ($ in millions)	Number of loans	Carrying value before allowance	Charge-off amount	Number of loans	Carrying value before allowance	Charge-off amount
Consumer automobile	2,747	$ 34	$ 17	369	$ 3	$ 2
Consumer mortgage						
1st Mortgage	10	2	—	12	3	1
Home equity	2	—	—	13	1	1
Total consumer mortgage	12	2	—	25	4	2
Commercial						
Commercial and industrial						
Automobile	—	—	—	4	3	—
Commercial real estate						
Automobile	—	—	—	1	2	—
Total commercial	—	—	—	5	5	—
Total consumer and commercial finance receivables and loans	2,759	$ 36	$ 17	399	$ 12	$ 4

(a) Due to recent industry practice, bankruptcy loans that have not been reaffirmed have been included within our TDR population beginning in the fourth quarter of 2012.

At June 30, 2013, and December 31, 2012, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a TDR were $18 million and $25 million, respectively.

Higher-Risk Mortgage Concentration Risk

The following table summarizes held-for-investment mortgage finance receivables and loans recorded at historical cost and reported at carrying value before allowance for loan losses by higher-risk loan type.

($ in millions)	June 30, 2013	December 31, 2012
Interest-only mortgage loans (a)	$1,746	$2,063
Below-market rate (teaser) mortgages	177	192
Total higher-risk mortgage finance receivables and loans	$1,923	$2,255

(a) The majority of the interest-only mortgage loans are expected to start principal amortization in 2015 or beyond.

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	June 30, 2013	December 31, 2012
Vehicles and other equipment	$19,072	$16,009
Accumulated depreciation	(2,987)	(2,459)
Investment in operating leases, net	$16,085	$13,550

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 June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Depreciation expense on operating lease assets (excluding remarketing gains)	$590	$359	$1,089	$687
Remarketing gains, net	(91)	(24)	(155)	(47)
Depreciation expense on operating lease assets	$499	$335	$934	$640

9. Securitizations and Variable Interest Entities

Overview

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

The SPEs involved in securitization and other financing transactions are generally considered variable interest entities (VIEs). VIEs are entities that have either a total equity investment that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors lack the ability to control the entity's activities. Due to the deconsolidation of ResCap, our mortgage securitization activity and involvement with certain mortgage-related VIEs has substantially changed. Refer to Note 1 for additional information related to ResCap.

Securitizations

We provide a wide range of consumer and commercial automobile loans, operating leases, other commercial loans, and mortgage loan products to a diverse customer base. We often securitize these loans and leases (which we collectively describe as loans or financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet. We securitize consumer and commercial automobile loans, operating leases, and other commercial loans through private-label securitizations. We securitize consumer mortgage loans through transactions involving the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). We previously securitized consumer mortgage loans through private-label mortgage securitizations and through transactions involving the Government National Mortgage Association (Ginnie Mae). We refer to Fannie Mae, Freddie Mac, and Ginnie Mae collectively as the Government-Sponsored Enterprises or GSEs. During the six months ended June 30, 2013 and 2012, our consumer mortgage loans were primarily securitized through the GSEs.

In executing a securitization transaction, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific securitization entity for cash, servicing rights, and in some transactions, other retained interests. The securitization entity is funded through the issuance of beneficial interests in the securitized financial assets. The beneficial interests take the form of either notes or trust certificates, which are sold to investors and/or retained by us. These beneficial interests are collateralized by the transferred loans and entitle the investors to specified cash flows generated from the securitized loans. In addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

Each securitization is governed by various legal documents that limit and specify the activities of the securitization entity. The securitization entity is generally allowed to acquire the loans, to issue beneficial interests to investors to fund the acquisition of the loans, and to enter into derivatives or other yield maintenance contracts to hedge or mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the securitization entity holds and the beneficial interests it issues. Servicing functions include, but are not limited to, making certain payments of property taxes and insurance premiums, default and property maintenance payments, as well as advancing principal and interest payments before collecting them from individual borrowers. Our servicing responsibilities, which constitute continued involvement in the transferred financial assets, consist of primary servicing (i.e., servicing the underlying transferred financial assets) and previously master servicing (i.e., servicing the beneficial interests that result from the securitization transactions). Certain securitization entities also require the servicer to advance scheduled principal and interest payments due on the beneficial interests issued by the entity regardless of whether cash payments are received on the underlying transferred financial assets. Accordingly, we are required to provide these servicing advances when applicable. Refer to Note 10 for additional information regarding our servicing rights.

The GSEs provide a guarantee of the payment of principal and interest on the beneficial interests issued in securitizations through the GSEs. In private-label securitizations, cash flows from the assets initially transferred into the securitization entity represent the sole source for payment of distributions on the beneficial interests issued by the securitization entity and for payments to the parties that perform services for the securitization entity, such as the servicer or the trustee. In certain private-label securitization transactions, a liquidity facility may exist to provide temporary liquidity to the entity. The liquidity provider generally is reimbursed prior to other parties in subsequent distribution periods. In previous certain private-label securitizations, monoline insurance may have existed to cover certain shortfalls to certain investors in the beneficial interests issued by the securitization entity. As noted above, in certain private-label securitizations, the servicer is required to advance scheduled principal and interest payments due on the beneficial interests regardless of whether cash payments are received on the underlying transferred financial assets. The servicer is allowed to reimburse itself for these servicing advances. Additionally, certain private-label securitization transactions may have previously allowed for the acquisition of additional loans subsequent to the initial loan transfer. Principal collections on other loans and/or the issuance of new beneficial interests, such as variable funding notes, generally funded those loans; we were often contractually required to invest in these new interests.

We may have retained beneficial interests in our private-label securitizations, which may have represented a form of significant continuing economic interest. These retained interests included, but were not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provided credit enhancement to the trust as they may have absorbed credit losses or other cash shortfalls. Additionally, the securitization agreements may have required cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not have been performance-driven.

We generally hold certain conditional repurchase options specific to private label securitizations that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes burdensome (a clean-up call option). The repurchase price is typically the par amount of the loans plus accrued interest. Additionally, we may hold other conditional repurchase options that allow us to repurchase a transferred financial asset if certain events outside our control occur. The typical conditional repurchase option is a delinquent loan repurchase option that gives us the option to purchase the loan or contract if it exceeds a certain prespecified delinquency level. We generally have complete discretion regarding when or if we will exercise these options, but we

would do so only when it is in our best interest.
Other than our customary representation and warranty provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the securitization entities are held by third parties. Representation and warranty provisions generally require us to repurchase loans or indemnify the investor or other party for incurred losses to the extent it is determined that the loans were ineligible or were otherwise defective at the time of sale. Refer to Note 26 for detail on representation and warranty provisions. We did not provide any noncontractual financial support to any of these entities during the six months ended June 30, 2013 or 2012.
Other Variable Interest Entities
We have involvement with various other on-balance sheet, immaterial VIEs. Most of these VIEs are used for additional liquidity whereby we sell certain financial assets into the VIE and issue beneficial interests to third parties for cash.
We also provide long-term guarantee contracts to investors in certain nonconsolidated affordable housing entities and have extended a line of credit to provide liquidity and minimize our exposure under these contracts. Since we do not have control over the entities or the power to make decisions, we do not consolidate the entities and our involvement is limited to the guarantee and the line of credit.
Involvement with Variable Interest Entities
The determination of whether financial assets transferred by us to these VIEs (and related liabilities) are consolidated on our balance sheet (also referred to as on-balance sheet) or not consolidated on our balance sheet (also referred to as off-balance sheet) depends on the terms of the related transaction and our continuing involvement (if any) with the VIE. We are deemed the primary beneficiary and therefore

consolidate VIEs for which we have both (a) the power, through voting rights or similar rights, to direct the activities that most significantly impact the VIE's economic performance, and (b) a variable interest (or variable interests) that (i) obligates us to absorb losses that could potentially be significant to the VIE and/or (ii) provides us the right to receive residual returns of the VIE that could potentially be significant to the VIE. We determine whether we hold a significant variable interest in a VIE based on a consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement with the VIE. We assess whether we are the primary beneficiary of a VIE on an ongoing basis.

Our involvement with consolidated and nonconsolidated VIEs in which we hold variable interests is presented below.

($ in millions)	Consolidated involvement with VIEs (a)		Assets of nonconsolidated VIEs (a)		Maximum exposure to loss in nonconsolidated VIEs	
June 30, 2013						
On-balance sheet variable interest entities						
Consumer automobile	$20,488					
Commercial automobile	15,148					
Commercial other	811					
Off-balance sheet variable interest entities						
Consumer automobile	—		$1,183		$1,183	(b)
Commercial other	(26	) (c)	—	(d)	65	
Total	$36,421		$1,183		$1,248	
December 31, 2012						
On-balance sheet variable interest entities						
Consumer automobile	$28,566					
Commercial automobile	23,139					
Commercial other	728					
Off-balance sheet variable interest entities						
Consumer automobile	—		$1,495		$1,495	(b)
Consumer mortgage — other	—		—	(d)	12	(e)
Commercial other	(28	) (c)	—	(d)	85	
Total	$52,405		$1,495		$1,592	

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

(b) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.

(c) Amounts classified as accrued expenses and other liabilities.

(d) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE.

(e) Our maximum exposure to loss in this VIE is a component of servicer advances made that are allocated to the trust. The maximum exposure to loss presented represents the unlikely event that every loan underlying the excess servicing rights sold defaults, and we, as servicer, are required to advance the entire excess service fee to the trust for the contractually established period. This required disclosure is not an indication of our expected loss.

On-balance Sheet Variable Interest Entities

We engage in securitization and other financing transactions that do not qualify for off-balance sheet treatment. In these situations, we hold beneficial interests or other interests in the VIE, which represent a form of significant continuing economic interest. These retained interests include, but are not limited to, senior or subordinate asset-backed securities and residuals, and previously included senior or subordinate mortgage-backed securities, interest-only strips, and principal-only strips. Certain of these retained interests provide credit enhancement to the securitization entity as they may absorb credit losses or other cash shortfalls. Additionally, the securitization documents may require cash flows to be directed away from certain of our retained interests due to specific over-collateralization requirements, which may or may not be performance-driven. Because these securitization entities are consolidated, these retained interests and servicing rights are not recognized as separate assets on our Condensed Consolidated Balance Sheet.

We consolidated certain of these entities because we had a controlling financial interest in the VIE, primarily due to our servicing activities, and because we hold a significant variable interest in the VIE. We are generally the primary beneficiary of automobile securitization entities for which we perform servicing activities and have retained a significant variable interest in the form of a beneficial interest. We were previously the primary beneficiary of certain mortgage private-label securitization entities.

