Ally Financial Inc.
Form 10-Q
August 03, 2012
Table of Contents

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, 2012, 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 (Do not check if a smaller reporting company) Smaller reporting company o

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

At August 3, 2012, the number of shares outstanding of the Registrant's common stock was 1,330,970 shares.

Table of Contents
INDEX
Ally Financial Inc. Form 10-Q

		Page
Part I — Financial Information		
Item 1.	Financial Statements	3
	Condensed Consolidated Statement of Comprehensive Income (unaudited) for the Three and Six Months Ended June 30, 2012 and 2011	3
	Condensed Consolidated Balance Sheet (unaudited) at June 30, 2012 and December 31, 2011	5
	Condensed Consolidated Statement of Changes in Equity (unaudited) for the Six Months Ended June 30, 2012 and 2011	7
	Condensed Consolidated Statement of Cash Flows (unaudited) for the Six Months Ended June 30, 2012 and 2011	8
	Notes to Condensed Consolidated Financial Statements (unaudited)	10
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	80
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	136
Item 4.	Controls and Procedures	137
Part II — Other Information		138
Item 1.	Legal Proceedings	138
Item 1A.	Risk Factors	138
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	139
Item 3.	Defaults Upon Senior Securities	139
Item 4.	Mine Safety Disclosures	139
Item 5.	Other Information	139
Item 6.	Exhibits	139
Signatures		140
Index of Exhibits		141

Table of ContentsPART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
Ally Financial Inc. • Form 10-Q

4

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2012	2011	2012	2011
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,691	$1,675	$3,369	$3,296
Interest on loans held-for-sale	36	86	109	170
Interest on trading assets	2	3	13	6
Interest and dividends on available-for-sale investment securities	86	106	170	209
Interest-bearing cash	18	15	32	27
Operating leases	579	598	1,119	1,253
Total financing revenue and other interest income	2,412	2,483	4,812	4,961
Interest expense				
Interest on deposits	184	171	370	337
Interest on short-term borrowings	60	87	135	179
Interest on long-term debt	1,068	1,331	2,245	2,737
Total interest expense	1,312	1,589	2,750	3,253
Depreciation expense on operating lease assets	318	176	611	446
Net financing revenue	782	718	1,451	1,262
Other revenue				
Servicing fees	216	341	526	698
Servicing asset valuation and hedge activities, net	(73)	(105)	(64)	(192)
Total servicing income, net	143	236	462	506
Insurance premiums and service revenue earned	359	399	734	798
Gain on mortgage and automotive loans, net	134	116	260	206
Loss on extinguishment of debt	—	(25)	—	(64)
Other gain on investments, net	66	92	156	176
Other income, net of losses	226	239	503	443
Total other revenue	928	1,057	2,115	2,065
Total net revenue	1,710	1,775	3,566	3,327
Provision for loan losses	29	50	169	163
Noninterest expense				
Compensation and benefits expense	389	415	864	839
Insurance losses and loss adjustment expenses	208	227	367	397
Other operating expenses	1,933	892	2,649	1,638
Total noninterest expense	2,530	1,534	3,880	2,874
(Loss) income from continuing operations before income tax expense	(849)	191	(483)	290
Income tax expense from continuing operations	15	83	79	13
Net (loss) income from continuing operations	(864)	108	(562)	277
(Loss) income from discontinued operations, net of tax	(34)	5	(26)	(18)
Net (loss) income	(898)	113	(588)	259
Other comprehensive (loss) income, net of tax	(206)	89	(19)	64
Comprehensive (loss) income	$(1,104)	$202	$(607)	$323

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

3

Table of Contents

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)	2012	2011	2012	2011
Net loss attributable to common shareholders				
Net (loss) income from continuing operations	$(864)	$108	$(562)	$277
Preferred stock dividends — U.S. Department of Treasury	(134)	(134)	(267)	(267)
Preferred stock dividends	(67)	(57)	(134)	(127)
Impact of preferred stock amendment (a)	—	—	—	32
Net loss from continuing operations attributable to common shareholders (b)	(1,065)	(83)	(963)	(85)
(Loss) income from discontinued operations, net of tax	(34)	5	(26)	(18)
Net loss attributable to common shareholders	$(1,099)	$(78)	$(989)	$(103)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (b)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net loss from continuing operations	$(800)	$(62)	$(723)	$(64)
(Loss) income from discontinued operations, net of tax	(25)	4	(20)	(14)
Net loss	$(825)	$(58)	$(743)	$(78)
Diluted earnings per common share (b)				
Net loss from continuing operations	$(800)	$(62)	$(723)	$(64)
(Loss) income from discontinued operations, net of tax	(25)	4	(20)	(14)
Net loss	$(825)	$(58)	$(743)	$(78)

(a) Refer to Note 20 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the three months and six months ended June 30, 2012 and 2011, respectively, loss 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.