The consolidated VIEs included in the Condensed Consolidated Balance Sheet represent separate entities with which we are involved. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation and warranty provisions or when we are the counterparty to certain derivative transactions involving the VIE. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is significantly less than the carrying value of the consolidated VIE assets. All assets of consolidated VIEs, presented below based upon the legal transfer of the underlying assets in order to reflect legal ownership, are restricted for the benefit of the beneficial interest holders. Refer to Note 22 for discussion of the assets and liabilities for which the fair value option has been elected.

Off-balance Sheet Variable Interest Entities

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. The cash flows from the assets of nonconsolidated securitization entities generally are the sole source of payment on the securitization entities' liabilities. The creditors of these securitization entities have no recourse to us with the exception of market customary representation and warranty provisions as described in Note 26.

Nonconsolidated VIEs include entities for which we either do not hold potentially significant variable interests or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Additionally, to qualify for off-balance sheet treatment, transfers of financial assets must meet appropriate sale accounting conditions. Previously, our residential mortgage loan securitizations consisted of Ginnie Mae and private-label securitizations. We are not the primary beneficiary of any GSE loan securitization transaction because we do not have the power to direct the significant activities of such entities. Previously, we did not consolidate certain private-label mortgage securitizations because we did not have a variable interest that could potentially have been significant or we did not have power to direct the activities that most significantly impacted the performance of the VIE.

For nonconsolidated securitization entities, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the securitization are primarily reported as cash, servicing rights, or retained interests (if applicable). Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. As an accounting policy election, we elected fair value treatment for our mortgage servicing rights (MSRs) portfolio. Liabilities incurred as part of these securitization transactions, such as representation and warranty provisions, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction.

The pretax gains recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities for consumer mortgage — GSEs were $19 million and $112 million for the three months and six months ended June 30, 2013, respectively compared to $24 million and $52 million for the same periods in 2012, respectively. The pretax gains recognized for consumer automobile were $6 million and $6 million for the three months and six months ended June 30, 2012, respectively.

The following table summarizes cash flows received from and paid related to securitization entities, asset-backed financings, or other similar transfers of financial assets where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the six months ended June 30, 2013 and 2012. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Six months ended June 30, ($ in millions)	Consumer automobile	Consumer mortgage GSEs	Consumer mortgage private-label
2013			
Cash proceeds from transfers completed during the period	$—	$8,674	$—

Servicing fees	7	66	—
Representations and warranties obligations	—	(62)	—
Other cash flows	—	71	—
2012			
Cash proceeds from transfers completed during the period	$1,978	$16,645	$—
Cash flows received on retained interests in securitization entities	—	—	71
Servicing fees	—	434	63
Purchases of previously transferred financial assets	—	(876)	(12)
Representations and warranties obligations	—	(30)	(7)
Other cash flows	—	(84)	255

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The following tables represent on-balance sheet loans held-for-sale and finance receivables and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The table presents quantitative information about delinquencies and net credit losses. Refer to Note 10 for further detail on total serviced assets.

($ in millions)	Total Amount June 30, 2013	Total Amount December 31, 2012	Amount 60 days or more past due June 30, 2013	Amount 60 days or more past due December 31, 2012
On-balance sheet loans				
Consumer automobile	$56,028	$53,715	$327	$351
Consumer mortgage	9,326	12,311	201	241
Commercial automobile	30,193	32,822	28	24
Commercial mortgage	—	—	—	—
Commercial other	1,548	2,783	—	1
Total on-balance sheet loans	97,095	101,631	556	617
Off-balance sheet securitization entities				
Consumer automobile	1,183	1,495	3	4
Consumer mortgage - GSEs (a)	131	119,384	n/m	1,892
Total off-balance sheet securitization entities	1,314	120,879	3	1,896
Whole-loan transactions (b)	4,509	6,756	94	129
Total	$102,918	$229,266	$653	$2,642

n/m = not meaningful

(a) Decrease due to the sales of agency MSRs. Refer to Note 10 for additional information.

(b) Whole-loan transactions are not part of a securitization transaction, but represent consumer automobile and consumer mortgage pools of loans sold to third-party investors.

($ in millions)	Net credit losses Three months ended June 30, 2013	2012	Six months ended June 30, 2013	2012
On-balance sheet loans				
Consumer automobile	$80	$70	$173	$144
Consumer mortgage	26	(8)	47	10
Commercial automobile	(1)	(1)	—	(1)
Commercial mortgage	—	—	—	(1)
Commercial other	(2)	(18)	(3)	(27)
Total on-balance sheet loans	103	43	217	125
Off-balance sheet securitization entities				
Consumer automobile	1	—	2	—
Consumer mortgage - GSEs (a)	n/m	n/m	n/m	n/m
Total off-balance sheet securitization entities	1	—	2	—
Whole-loan transactions	5	2	5	10
Total	$109	$45	$224	$135

n/m = not meaningful

(a) Anticipated credit losses are not meaningful due to the GSE guarantees.

10. Servicing Activities

Mortgage Servicing Rights

The following table summarizes activity related to MSRs, which are carried at fair value. Management estimates fair value using our transaction data and other market data or, in periods when there are limited MSRs market transactions that are directly observable, internally developed discounted cash flow models (an income approach) are used to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset.

Three months ended June 30, ($ in millions)	2013	2012 (a)
Estimated fair value at April 1,	$917	$2,595
Additions	6	42
Sales (b)	(911)	—
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(4)	(301)
Other changes in fair value	(8)	(101)
Deconsolidation of ResCap	—	(1,130)
Estimated fair value at June 30,	$—	$1,105

(a) Includes activities of our discontinued operations.
(b) Includes the sales of agency MSRs to Ocwen and Quicken Loans, Inc. (Quicken) on April 1, 2013 and April 16, 2013.

Six months ended June 30, ($ in millions)	2013	2012 (a)
Estimated fair value at January 1,	$952	$2,519
Additions	60	117
Sales (b)	(911)	—
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(32)	(138)
Other changes in fair value	(69)	(263)
Deconsolidation of ResCap	—	(1,130)
Estimated fair value at June 30,	$—	$1,105

(a) Includes activities of our discontinued operations.
(b) Includes the sales of agency MSRs to Ocwen and Quicken on April 1, 2013 and April 16, 2013.

Changes in fair value due to changes in valuation inputs or assumptions used in the valuation model include all changes due to a revaluation by a model or by a benchmarking exercise. Other changes in fair value primarily include the accretion of the present value of the discount related to forecasted cash flows and the economic runoff of the portfolio. Refer to Note 1 to the Consolidated Financial Statements in our 2012 Annual Report for additional information regarding our significant assumptions and valuation techniques used in the valuation of mortgage servicing rights.

Risk Mitigation Activities

The primary risk of servicing rights is interest rate risk and the resulting impact on prepayments. A significant decline in interest rates could lead to higher-than-expected prepayments that could reduce the value of the MSRs. We previously economically hedged the impact of these risks with both derivative and nonderivative financial instruments. Refer to Note 20 for additional information regarding the derivative financial instruments used to economically hedge MSRs.

The components of servicing valuation and hedge activities, net, were as follows.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Change in estimated fair value of mortgage servicing rights	$(12)	$(275)	$(101)	$(285)
Change in fair value of derivative financial instruments	—	321	(112)	225
Servicing asset valuation and hedge activities, net	$(12)	$46	$(213)	$(60)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Contractual servicing fees, net of guarantee fees and including subservicing	$3	$78	$61	$164
Late fees	—	3	1	5
Ancillary fees	—	2	4	6
Total mortgage servicing fees	$3	$83	$66	$175

Mortgage Servicing Advances

In connection with our primary mortgage servicing activities (i.e., servicing of mortgage loans), we make certain payments for property taxes and insurance premiums, default and property maintenance payments, as well as advances of principal and interest payments before collecting them from individual borrowers. Servicing advances, including contractual interest, are priority cash flows in the event of a loan principal reduction or foreclosure and ultimate liquidation of the real estate-owned property. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled $10 million and $82 million at June 30, 2013 and December 31, 2012, respectively. We maintained an allowance for uncollected primary servicing advances of $0 million and $1 million at June 30, 2013 and December 31, 2012, respectively. Our potential obligation is influenced by the loan's performance and credit quality.

Mortgage Serviced Assets

Total serviced mortgage assets consist of primary servicing activities. These include loans owned by Ally Bank, where Ally Bank is the primary servicer, and loans sold to third-party investors, where Ally Bank has retained primary servicing. Loans owned by Ally Bank are categorized as loans held-for-sale or finance receivables and loans, which are discussed in further detail in Note 6 and Note 7, respectively. The loans sold to third-party investors were sold through off-balance sheet GSE securitization transactions.

The unpaid principal balance of our serviced mortgage assets were as follows.

($ in millions)	June 30, 2013	December 31, 2012
On-balance sheet mortgage loans		
Held-for-sale and investment	$8,243	$ 10,938
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
GSEs	131	119,384
Whole-loan	—	2
Total primary serviced mortgage loans	$8,374	$ 130,324

Ally Bank is subject to certain net worth requirements associated with its servicing agreements with Fannie Mae and Freddie Mac. The majority of Ally Bank's serviced mortgage assets are subserviced by Ocwen, pursuant to a servicing agreement. At June 30, 2013, Ally Bank was in compliance with the requirements of the servicing agreements.

Automobile Finance Servicing Activities

We service consumer automobile contracts. Historically, we have sold a portion of our consumer automobile contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automobile finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automobile servicing fees of $16 million and $35 million during the three months and six months ended June 30, 2013, respectively, compared to $30 million and $60 million for the three months and six months ended June 30, 2012, respectively.

Automobile Finance Serviced Assets

The total serviced automobile finance loans outstanding were as follows.

($ in millions)	June 30, 2013	December 31, 2012
On-balance sheet automobile finance loans and leases		
Consumer automobile	$56,028	$ 53,715
Commercial automobile	30,193	32,822
Operating leases	16,085	13,550
Operations held-for-sale	3,953	25,979
Other	50	41
Off-balance sheet automobile finance loans		
Loans sold to third-party investors		
Securitizations	1,167	1,474
Whole-loan	4,359	6,541
Other (a)	6,062	—
Total serviced automobile finance loans and leases	$117,897	$ 134,122

(a) Consists of serviced assets sold in conjunction with the divestiture of our Canadian automotive finance operations.

11. Other Assets

The components of other assets were as follows.

($ in millions)	June 30, 2013	December 31, 2012
Property and equipment at cost	$675	$ 693
Accumulated depreciation	(441)	(411)
Net property and equipment	234	282
Deferred tax assets	1,967	1,190
Restricted cash collections for securitization trusts (a)	1,213	2,983
Cash reserve deposits held-for-securitization trusts (b)	432	442
Unamortized debt issuance costs	392	425
Other accounts receivable	345	525
Fair value of derivative contracts in receivable position	310	2,298
Restricted cash and cash equivalents	237	889
Collateral placed with counterparties	224	1,290
Nonmarketable equity securities	204	303
Other assets	1,143	1,281
Total other assets	$6,701	$ 11,908

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

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

12. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	June 30, 2013	December 31, 2012
Deposits		
Noninterest-bearing deposits	$72	$ 1,977
Interest-bearing deposits		
Savings and money market checking accounts	18,297	13,871
Certificates of deposit	31,114	31,084
Dealer deposits	642	983
Total deposit liabilities	$50,125	$ 47,915

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. See Note 10 for further detail of MSRs sales. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At June 30, 2013, and December 31, 2012, certificates of deposit included $12.5 billion and $12.0 billion, respectively, of certificates of deposit in denominations of $100 thousand or more.

13. Short-term Borrowings

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

	June 30, 2013			December 31, 2012		
($ in millions)	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$3,197	$—	$3,197	$3,094	$—	$3,094
Bank loans and overdrafts	—	—	—	167	—	167
Federal Home Loan Bank	—	500	500	—	3,800	3,800
Other (b)	—	500	500	—	400	400
Total short-term borrowings	$3,197	$1,000	$4,197	$3,261	$4,200	$7,461

(a) Refer to Note 14 for further details on assets restricted as collateral for payment of the related debt.

(b) Other relates to secured borrowings at our Commercial Finance Group at June 30, 2013 and December 31, 2012.

14. Long-term Debt

The following tables present the composition of our long-term debt portfolio.

	June 30, 2013			December 31, 2012		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	$4,494	$10,879	$15,373	$1,070	$11,503	$12,573
Due after one year (a)	27,749	20,720	48,469	31,486	29,408	60,894
Fair value adjustment	692	—	692	1,094	—	1,094
Total long-term debt	$32,935	$31,599	$64,534	$33,650	$40,911	$74,561

(a) Includes $2.6 billion and $2.6 billion of trust preferred securities at both June 30, 2013 and December 31, 2012, respectively.

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

Year ended December 31, ($ in millions)	2013	2014	2015	2016	2017	2018 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$896	$5,588	$5,123	$1,970	$3,687	$16,695	$692	$34,651
Original issue discount	(137)	(188)	(56)	(63)	(75)	(1,197)	—	(1,716)
Total unsecured	759	5,400	5,067	1,907	3,612	15,498	692	32,935
Secured								
Long-term debt	4,204	11,935	8,308	3,959	2,490	703	—	31,599
Total long-term debt	$4,963	$17,335	$13,375	$5,866	$6,102	$16,201	$692	$64,534

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.

	June 30, 2013		December 31, 2012	
($ in millions)	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities	$—	$—	$1,911	$1,911
Mortgage finance receivables and loans	9,353	9,353	9,866	9,866
Consumer automobile finance receivables	21,190	12,628	29,557	14,833
Commercial automobile finance receivables	17,371	17,371	19,606	19,606
Investment in operating leases, net	7,661	4,178	6,058	1,691
Other assets	982	175	999	272
Total assets restricted as collateral (b)	$56,557	$43,705	$67,997	$48,179
Secured debt (c)	$32,599	$22,304	$45,111	$29,162

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

(b) Ally Bank has an advance agreement with the Federal Home Loan Bank of Pittsburgh (FHLB) and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling $12.1 billion and $12.6 billion at June 30, 2013, and December 31, 2012, respectively. These assets were composed primarily of consumer and commercial mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling $3.4 billion and $1.9 billion at June 30, 2013, and December 31, 2012, respectively. These assets were composed of consumer automobile finance receivables and loans, net and investment securities. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes $1.0 billion and $4.2 billion of short-term borrowings at June 30, 2013, and December 31, 2012, respectively.

Trust Preferred Securities

On December 30, 2009, we entered into a Securities Purchase and Exchange Agreement with U.S. Department of Treasury (Treasury) and GMAC Capital Trust I, a Delaware statutory trust (the Trust), which is a finance subsidiary that is wholly owned by Ally. As part of the agreement, the Trust sold to Treasury 2,540,000 trust preferred securities (TRUPS) issued by the Trust with an aggregate liquidation preference of $2.5 billion. Additionally, we issued and sold to Treasury a ten-year warrant to purchase up to 127,000 additional TRUPS with an aggregate liquidation preference of $127 million, at an initial exercise price of $0.01 per security, which Treasury immediately exercised in full.

On March 1, 2011, the Declaration of Trust and certain other documents related to the TRUPS were amended and all the outstanding TRUPS held by Treasury were designated 8.125% Fixed Rate / Floating Rate Trust Preferred Securities, Series (Series 2 TRUPS). On March 7, 2011, Treasury sold 100% of the Series 2 TRUPS in an offering registered with the SEC. Ally did not receive any proceeds from the sale.

Each Series 2 TRUPS security has a liquidation amount of $25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate of 8.125% payable quarterly in arrears, beginning August 15, 2011, to but excluding February 15, 2016. From and including February 15, 2016, to but excluding February 15, 2040, distributions will be payable at an annual rate equal to three-month London interbank offer rate plus 5.785% payable quarterly in arrears, beginning May 15, 2016. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. 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.

Covenants and Other Requirements

In secured funding transactions, there are trigger events that could cause the debt to be prepaid at an accelerated rate or could cause our usage of the credit facility to be discontinued. The triggers are generally based on the financial health and performance of the servicer as well as performance criteria for the pool of receivables, such as delinquency ratios, loss ratios, commercial payment rates. During the six months ended June 30, 2013, there were no trigger events that resulted in the repayment of debt at an accelerated rate or impacted the usage of our credit facilities.

When we issue debt securities in private offerings, we may be subject to registration rights agreements. Under these agreements, we generally agree to use reasonable efforts to cause the consummation of a registered exchange offer or to file a shelf registration statement within a prescribed period. In the event that we fail to meet these obligations, we may be required to pay additional penalty interest with respect to the covered debt during the period in which we fail to meet our contractual obligations.

Funding Facilities

We utilize both committed and uncommitted credit facilities. The financial institutions providing the uncommitted facilities are not contractually obligated to advance funds under them. The amounts outstanding under our various funding facilities are included on our Condensed Consolidated Balance Sheet.

As of June 30, 2013, Ally Bank had exclusive access to $3.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a $4.1 billion committed facility that is shared with the parent company. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank’s private committed facilities.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At June 30, 2013, $23.7 billion of our $28.3 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of June 30, 2013, we had $13.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. The decline in committed funding facilities is attributed to the sale of international businesses and the growth in Ally Bank deposits.

Committed Funding Facilities

	Outstanding		Unused Capacity (a)		Total Capacity	
($ in billions)	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Bank funding						
Secured	$1.7	$3.8	$1.8	$4.7	$3.5	$8.5
Parent funding						
Unsecured (b)	—	0.1	—	—	—	0.1
Secured (c) (d) (e)	9.0	22.5	11.7	7.8	20.7	30.3
Total Parent funding	9.0	22.6	11.7	7.8	20.7	30.4
Shared capacity (f) (g)	—	1.1	4.1	3.0	4.1	4.1
Total committed facilities	$10.7	$27.5	$17.6	$15.5	$28.3	$43.0

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

(b) Total unsecured parent funding capacity represents committed funding for our discontinued international automobile financing business.

(c)

Total secured parent funding capacity includes committed funding for our discontinued international automobile financing business of $2.5 billion and $12.0 billion as of June 30, 2013 and December 31, 2012, respectively, with outstanding debt of $2.0 billion and $9.6 billion, respectively.

(d) Total unused capacity includes $1.5 billion and $2.2 billion as of June 30, 2013 and December 31, 2012, respectively, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2013.

(e) Includes the secured facilities of our Commercial Finance Group.

(f) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

(g) Total shared facilities includes committed funding for our discontinued international automobile financing business of $0.1 billion as of December 31, 2012, with outstanding debt of $0.1 billion.

Uncommitted Funding Facilities

	Outstanding		Unused Capacity		Total Capacity	
($ in billions)	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012	June 30, 2013	December 31, 2012
Bank funding						
Secured						
Federal Reserve funding programs	$—	$—	$1.8	$1.8	$1.8	$1.8
FHLB advances	1.5	4.8	4.0	0.4	5.5	5.2
Total bank funding	1.5	4.8	5.8	2.2	7.3	7.0
Parent funding						
Unsecured	1.3	2.1	—	0.4	1.3	2.5
Secured	—	0.1	—	0.1	—	0.2
Total parent funding (a)	1.3	2.2	—	0.5	1.3	2.7
Total uncommitted facilities	$2.8	$7.0	$5.8	$2.7	$8.6	$9.7

(a) Total parent funding capacity represents uncommitted funding for our discontinued international automobile financing business.

15. Accrued Expenses and Other Liabilities

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

($ in millions)	June 30, 2013	December 31, 2012
Accrual related to ResCap Settlement (a)	$1,950	$750
Accounts payable	906	565
Employee compensation and benefits	455	494
Reserves for insurance losses and loss adjustment expenses	314	341
Fair value of derivative contracts in payable position	220	2,468
Collateral received from counterparties	177	941
Other liabilities (b)	1,021	1,026
Total accrued expenses and other liabilities	$5,043	$6,585

(a) Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this accrual.
(b) Includes $150 million accrual for insurance proceeds to be contributed to the ResCap estate at June 30, 2013. Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this accrual.

16. Equity

The following table summarizes information about our Series F-2, Series A, and Series G preferred stock.

	June 30, 2013	December 31, 2012
Mandatorily convertible preferred stock held by U.S. Department of Treasury		
Series F-2 preferred stock (a)		
Carrying value ($ in millions)	$5,685	$5,685
Par value (per share)	0.01	0.01
Liquidation preference (per share)	50	50
Number of shares authorized	228,750,000	228,750,000
Number of shares issued and outstanding	118,750,000	118,750,000
Dividend/coupon	9 %	9 %
Redemption/call feature	Perpetual (b)	Perpetual (b)
Preferred stock		
Series A preferred stock		
Carrying value ($ in millions)	$1,021	$1,021
Par value (per share)	0.01	0.01
Liquidation preference (per share)	25	25
Number of shares authorized	160,870,560	160,870,560
Number of shares issued and outstanding	40,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5 %	8.5 %
On and after May 15, 2016	three month LIBOR + 6.243%	three month LIBOR + 6.243%
Redemption/call feature	Perpetual (c)	Perpetual (c)
Series G preferred stock (d)		
Carrying value ($ in millions)	$234	$234
Par value (per share)	0.01	0.01
Liquidation preference (per share)	1,000	1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	2,576,601	2,576,601
Dividend/coupon	7 %	7 %
Redemption/call feature	Perpetual (e)	Perpetual (e)

(a) Mandatorily convertible to common equity on December 30, 2016 at a conversion rate of 0.00432 common shares for each preferred share, which equates to a common share value of $11,574.

(b) Convertible prior to mandatory conversion date either with consent of Treasury or in the event the Federal Reserve compels a conversion.

(c) Nonredeemable prior to May 15, 2016.

(d) Pursuant to a registration rights agreement, we are required to maintain an effective shelf registration statement. In the event we fail to meet this obligation, we may be required to pay additional interest to the holders of the Series G Preferred Stock.

(e) Redeemable beginning at December 31, 2011.

17. Accumulated Other Comprehensive Income (Loss)

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

($ in millions)

	Unrealized gains (losses) on investment securities	Translation adjustments and net investment hedges	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive income (loss)
Balance at December 31, 2012	$76	$368	$2	$(135)	$ 311
2013 net change	(335)	(211)	6	42	(498)
Balance at June 30, 2013	$(259)	$157	$8	$(93)	$ (187)

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

Three months ended June 30, 2013 ($ in millions)	Before Tax	Tax Effect	After Tax
Unrealized losses on investment securities			
Net unrealized losses arising during the period	$(404)	$122	$(282)
Less: Net realized gains reclassified to income from continuing operations	64 (a)	— (b)	64
Less: Net realized gains reclassified to income from discontinued operations, net of tax	2	(1)	1
Net change	(470)	123	(347)
Translation adjustments			
Net unrealized losses arising during the period	(54)	21	(33)
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(87)	(1)	(88)
Net change	33	22	55
Net investment hedges			
Net unrealized gains arising during the period	46	(17)	29
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(112)	57	(55)
Net change	158	(74)	84
Cash flow hedges			
Net unrealized gains arising during the period	3	(1)	2
Defined benefit pension plans			
Net unrealized gains, prior service costs, and transition obligation arising during the period	2	—	2
Less: Net losses, prior service costs, and transition obligations reclassified to income from discontinued operations, net of tax	(32)	9	(23)
Net change	34	(9)	25
Other comprehensive loss	$(242)	$61	$(181)

(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 (benefit) expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.

Six months ended June 30, 2013 ($ in millions)	Before Tax	Tax Effect	After Tax
Unrealized losses on investment securities			
Net unrealized losses arising during the period	$(335)	$121	$(214)
Less: Net realized gains reclassified to income from continuing operations	115 (a)	(2) (b)	113
Less: Net realized gains reclassified to income from discontinued operations, net of tax	10	(2)	8
Net change	(460)	125	(335)
Translation adjustments			
Net unrealized losses arising during the period	(103)	23	(80)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	345	2	347
Net change	(448)	21	(427)
Net investment hedges			
Net unrealized gains arising during the period	66	(25)	41
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(261)	86	(175)
Net change	327	(111)	216
Cash flow hedges			
Net unrealized gains arising during the period	3	(1)	2
Less: Net realized losses reclassified to income from continuing operations	(7) (c)	3 (b)	(4)
Net change	10	(4)	6
Defined benefit pension plans			
Net unrealized gains, prior service costs, and transition obligation arising during the period	2	—	2
Less: Net losses, prior service costs, and transition obligations reclassified to income from continuing operations	(2) (d)	— (b)	(2)
Less: Net losses, prior service costs, and transition obligations reclassified to income from discontinued operations, net of tax	(49)	11	(38)
Net change	53	(11)	42
Other comprehensive loss	$(518)	$20	$(498)

(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 (benefit) expense from continuing operations in our Condensed Consolidated Statement of Comprehensive Income.

(c) Includes losses reclassified to interest on long-term debt in our Condensed Consolidated Statement of Comprehensive Income.

(d) Includes losses reclassified to compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income.

18. Earnings per Common Share

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions except per share data)	2013	2012	2013	2012
Net income from continuing operations	$100	$183	$160	$185
Preferred stock dividends — U.S. Department of Treasury	(133)	(134)	(267)	(267)
Preferred stock dividends	(67)	(67)	(134)	(134)
Net loss from continuing operations attributable to common shareholders	(100)	(18)	(241)	(216)
(Loss) income from discontinued operations, net of tax	(1,027)	(1,081)	6	(773)
Net loss attributable to common shareholders	$(1,127)	$(1,099)	$(235)	$(989)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (a)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	$(847)	$(825)	$(176)	$(743)
Diluted earnings per common share (a)				
Net loss from continuing operations	$(75)	$(13)	$(180)	$(162)
(Loss) income from discontinued operations, net of tax	(772)	(812)	4	(581)
Net loss	$(847)	$(825)	$(176)	$(743)

(a) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss from continuing operations attributable to common shareholders for the three months and six months ended June 30, 2013 and 2012, respectively, loss from continuing operations attributable to common shareholders and basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

The effects of converting the outstanding Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares are not included in the diluted earnings per share calculation for the three months and six months ended June 30, 2013 and 2012, respectively, as the effects would be antidilutive for those periods. As such, 574 thousand of potential common shares were excluded from the diluted earnings per share calculation for the three months and six months ended June 30, 2013 and 2012, respectively.

19. Regulatory Capital and Other Regulatory Matters

As a bank holding company, we and our wholly owned state-chartered banking subsidiary, Ally Bank, are subject to risk-based capital and leverage guidelines issued by federal and state banking regulators that require that our capital-to-assets ratios meet certain minimum standards. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the consolidated financial statements or the results of operations and financial condition of Ally and Ally Bank. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets and certain off-balance sheet items. Our capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk-weightings, and other factors.

The risk-based capital ratios are determined by allocating assets and specified off-balance sheet financial instruments into several broad risk categories with higher levels of capital being required for the categories that present greater risk. Under the guidelines, total capital is divided into two tiers: Tier 1 capital and Tier 2 capital. Tier 1 capital generally consists of common equity, minority interests, qualifying noncumulative preferred stock, and the fixed rate cumulative preferred stock sold to Treasury under the Troubled Asset Relief Program (TARP), less goodwill and other adjustments. Tier 2 capital generally consists of perpetual preferred stock not qualifying as Tier 1 capital, limited amounts of subordinated debt and the allowance for loan losses, and other adjustments. The amount of Tier 2 capital may not exceed the amount of Tier 1 capital.

Total risk-based capital is the sum of Tier 1 and Tier 2 capital. Under the guidelines, banking organizations are required to maintain a minimum Total risk-based capital ratio (Total capital to risk-weighted assets) of 8% and a Tier 1 risk-based capital ratio (Tier 1 capital to risk-weighted assets) of 4%.

The federal banking regulators also have established minimum leverage ratio guidelines. The leverage ratio is defined as Tier 1 capital divided by adjusted quarterly average total assets (which reflect adjustments for disallowed goodwill and certain intangible assets). The minimum Tier 1 leverage ratio is 3% or 4% depending on factors specified in the regulations.

A banking institution meets the regulatory definition of "well-capitalized" when its Total risk-based capital ratio equals or exceeds 10% and its Tier 1 risk-based capital ratio equals or exceeds 6%; and for insured depository institutions, when its leverage ratio equals or exceeds 5%, unless subject to a regulatory directive to maintain higher capital levels. The banking regulators have also developed a measure of capital called "Tier 1 common" defined as Tier 1 capital less noncommon elements, including qualifying perpetual preferred stock, minority interest in subsidiaries, trust preferred securities, and mandatory convertible preferred securities. Tier 1 common is used by banking regulators, investors and analysts to assess and compare the quality and composition of Ally's capital with the capital of other financial services companies. Also, bank holding companies with assets of $50 billion or more, such as Ally, must develop and maintain a capital plan annually, and among other elements, the capital plan must include a discussion of how we will maintain a pro forma Tier 1 common ratio (Tier 1 common to risk-weighted assets) above 5% under expected conditions and certain stressed scenarios.

On October 29, 2010, Ally, IB Finance Holding Company, LLC, Ally Bank, and the FDIC entered into a Capital and Liquidity Maintenance Agreement (CLMA). The effective date of the CLMA was August 24, 2010. The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank's leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance.

The following table summarizes our capital ratios.

	June 30, 2013			December 31, 2012			Required		Well-capitalized
($ in millions)	Amount	Ratio		Amount	Ratio		minimum		minimum
Risk-based capital									
Tier 1 (to risk-weighted assets)									
Ally Financial Inc.	$19,659	15.45	%	$20,232	13.13	%	4.00	%	6.00%
Ally Bank	14,682	17.59		14,136	16.26		4.00		6.00
Total (to risk-weighted assets)									
Ally Financial Inc.	$20,968	16.48	%	$21,669	14.07	%	8.00	%	10.00%
Ally Bank	15,368	18.42		14,827	17.06		8.00		10.00
Tier 1 leverage (to adjusted quarterly average assets) (a)									
Ally Financial Inc.	$19,659	13.16	%	$20,232	11.16	%	3.00–4.00%		(b)
Ally Bank	14,682	15.93		14,136	15.30		15.00	(c)	5.00%
Tier 1 common (to risk-weighted assets)									
Ally Financial Inc.	$10,175	8.00	%	$10,749	6.98	%	n/a		n/a
Ally Bank	n/a	n/a		n/a	n/a		n/a		n/a

n/a = not applicable

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

(b) There is no Tier 1 leverage component in the definition of a well-capitalized bank holding company.

(c) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

At June 30, 2013, Ally and Ally Bank were "well-capitalized" and met all capital requirements to which each was subject.

Basel Capital Accord

In July 2013, the U.S. federal banking agencies finalized rules implementing the Basel III regulatory capital framework and related Dodd-Frank Act changes. The final rules represent substantial revisions to the regulatory capital rules for banking organizations.

Highlights of the final rules include a revised definition of capital in order to implement the Basel III reforms as well as higher minimum capital ratios that will apply to most banking organizations. The final rules remove the use of credit ratings from both the standardized and advanced approaches, as required by the Dodd-Frank Act. In addition, the standards in the existing Basel I risk-based capital rules, which are referred to as the “general risk-based capital requirements,” have been revised to include a more risk sensitive risk-weighting approach. The phase-in period applicable to Ally as an advanced approaches banking organization begins in January 2014, while the phase-in period for other banking organizations begins in January 2015.

The final rules also amend the calculation of market risk capital, which only applies to banking organizations with significant trading assets and liabilities. We do not currently meet the minimum requirements for application of the Market Risk Rule; accordingly, this is not currently applicable to us.

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

20. Derivative Instruments and Hedging Activities

We enter into interest rate and foreign-currency swaps, futures, forwards, options, and swaptions in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including debt. In addition, we use foreign exchange contracts to mitigate foreign-currency risk associated with foreign-currency-denominated debt, foreign exchange transactions, and our net investment in foreign subsidiaries. Our primary objective for utilizing derivative financial instruments is to manage market risk volatility associated with interest rate and foreign-currency risks related to the assets and liabilities.

Interest Rate Risk

We execute interest rate swaps 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 monitor our mix of fixed- and variable-rate debt in relation to the rate profile of our assets. When it is cost-effective to do so, we may enter into interest rate swaps to achieve our desired mix of fixed- and variable-rate debt. Derivatives qualifying for hedge accounting consist of fixed-rate debt obligations in which receive-fixed swaps are designated as hedges of specific fixed-rate debt obligations. Other derivatives qualifying for hedge accounting consist of an existing variable-rate liability in which pay-fixed swaps are designated as hedges of the expected future cash flows in the form of interest payments on certain outstanding borrowings associated with Ally Bank's secured debt.

We enter into economic hedges to mitigate exposure for the following categories.

- MSRs — We completed the sale of our agency MSRs during the second quarter of 2013 and no longer hedge this activity. In the past, our MSRs were generally subject to loss in value when mortgage rates declined. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs. To mitigate the impact of this risk, we maintained a portfolio of financial instruments, primarily derivative instruments that increased in value when interest rates declined. The primary objective was to minimize the overall risk of loss in the value of MSRs due to the change in fair value caused by interest rate changes.

A multitude of derivative instruments were used to manage the interest rate risk related to MSRs. They included, but were not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, forward sales of mortgage-backed securities (MBS), futures, interest rate swaps, interest rate floors, and interest rate caps.

- Mortgage loan commitments and mortgage loans held-for-sale — We have no mortgage loan commitments as of June 30, 2013 and, therefore, no longer hedge interest rate lock commitments (IRLC). In the past, we were exposed to interest rate risk from the time an IRLC was made until the time the mortgage loan was sold. We have an immaterial amount of mortgage loans held-for-sale that are exposed to interest rate risk. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to these items is to eliminate or greatly reduce any interest rate risk.

Forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities, have been the primary derivative instruments used to accomplish the risk management objective for mortgage loans and IRLCs. The value of the forward sales contracts moves in the opposite direction of the value of the IRLCs and mortgage loans held-for-sale.

- Debt — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowings associated with Ally Bank's secured credit facilities, we do not apply hedge accounting to our derivative portfolio held to mitigate interest rate risk associated with our debt portfolio. Typically, the significant terms of the interest rate swaps match the significant terms of the underlying debt resulting in an effective conversion of the rate of the related debt.

- Net fixed versus variable interest rate exposure and equity investments — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. The primary derivative instruments used to hedge the interest rate exposure of our fixed-rate automotive loans are short-dated, exchange-traded Eurodollar futures. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Exchange Risk

We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to foreign-currency financial instruments. Currency forwards and cross currency swaps are used to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to the same currency of the assets being financed. Similar to our interest rate derivatives, the derivatives are generally entered into or traded concurrent with the debt issuance with the terms of the derivative matching the terms of the underlying debt.

We have reduced our foreign exchange exposure to net investments in foreign operations through the sales of discontinued international businesses, refer to Note 2 for further details on these sales. We enter into foreign-currency forwards and option-based contracts with external counterparties to hedge foreign exchange exposure on our net investments. Our remaining foreign subsidiaries maintain both assets and liabilities in local currencies; these local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency. In addition, our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive income (loss). The hedges are recorded at fair value with the changes recorded to accumulated other comprehensive income (loss) including the spot to forward difference. The net derivative gain or loss remains in accumulated other comprehensive income (loss) until earnings are impacted by the sale or the liquidation of the associated foreign operation.

We have also used a centralized-lending program to manage liquidity for our subsidiary businesses, but as of June 30, 2013, this activity is immaterial. Historically, foreign-currency-denominated loan agreements were executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our remaining foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

Except for our remaining net investment hedges, we generally have not elected to treat any foreign-currency derivatives as hedges for accounting purposes principally because the changes in the fair values of the foreign-currency swaps are substantially offset by the foreign-currency revaluation gains and losses of the underlying assets and liabilities.

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 require both parties to maintain collateral in the event the fair values of the derivative financial instruments meet established thresholds. In the event that either party defaults on the obligation, the secured party may seize the collateral. Generally, our collateral arrangements are bilateral such that we and the counterparty post collateral for the value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls. We also have unilateral collateral agreements whereby we are the only entity required to post collateral.

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit risk-related event. If a credit risk-related event had been triggered the amount of additional collateral required to be posted by us would have been insignificant.

We placed cash and securities collateral totaling $224 million and $1.3 billion at June 30, 2013 and December 31, 2012, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling $177 million and $941 million at June 30, 2013 and December 31, 2012, respectively. The receivables for collateral placed and the payables for collateral received are included on our Condensed Consolidated Balance Sheet in other assets and accrued expenses and other liabilities, respectively. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.

Balance Sheet Presentation

The following table summarizes the fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value amounts are presented on a gross basis, are segregated by derivatives that are designated and qualifying as hedging instruments or those that are not, and are further segregated by type of contract within those two categories. At June 30, 2013 and December 31, 2012, $310 million and $2.3 billion, respectively, of the derivative contracts in a receivable position were classified as other assets on the Condensed Consolidated Balance Sheet. At June 30, 2013 and December 31, 2012, $220 million and $2.5 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

	June 30, 2013			December 31, 2012		
	Derivative contracts in a			Derivative contracts in a		
($ in millions)	receivable position (a)	payable position (b)	Notional amount	receivable position (a)	payable position (b)	Notional amount
Derivatives qualifying for hedge accounting						
Interest rate risk						
Fair value accounting hedges	$124	$83	$7,018	$411	$—	$7,248
Cash flow accounting hedges	—	—	698	—	10	2,580
Total interest rate risk	124	83	7,716	411	10	9,828
Foreign exchange risk						
Net investment accounting hedges	48	10	3,037	35	53	8,693
Total derivatives qualifying for hedge accounting	172	93	10,753	446	63	18,521
Economic hedges						
Interest rate risk						
MSRs	—	—	—	1,616	2,299	146,405
Mortgage loan commitments and mortgage loans held-for-sale	—	—	4	49	23	9,617
Debt	48	27	10,112	28	29	17,716
Net fixed versus variable interest rate exposure and equity investments (c)	89	89	51,500	154	27	41,514
Total interest rate risk	137	116	61,616	1,847	2,378	215,252
Foreign exchange risk	1	11	1,545	5	27	2,464
Total economic hedges	138	127	63,161	1,852	2,405	217,716
Total derivatives	$310	$220	$73,914	$2,298	$2,468	$236,237

(a) Includes accrued interest of $65 million and $175 million at June 30, 2013 and December 31, 2012, respectively.

(b) Includes accrued interest of $8 million and $144 million at June 30, 2013 and December 31, 2012, respectively.

(c) Primarily consists of exchange-traded Eurodollar futures with $13 million and $32 million in a receivable position, $13 million and $5 million in a payable position, and of a $34.7 billion and $24.2 billion notional amount at June 30, 2013 and December 31, 2012, respectively. Also includes equity options with $0 million and $1 million in a receivable position, $9 million and $8 million in a payable position, and of a $212 million and $554 million notional amount at June 30, 2013 and December 31, 2012, respectively.

Statement of Comprehensive Income Presentation

The following table summarizes the location and amounts of gains and losses on derivative instruments reported in our Condensed Consolidated Statement of Comprehensive Income.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Derivatives qualifying for hedge accounting				
(Loss) gain recognized in earnings on derivatives (a)				
Interest rate contracts				
Interest on long-term debt	$(215)	$268	$(313)	$199
Gain (loss) recognized in earnings on hedged items (b)				
Interest rate contracts				
Interest on long-term debt	225	(259)	326	(208)
Total derivatives qualifying for hedge accounting	10	9	13	(9)
Economic derivatives				
Gain (loss) recognized in earnings on derivatives				
Interest rate contracts				
Servicing asset valuation and hedge activities, net	—	321	(112)	225
(Loss) gain on mortgage and automotive loans, net	(5)	(59)	(37)	24
Other income, net of losses	7	(45)	6	(27)
Total interest rate contracts	2	217	(143)	222
Foreign exchange contracts (c)				
Interest on long-term debt	(20)	8	19	(1)
Other income, net of losses	1	50	29	25
Total foreign exchange contracts	(19)	58	48	24
(Loss) gain recognized in earnings on derivatives	$(7)	$284	$(82)	$237

(a) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $28 million and $29 million for the three months ended June 30, 2013 and 2012, respectively, and $61 million and $55 million for the six months ended June 30, 2013 and 2012, respectively.

(b) Amounts exclude gains related to amortization of deferred basis adjustments on the hedged items. The gains were $38 million and $59 million for the three months ended June 30, 2013 and 2012, respectively, and $76 million and $119 million for the six months ended June 30, 2013 and 2012, respectively.

(c) Amounts exclude gains and losses related to the revaluation of the related foreign-denominated debt or receivable. Gains of $18 million and losses of $56 million were recognized for the three months ended June 30, 2013 and 2012, respectively. Losses of $47 million and $25 million were recognized for the six months ended June 30, 2013 and 2012, respectively.

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2013	2012	2013	2012
Cash flow hedges				
Interest rate contracts				
Loss reclassified from accumulated other comprehensive income to interest on long-term debt (a)	$—	$—	$(7)	$—
Gain (loss) recorded directly to interest on long-term debt	1	—	1	(5)
Total interest on long-term debt	$1	$—	$(6)	$(5)
Gain (loss) recognized in other comprehensive income	$3	$1	$10	$(2)
Net investment hedges				
Foreign exchange contracts				
Loss reclassified from accumulated other comprehensive income (loss) to income (loss) from discontinued operations, net	$(112)	$(1)	$(261)	$(1)
Total other income, net of losses	$(112)	$(1)	$(261)	$(1)
Gain recognized in other comprehensive income (b)	$158	$249	$327	$46

(a) The amount represents losses reclassified from other comprehensive income (OCI) into earnings as a result of the discontinuance of hedge accounting because it is probable that the forecasted transaction will not occur.

(b) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations. There were losses of $20 million and $343 million for the three months ended June 30, 2013 and 2012, respectively. There were losses of $539 million and $43 million for the six months ended June 30, 2013 and 2012, respectively.

21. Income Taxes

We recognized total income tax expense from continuing operations of $40 million and an income tax benefit from continuing operations of $83 million during the three months and six months ended June 30, 2013, respectively, compared to an income tax benefit of $16 million and $15 million for the same periods in 2012. The increase in income tax expense for the three months ended June 30, 2013, compared to the same period in 2012, stemmed primarily from our differing U.S. valuation allowance posture in the respective periods. Specifically, U.S. pretax income was subject to U.S. taxation in both periods, however, the resulting deferred tax adjustment was offset by a valuation allowance reversal during the three months ended June 30, 2012. No such valuation allowance offset existed for the three months ended June 30, 2013 due to our release of valuation allowance against our ordinary-in-character deferred tax assets at December 31, 2012. The decrease in income tax expense for the six months ended June 30, 2013, compared to the same period in 2012, was primarily related to benefit in 2013 that was driven by the retroactive reinstatement of the active financing exception by the American Taxpayer Relief Act of 2012 and from the release of valuation allowance related to the measurement of foreign tax credit carryforwards anticipated to be utilized in the future.

As of each reporting date, we consider both positive and negative evidence 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 state net operating loss, capital loss, and foreign tax credit 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. During the three months and six months ended June 30, 2013, net capital gains generated from the completed sales of our international discontinued operations served to reduce the deferred tax asset related to our capital loss carryforwards by approximately $87 million and $298 million for the respective periods. This capital loss carryforward utilization resulted in a reversal of related valuation allowance. Furthermore, successful completion during 2013 of additional sales of entities currently held-for-sale may result in additional capital gains that would allow us to realize additional capital loss carryforwards. Any related reduction in valuation allowance on these deferred tax assets would be recognized as an income tax benefit upon such utilization. Refer to Note 2 for further details on sales of our international discontinued operations.

22. Fair Value

Fair Value Measurements

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

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

Level 1	Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market and the quoted prices cannot be adjusted by the entity.
Level 2	Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
Level 3	Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.
Transfers	Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the six months ended June 30, 2013.

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

- Available-for-sale securities — Available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- Mortgage loans held-for-sale, net — Our mortgage loans held-for-sale are accounted for at fair value because of fair value option elections. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as GSE eligibility, product type, interest rate, and credit quality. Mortgage loans classified as Level 2 were mainly GSE-eligible mortgage loans carried at fair value due to fair value option election, which are valued predominantly using published forward agency prices. It also includes any domestic loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available.

Refer to the section within this note titled Fair Value Option for Financial Assets for further information about the fair value elections.

- MSRs — MSRs are classified as Level 3, management estimates fair value using our transaction data and other market data or, in periods when there are limited MSRs market transactions that are directly observable, internally developed discounted cash flow models (an income approach) are used to estimate the fair value. These internal valuation models estimate net cash flows based on internal operating assumptions that we believe would be used by market participants in orderly transactions combined with market-based assumptions for loan prepayment rates, interest rates, and discount rates that we believe approximate yields required by investors in this asset. Cash flows primarily include servicing fees, float income, and late fees in each case less operating costs to service the loans. The estimated cash flows are discounted using an option-adjusted spread-derived discount rate.
- Interests retained in financial asset sales — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business

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

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

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

We had interest rate lock commitments accounted for as derivative instruments at Ally Bank that were classified as Level 3. We have also historically held certain derivative contracts that are structured specifically to meet a particular hedging objective. These derivative contracts often were utilized to hedge risks inherent within certain on-balance sheet securitizations. To hedge risks on particular bond classes or securitization collateral, the derivative's notional amount was often indexed to the hedged item. As a result, we typically were required to use internally developed prepayment assumptions as an input into the model to forecast future notional amounts on these structured derivative contracts. Accordingly, we classified these derivative contracts as Level 3. However, as of the quarter ended March 31, 2013, we no longer hold such positions within continuing operations due to the sales of our international automotive finance businesses.

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 our credit default swap spreads and the 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			
June 30, 2013 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$658	$1,132	$—	$1,790
Foreign government	4	288	—	292
Mortgage-backed residential	—	10,328	—	10,328
Asset-backed	—	2,276	—	2,276
Corporate debt securities	—	1,309	—	1,309
Total debt securities	662	15,333	—	15,995
Equity securities (a)	1,020	—	—	1,020
Total available-for-sale securities	1,682	15,333	—	17,015
Mortgage loans held-for-sale, net (b)	—	56	—	56
Mortgage servicing rights	—	—	—	—
Other assets				
Interests retained in financial asset sales	—	—	124	124
Derivative contracts in a receivable position				
Interest rate	15	246	—	261
Foreign currency	—	49	—	49
Total derivative contracts in a receivable position	15	295	—	310
Total assets	$1,697	$15,684	$124	$17,505
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$(24)	$(175)	$—	$(199)
Foreign currency	—	(12)	(9)	(21)

Total derivative contracts in a payable position	(24)	(187)	(9)	(220)
Total liabilities	$(24)	$(187)	$(9)	$(220)

(a) Our investment in any one industry did not exceed 17%.
(b) Carried at fair value due to fair value option elections.

	Recurring fair value measurements			
December 31, 2012 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$697	$1,517	$—	$2,214
Foreign government	3	300	—	303
Mortgage-backed residential	—	6,906	—	6,906
Asset-backed	—	2,340	—	2,340
Corporate debt securities	—	1,263	—	1,263
Total debt securities	700	12,326	—	13,026
Equity securities (a)	1,152	—	—	1,152
Total available-for-sale securities	1,852	12,326	—	14,178
Mortgage loans held-for-sale, net (b)	—	2,490	—	2,490
Mortgage servicing rights	—	—	952	952
Other assets				
Interests retained in financial asset sales	—	—	154	154
Derivative contracts in a receivable position (c)				
Interest rate	40	2,170	48	2,258
Foreign currency	—	40	—	40
Total derivative contracts in a receivable position	40	2,210	48	2,298
Collateral placed with counterparties (d)	103	99	—	202
Total assets	$1,995	$17,125	$1,154	$20,274
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	$(13)	$(2,374)	$(1)	$(2,388)
Foreign currency	—	(78)	(2)	(80)
Total derivative contracts in a payable position	(13)	(2,452)	(3)	(2,468)
Total liabilities	$(13)	$(2,452)	$(3)	$(2,468)

(a) Our investment in any one industry did not exceed 21%.
(b) Carried at fair value due to fair value option elections.
(c) Includes derivatives classified as trading.
(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets and liabilities measured at fair value on a recurring basis.

June 30, 2013 ($ in millions)	Level 3 recurring measurements	Valuation technique	Unobservable input	Range
Assets				
Other assets				
Interests retained in financial asset sales	$ 124	Discounted cash flow	Discount rate	5.4-5.6%
			Commercial paper rate	0-0.1%

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

	Level 3 recurring fair value measurements								
		Net realized/unrealized gains (losses)							Net unrealized (losses)
($ in millions)	Fair value at April 1, 2013	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at June 30, 2013	included in earnings still held at June 30, 2013
Assets									
Mortgage servicing rights	$917	$(12)	$—	$—	$(911)	$6	$—	$—	$(12) (a)
Other assets									
Interests retained in financial asset sales	139	9 (b)	—	—	—	—	(24)	124	—
Derivative contracts, net									
Interest rate	5	(5)	—	—	—	—	—	—	(6) (c)
Foreign currency	—	(9)	—	—	—	—	—	(9)	(8) (c)
Total derivative contracts in a receivable position, net	5	(14)	—	—	—	—	—	(9)	(14)
Total assets	$1,061	$(17)	$—	$—	$(911)	$6	$(24)	$115	$(26)

(a) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.
(b) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.
(c) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

($ in millions)	Level 3 recurring fair value measurements									
	Fair value at April 1, 2012	Net realized/unrealized gains (losses) included in earnings	Net realized/unrealized gains (losses) included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation (a)	Fair value at June 30, 2012	Net unrealized gains (losses) included in earnings still held at June 30, 2012
Assets										
Trading assets (excluding derivatives)										
Mortgage-backed residential securities	$32	$— (b)	$—	$—	$—	$—	$(1)	$ (31)	$—	$— (b)
Investment securities										
Available-for-sale debt securities										
Asset-backed	63	—	—	—	—	—	—	—	63	—
Mortgage loans held-for-sale, net (c)	30	—	—	3	—	—	(2)	(31)	—	—
Consumer mortgage finance receivables and loans, net (c)	832	34 (c)	—	—	(245) (d)	—	(34)	(587)	—	16 (c)
Mortgage servicing rights	2,595	(402) (e)	—	—	—	42	—	(1,130)	1,105	(402) (e)
Other assets										
Interests retained in financial asset sales	194	22 (f)	—	—	—	—	(23)	—	193	—
Derivative contracts, net (g)										
Interest rate	44	297 (h)	—	—	—	—	(247)	(1)	93	22 (h)
Foreign currency	5	2 (h)	—	—	—	—	—	—	7	(11) (h)
Total derivative contracts in a receivable position, net	49	299	—	—	—	—	(247)	(1)	100	11
Total assets	$3,795	$(47)	$—	$3	$(245)	$42	$(307)	$ (1,780)	$1,461	$(375)
Liabilities										
Long-term debt										
On-balance sheet securitization	$(828)	$(32) (c)	$—	$—	$—	$—	$304	$ 556	$—	$(23) (c)

debt (c)										
Accrued expenses and other liabilities										
Loan repurchase liabilities (c)	(30)	—	—	(2)	—	—	2	30	—	—
Total liabilities	$(858)	$(32)	$—	$(2)	$—	$—	$306	$586	$—	$(23)

(a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap during the three months ended June 30, 2012. Refer to Note 1 for additional information related to ResCap.

(b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled Fair Value Option for Financial Assets and Liabilities for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.

(d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.

(e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(g) Includes derivatives classified as trading.

(h) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

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	Level 3 recurring fair value measurements								
		Net realized/unrealized gains (losses)							
($ in millions)	Fair value at Jan. 1, 2013	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Fair value at June 30, 2013	Net unrealized (losses) included in earnings still held at June 30, 2013
Assets									
Mortgage servicing rights	$952	$(101) (a)	$—	$—	$(911)	$60	$—	$—	$(101) (a)
Other assets									
Interests retained in financial asset sales	154	11 (b)	—	—	—	—	(41)	124	—
Derivative contracts, net									
Interest rate	47	(51) (c)	—	—	—	—	4	—	(15) (c)
Foreign currency	(2)	(7) (c)	—	—	—	—	—	(9)	(9) (c)
Total derivative contracts in a receivable position, net	45	(58)	—	—	—	—	4	(9)	(24)
Total assets	$1,151	$(148)	$—	$—	$(911)	$60	$(37)	$115	$(125)

(a) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, in the Condensed Consolidated Statement of Comprehensive Income.
(b) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.
(c) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

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($ in millions)	Level 3 recurring fair value measurements									
		Net realized/unrealized gains (losses)								
	Fair value at Jan. 1, 2012	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out due to deconsolidation (a)	Fair value at June 30, 2012	Net unrealized gains (losses) included in earnings still held at June 30, 2012
Assets										
Trading assets (excluding derivatives)										
Mortgage-backed residential securities	$33	$2 (b)	$—	$—	$—	$—	$(4)	$(31)	$—	$4 (b)
Investment securities										
Available-for-sale debt securities										
Asset-backed	62	—	1	—	—	—	—	—	63	—
Mortgage loans held-for-sale, net (c)	30	—	—	12	—	—	(11)	(31)	—	—
Consumer mortgage finance receivables and loans, net (c)	835	121 (c)	—	—	(245) (d)	—	(124)	(587)	—	51 (c)
Mortgage servicing rights	2,519	(401) (e)	—	—	—	53	64	(1,130)	1,105	(401) (e)
Other assets										
Interests retained in financial asset sales	231	27 (f)	—	—	—	—	(65)	—	193	—
Derivative contracts, net (g)										
Interest rate	71	273 (h)	—	—	—	—	(250)	(1)	93	(6) (h)
Foreign currency	16	(9) (h)	—	—	—	—	—	—	7	(22) (h)
Total derivative contracts in a receivable position, net	87	264	—	—	—	—	(250)	(1)	100	(28)
Total assets	$3,797	$13	$1	$12	$(245)	$53	$(390)	$(1,780)	$1,461	$(374)
Liabilities										
Long-term debt										
On-balance sheet securitization	$(830)	$(115) (c)	$—	$—	$—	$—	$389	$556	$—	$(62) (c)

debt (c)										
Accrued expenses and other liabilities										
Loan repurchase liabilities (c)	(29)	—	—	(11)	—	—	10	30	—	—
Total liabilities	$(859)	$(115)	$—	$(11)	$—	$—	$ 399	$ 586	$—	$(62)

(a) Represents the amounts transferred out of Level 3 due to the deconsolidation of ResCap during the three months ended June 30, 2012. Refer to Note 1 for additional information related to ResCap.

(b) The fair value adjustment and the related interest were reported as income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(c) Carried at fair value due to fair value option elections. Refer to the next section of this note titled Fair Value Option for Financial Assets and Liabilities for the location of the gains and losses in the Condensed Consolidated Statement of Comprehensive Income.

(d) Represents the sale of consumer mortgage finance receivable and loans sold as part of the sale of a business line during 2012.

(e) Fair value adjustment was reported as servicing-asset valuation and hedge activities, net, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(f) Reported as other income, net of losses, and income from discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income.

(g) Includes derivatives classified as trading.

(h) Refer to Note 20 for information related to the location of the gains and losses on derivative instruments in the Condensed Consolidated Statement of Comprehensive Income.

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.

June 30, 2013 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	Total loss included in earnings for the six months ended	
Assets								
Loans held-for-sale	$—	$—	$46	$46	$ —	n/m	n/m	(a)
Commercial finance receivables and loans, net (b)								
Automotive	—	—	123	123	(19)	n/m (b)	n/m	(a)
Other	—	—	64	64	(7)	n/m (b)	n/m	(a)
Total commercial finance receivables and loans, net	—	—	187	187	(26)	n/m (b)	n/m	(a)
Other assets								
Repossessed and foreclosed assets (c)	—	—	6	6	(2)	n/m (b)	n/m	(a)
Total assets	$—	$—	$239	$239	$ (28)	n/m	n/m	

n/m = not meaningful

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

(b) Represents the portion of the portfolio specifically impaired during 2013. 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.

June 30, 2012 ($ in millions)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost or fair value or valuation reserve allowance	Total loss included in earnings for the three months ended	Total loss included in earnings for the six months ended	
Assets								
Commercial finance receivables and loans, net (a)								
Automotive	$—	$—	$130	$130	$ (27)	n/m (b)	n/m	(b)
Other	—	—	27	27	(6)	n/m (b)	n/m	(b)
Total commercial finance receivables and loans, net	—	—	157	157	(33)	n/m (b)	n/m	(b)
Other assets								
Repossessed and foreclosed assets (c)	—	7	5	12	(1)	n/m (b)	n/m	(b)
Total assets	$—	$7	$162	$169	$ (34)	n/m (b)	n/m	

n/m = not meaningful

(a) Represents the portion of the portfolio specifically impaired during 2012. The related valuation allowance represents the cumulative adjustment to fair value of those specific receivables.

(b) 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.

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

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The following table presents quantitative information regarding the significant unobservable inputs used in significant Level 3 assets measured at fair value on a nonrecurring basis.

June 30, 2013 ($ in millions)	Level 3 nonrecurring measurements	Valuation technique	Unobservable input	Range
Assets				
Commercial finance receivables and loans, net				
Automotive	$123	Fair value of collateral	Adjusted appraisal value	65.0-95.0%

Fair Value Option for Financial Assets

A description of the financial assets elected to be measured at fair value is as follows. Our intent in electing fair value measurement was to mitigate a divergence between accounting losses and economic exposure for certain assets and liabilities.

- Conforming and government-insured mortgage loans held-for-sale — We elected the fair value option for conforming and government-insured mortgage loans held-for-sale funded after July 31, 2009. We elected the fair value option to mitigate earnings volatility by better matching the accounting for the assets with the related hedges.

Excluded from the fair value option were conforming and government-insured loans funded on or prior to July 31, 2009, and those repurchased or rerecognized. The loans funded on or prior to July 31, 2009, were ineligible because the election must be made at the time of funding. Repurchased and rerecognized conforming and government-insured loans were not elected because the election would not mitigate earning volatility. We repurchase or rerecognize loans due to representation and warranty obligations or conditional repurchase options. Typically, we will be unable to resell these assets through regular channels due to characteristics of the assets. Since the fair value of these assets is influenced by factors that cannot be hedged, we did not elect the fair value option.

We carry the fair value-elected conforming and government-insured loans as loans held-for-sale, net, on the Condensed Consolidated Balance Sheet. Our policy is to separately record interest income on the fair value-elected loans (unless they are placed on nonaccrual status); however, the accrued interest was excluded from the fair value presentation. Upfront fees and costs related to the fair value-elected loans were not deferred or capitalized. The fair value adjustment recorded for these loans is classified as gain (loss) on mortgage loans, net, in the Condensed Consolidated Statement of Comprehensive Income. In accordance with GAAP, the fair value option election is irrevocable once the asset is funded even if it is subsequently determined that a particular loan cannot be sold.

The following tables summarize the fair value option elections and information regarding the amounts recorded as earnings for each fair value option-elected item.

	Changes included in the Condensed Consolidated Statement of Comprehensive Income			
Three months ended June 30, ($ in millions)	Interest on loans held-for-sale (a)	(Loss) gain on mortgage loans, net	Total included in earnings	
2013				
Assets				
Mortgage loans held-for-sale, net	$ 3	$ (8)	$ (5)	(b)
2012				
Assets				
Mortgage loans held-for-sale, net	$ 14	$ 12	$ 26	(b)

(a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.

(b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.

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Six months ended June 30, ($ in millions)	Changes included in the Condensed Consolidated Statement of Comprehensive Income			
	Interest on loans held-for-sale (a)	Loss on mortgage loans, net	Total included in earnings	
2013				
Assets				
Mortgage loans held-for-sale, net	$ 19	$ (49)	$ (30)	(b)
2012				
Assets				
Mortgage loans held-for-sale, net	$ 40	$ (47)	$ (7)	(b)

(a) Interest income is measured by multiplying the unpaid principal balance on the loans by the coupon rate and the number of days of interest due.

(b) The credit impact for loans held-for-sale is assumed to be zero because the loans are either suitable for sale or are covered by a government guarantee.

The following table provides the aggregate fair value and the aggregate unpaid principal balance for the fair value option-elected loans.

($ in millions)	June 30, 2013		December 31, 2012	
	Unpaid principal balance	Fair value (a)	Unpaid principal balance	Fair value (a)
Assets				
Mortgage loans held-for-sale, net				
Total loans	$ 119	$ 56	$ 2,416	$ 2,490
Nonaccrual loans	45	22	47	25
Loans 90+ days past due (b)	43	20	36	19

(a) Excludes accrued interest receivable.

(b) Loans 90+ days past due are also presented within the nonaccrual loan balance and the total loan balance; however, excludes government-insured loans that are still accruing interest.

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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 market data to develop estimates of fair value, so the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions or estimation methodologies could be material to the estimated fair values. Fair value information presented herein was based on information available at June 30, 2013 and December 31, 2012.

		Estimated fair value			
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total
June 30, 2013					
Financial assets					
Loans held-for-sale, net (a)	$102	$—	$56	$46	$102
Finance receivables and loans, net (a)	95,810	—	—	96,685	96,685
Nonmarketable equity investments	204	—	176	34	210
Financial liabilities					
Deposit liabilities	$50,125	$—	$—	$50,872	$50,872
Short-term borrowings	4,197	—	—	4,197	4,197
Long-term debt (a)(b)	64,873	—	34,910	33,039	67,949
December 31, 2012					
Financial assets					
Loans held-for-sale, net (a)	$2,576	$—	$2,490	$86	$2,576
Finance receivables and loans, net (a)	97,885	—	—	98,907	98,907
Nonmarketable equity investments	303	—	272	34	306
Financial liabilities					
Deposit liabilities	$47,915	$—	$—	$48,752	$48,752
Short-term borrowings	7,461	6	—	7,454	7,460
Long-term debt (a)(b)	74,882	—	36,018	42,533	78,551

(a) Includes financial instruments carried at fair value due to fair value option elections. Refer to the previous section of this note titled Fair Value Option for Financial Assets and Liabilities for further information about the fair value elections.

(b) The carrying value includes deferred interest for zero-coupon bonds of $339 million and $321 million at June 30, 2013, and December 31, 2012, respectively.

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

• Loans held-for-sale, net — Loans held-for-sale classified as Level 2 included all GSE-eligible mortgage loans valued predominantly using published forward agency prices. It also includes any domestic loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. Loans held-for-sale classified as Level 3 include all loans valued using internally developed valuation models because observable market prices were not available. The loans are priced on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilize prepayment, default, and discount rate assumptions. To the extent available, we will utilize market observable inputs such as interest rates and market spreads. If market observable inputs are not available, we are required to utilize internal inputs, such as prepayment speeds, credit losses, and discount rates.

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

For mortgage loans held-for-investment used as collateral for securitization debt, we used a portfolio approach with Level 3 inputs to measure these loans at fair value. The objective in fair valuing these loans (which are legally isolated and beyond the reach of our creditors) and the related collateralized borrowings is to reflect our retained economic position in the securitizations. For mortgage loans held-for-investment that are not securitized, we used valuation methods and assumptions similar to those used for mortgage loans held-for-sale. These valuations consider unique attributes of the loans such as geography, delinquency status, product type, and other factors. Refer to the section above titled Loans held-for-sale, net, for a description of methodologies and assumptions used to determine the fair value of mortgage loans held-for-sale.

- Deposit liabilities — Deposit liabilities represent certain consumer and brokered bank deposits, mortgage escrow deposits, and dealer deposits. The fair value of deposits at Level 3 were estimated by discounting projected cash flows based on discount factors derived from the forward interest rate swap curve.
- Debt — Level 2 debt was valued using quoted market prices, when available, or other means for substantiation with observable inputs. Debt valued using internally derived inputs, such as prepayment speeds and discount rates, was classified as Level 3.

23. Offsetting Assets and Liabilities

Our qualifying master netting agreements are written, legally enforceable bilateral agreements that (1) create a single legal obligation for all individual transactions covered by the agreement to the non-defaulting entity upon an event of default of the counterparty, including bankruptcy, insolvency, or similar proceeding, and (2) provide the non-defaulting 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. As it relates to derivative instruments, in certain instances we have the option to report derivatives that are subject to a qualifying master netting agreement on a net basis, we have elected to report these instruments as gross assets and liabilities on the Condensed Consolidated Balance Sheet.

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 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, such that the net replacement cost of the non-defaulting party is covered in the event of counterparty default.

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

June 30, 2013 ($ in millions)	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/(Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
				Financial Instruments	Collateral (a)	Net Amount
Assets						
Derivative assets in net asset positions	$ 233	$ —	$ 233	$ (56)	$ (158)	$ 19
Derivative assets in net liability positions	46	—	46	(46)	—	—
	31	—	31	—	—	31

Derivative assets with no offsetting arrangements						
Total assets	$ 310	$—	$ 310	$(102)	$(158)	$50
Liabilities						
Derivative liabilities in net liability positions	$ (142)	$—	$ (142)	$46	$80	$(16)
Derivative liabilities in net asset positions	(56)	—	(56)	56	—	—
Derivative liabilities with no offsetting arrangements	(22)	—	(22)	—	—	(22)
Total liabilities	$ (220)	$—	$ (220)	$102	$80	$(38)

(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.

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December 31, 2012 ($ in millions)	Gross Amounts of Recognized Assets/(Liabilities)	Gross Amounts Offset in the Condensed Consolidated Balance Sheet	Net Amounts of Assets/(Liabilities) Presented in the Condensed Consolidated Balance Sheet	Gross Amounts Not Offset in the Condensed Consolidated Balance Sheet		
				Financial Instruments	Collateral (a)	Net Amount
Assets						
Derivative assets in net asset positions	$ 1,395	$—	$ 1,395	$(503)	$(841)	$51
Derivative assets in net liability positions	788	—	788	(788)	—	—
Derivative assets with no offsetting arrangements	115	—	115	—	—	115
Total assets	$ 2,298	$—	$ 2,298	$(1,291)	$(841)	$166
Liabilities						
Derivative liabilities in net liability positions	$ (1,929)	$—	$ (1,929)	$788	$1,092	$(49)
Derivative liabilities in net asset positions	(503)	—	(503)	503	—	—
Derivative liabilities with no offsetting arrangements	(36)	—	(36)	—	—	(36)
Total liabilities	$ (2,468)	$—	$ (2,468)	$1,291	$1,092	$(85)

(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.

24. Segment and Geographic 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 three operating segments - Automotive Finance operations, Insurance operations, and Mortgage 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 — Provides automotive financing services to consumers and automotive dealers. For consumers, we offer retail automotive financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale or floorplan financing.

Insurance operations — Offers both consumer finance and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold to dealers. As part of our focus on offering dealers a broad range of consumer finance and insurance products, we provide vehicle service contracts, maintenance coverage, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory in the United States.

Mortgage operations — Our ongoing Mortgage operations include the management of our held-for-investment mortgage portfolio. Our Mortgage operations also consist of noncore businesses that are winding down.

Corporate and Other primarily consists of our centralized corporate treasury activities, such as management of the cash and corporate investment securities portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, the amortization of the discount associated with new debt issuances and bond exchanges, most notably from the December 2008 bond exchange, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes our Commercial Finance Group, certain equity investments, overhead that was previously allocated to operations that have since been sold or classified as discontinued operations, and reclassifications and eliminations between the reportable operating segments.

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 LIBOR swap 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 and geographic areas tables that follow are based in part on internal allocations, which involve management judgment.

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

Three months ended June 30, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2013					
Net financing revenue (loss)	$777	$15	$15	$(179)	$628
Other revenue (loss)	60	325	(6)	23	402
Total net revenue (loss)	837	340	9	(156)	1,030
Provision for loan losses	88	—	6	(5)	89
Total noninterest expense	367	295	46	93	801
Income (loss) from continuing operations before income tax expense (benefit)	$382	$45	$(43)	$(244)	$140
Total assets	$107,485	$7,336	$9,061	$26,745	$150,627
2012					
Net financing revenue (loss)	$693	$16	$29	$(281)	$457
Other revenue (loss)	112	300	320	(18)	714
Total net revenue (loss)	805	316	349	(299)	1,171
Provision for loan losses	15	—	21	(3)	33
Total noninterest expense	350	296	226	99	971
Income (loss) from continuing operations before income tax expense (benefit)	$440	$20	$102	$(395)	$167
Total assets	$120,523	$8,237	$17,146	$32,654	$178,560

(a) Total assets for the Commercial Finance Group were $1.5 billion and $1.2 billion at June 30, 2013 and 2012, respectively.
(b) Net financing revenue after the provision for loan losses totaled $0.5 billion and $0.4 billion for the three months ended June 30, 2013 and 2012, respectively.

Six months ended June 30, ($ in millions)	Automotive Finance operations	Insurance operations	Mortgage operations	Corporate and Other (a)	Consolidated (b)
2013					
Net financing revenue (loss)	$1,550	$27	$49	$(358)	$1,268
Other revenue (loss)	142	633	(25)	38	788
Total net revenue (loss)	1,692	660	24	(320)	2,056
Provision for loan losses	200	—	26	(6)	220
Total noninterest expense	767	554	245	193	1,759
Income (loss) from continuing operations before income tax expense (benefit)	$725	$106	$(247)	$(507)	$77
Total assets	$107,485	$7,336	$9,061	$26,745	$150,627
2012					
Net financing revenue (loss)	$1,323	$28	$66	$(609)	$808
Other revenue	189	638	457	35	1,319
Total net revenue (loss)	1,512	666	523	(574)	2,127
Provision for loan losses	93	—	48	(10)	131

Total noninterest expense	738	546	310	232	1,826
Income (loss) from continuing operations before income tax expense (benefit)	$681	$120	$165	$(796)	$170
Total assets	$120,523	$8,237	$17,146	$32,654	$178,560

(a) Total assets for the Commercial Finance Group were $1.5 billion and $1.2 billion at June 30, 2013 and 2012, respectively.

(b) Net financing revenue after the provision for loan losses totaled $1.0 billion and $0.7 billion for the six months ended June 30, 2013 and 2012, respectively.

Information concerning principal geographic areas were as follows.

Three months ended June 30, ($ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013			
Canada	$47	$14	$13
Europe (d)	—	(1)	(146)
Latin America	—	(1)	194
Asia-Pacific	—	—	29
Total foreign	47	12	90
Total domestic (e)	983	128	(1,017)
Total	$1,030	$140	$(927)
2012			
Canada	$61	$17	$79
Europe (d)	(4)	10	41
Latin America	1	(4)	62
Asia-Pacific	1	1	23
Total foreign	59	24	205
Total domestic (e)	1,112	143	(1,103)
Total	$1,171	$167	$(898)

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.
(b) The domestic amounts include original discount amortization of $64 million and $100 million for the three months ended June 30, 2013 and 2012, respectively.
(c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.
(d) Amounts include eliminations between our foreign operations.
(e) Amounts include eliminations between our domestic and foreign operations.

Six months ended June 30, ($ in millions)	Revenue (a)	Income (loss) from continuing operations before income tax expense (b)	Net income (loss) (b)(c)
2013			
Canada	$96	$28	$1,243
Europe (d)	(10)	(19)	(86)
Latin America	—	(5)	274
Asia-Pacific	1	(2)	54
Total foreign	87	2	1,485
Total domestic (e)	1,969	75	(1,319)
Total	$2,056	$77	$166
2012			
Canada	$120	$31	$162
Europe (d)	(14)	—	67
Latin America	2	(7)	108
Asia-Pacific	2	1	50
Total foreign	110	25	387
Total domestic (e)	2,017	145	(975)
Total	$2,127	$170	$(588)

(a) Revenue consists of net financing revenue and total other revenue as presented in our Condensed Consolidated Financial Statements.
(b) The domestic amounts include original discount amortization of $124 million and $211 million for the six months ended June 30, 2013 and 2012, respectively.
(c) Gain (loss) realized on sale of discontinued operations are allocated to the geographic area in which the business operated.
(d) Amounts include eliminations between our foreign operations.
(e) Amounts include eliminations between our domestic and foreign operations.

25. Parent and Guarantor Consolidating Financial Statements

Certain of our senior notes are guaranteed by 100% directly owned subsidiaries of Ally (the Guarantors). As of June 30, 2013, the Guarantors were, 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 the Guarantors’ investment in subsidiaries accounts. The elimination entries set forth in the following condensed consolidating financial statements eliminate distributed and undistributed income of subsidiaries, investments in subsidiaries, and intercompany balances and transactions between the parent, the Guarantors, and nonguarantors.

Condensed Consolidating Statements of Comprehensive Income

Three months ended June 30, 2013 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Financing revenue and other interest income					
Interest and fees on finance receivables and loans	$272	$—	$867	$—	$1,139
Interest and fees on finance receivables and loans — intercompany	13	—	20	(33)	—
Interest on loans held-for-sale	—	—	3	—	3
Interest and dividends on available-for-sale investment securities	—	—	76	—	76
Interest-bearing cash	1	—	1	—	2
Interest-bearing cash — intercompany	—	—	2	(2)	—
Operating leases	118	—	670	—	788
Total financing revenue and other interest income	404	—	1,639	(35)	2,008
Interest expense					
Interest on deposits	6	—	156	—	162
Interest on short-term borrowings	12	—	4	—	16
Interest on long-term debt	564	—	139	—	703
Interest on intercompany debt	21	—	14	(35)	—
Total interest expense	603	—	313	(35)	881
Depreciation expense on operating lease assets	102	—	397	—	499
Net financing (loss) revenue	(301)	—	929	—	628
Dividends from subsidiaries					
Nonbank subsidiaries	1,864	405	—	(2,269)	—
Other revenue					
Servicing fees	38	—	(19)	—	19
Servicing asset valuation and hedge activities, net	—	—	(12)	—	(12)
Total servicing income, net	38	—	(31)	—	7