Table of Contents
Condensed Consolidated Balance Sheet (unaudited)
Ally Financial Inc. • Form 10-Q

($ in millions)	June 30, 2012	December 31, 2011
Assets		
Cash and cash equivalents		
Noninterest-bearing	$2,106	$ 2,475
Interest-bearing	14,020	10,560
Total cash and cash equivalents	16,126	13,035
Trading assets	—	622
Investment securities	13,366	15,135
Loans held-for-sale, net ($1,377 and $3,919 fair value-elected)	2,000	8,557
Finance receivables and loans, net		
Finance receivables and loans, net ($— and $835 fair value-elected)	119,913	114,755
Allowance for loan losses	(1,427)	(1,503)
Total finance receivables and loans, net	118,486	113,252
Investment in operating leases, net	11,197	9,275
Mortgage servicing rights	1,105	2,519
Premiums receivable and other insurance assets	1,887	1,853
Other assets	14,010	18,741
Assets of operations held-for-sale	383	1,070
Total assets	$178,560	$ 184,059
Liabilities		
Deposit liabilities		
Noninterest-bearing	$2,411	$ 2,029
Interest-bearing	45,581	43,021
Total deposit liabilities	47,992	45,050
Short-term borrowings	6,010	7,680
Long-term debt ($— and $830 fair value-elected)	91,096	92,794
Interest payable	1,552	1,587
Unearned insurance premiums and service revenue	2,631	2,576
Reserves for insurance losses and loss adjustment expenses	477	580
Accrued expenses and other liabilities ($— and $29 fair value-elected)	10,198	14,084
Liabilities of operations held-for-sale	241	337
Total liabilities	160,197	164,688
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	(8,313)	(7,324)
Accumulated other comprehensive income	68	87
Total equity	18,363	19,371
Total liabilities and equity	$178,560	$ 184,059

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

Table of Contents

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, 2012	December 31, 2011
Assets		
Loans held-for-sale, net	$—	$ 9
Finance receivables and loans, net		
Finance receivables and loans, net ($— and $835 fair value-elected)	39,330	40,935
Allowance for loan losses	(175)	(210)
Total finance receivables and loans, net	39,155	40,725
Investment in operating leases, net	4,686	4,389
Other assets	2,038	3,029
Total assets	$45,879	$ 48,152
Liabilities		
Short-term borrowings	$1,511	$ 795
Long-term debt ($— and $830 fair value-elected)	32,016	33,143
Interest payable	6	14
Accrued expenses and other liabilities	90	405
Total liabilities	$33,623	$ 34,357

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

Table of Contents
Condensed Consolidated Statement of Changes in Equity (unaudited)
Ally Financial Inc. • Form 10-Q

($ 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	Total equity
Balance at January 1, 2011	$19,668	$5,685	$1,287	$ (6,410)	$ 259	$20,489
Net income				259		259
Preferred stock dividends — U.S. Department of Treasury				(267)		(267)
Preferred stock dividends				(127)		(127)
Series A preferred stock amendment (a)			(32)	32		—
Other comprehensive income, net of tax					64	64
Other (b)				5		5
Balance at June 30, 2011	$19,668	$5,685	$1,255	$ (6,508)	$ 323	$20,423
Balance at January 1, 2012	$19,668	$5,685	$1,255	$ (7,324)	$ 87	$19,371
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	$ (8,313)	$ 68	$18,363

(a) Refer to Note 20 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for further detail.

(b) Represents a reduction of the estimated payment accrued for tax distributions as a result of the completion of the GMAC LLC U.S. Return of Partnership Income for the tax period January 1, 2009 through June 30, 2009.

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

Table of Contents
Condensed Consolidated Statement of Cash Flows (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, ($ in millions)	2012	2011
Operating activities		
Net (loss) income	$(588)	$259
Reconciliation of net (loss) income to net cash provided by operating activities		
Depreciation and amortization	1,151	1,418
Other impairment	15	6
Changes in fair value of mortgage servicing rights	401	115
Provision for loan losses	169	163
Gain on sale of loans, net	(252)	(215)
Net gain on investment securities	(162)	(183)
Loss on extinguishment of debt	—	64
Originations and purchases of loans held-for-sale	(15,801)	(25,874)
Proceeds from sales and repayments of loans held-for-sale	17,499	29,166
Impairment and accruals related to Residential Capital, LLC deconsolidation	1,192	—
Net change in		
Trading securities	595	(154)
Deferred income taxes	(85)	(66)
Interest payable	130	(111)
Other assets	1,028	(1,288)
Other liabilities	(528)	1,815
Other, net	176	(752)
Net cash provided by operating activities	4,940	4,363
Investing activities		
Purchases of available-for-sale securities	(6,758)	(10,982)
Proceeds from sales of available-for-sale securities	5,636	8,423
Proceeds from maturities of available-for-sale securities	2,792	2,386
Net increase in finance receivables and loans	(7,475)	(8,669)
Proceeds from sales of finance receivables and loans	1,978	1,346
Purchases of operating lease assets	(3,350)	(3,817)
Disposals of operating lease assets	892	3,621
Proceeds from sale of business units, net (a)	516	47
Net cash effect from deconsolidation of Residential Capital, LLC	(539)	—
Other, net	165	871
Net cash used in investing activities	(6,143)	(6,774)

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

Table of Contents

Condensed Consolidated Statement of Cash Flows (unaudited)
Ally Financial Inc. • Form 10-Q

Six months ended June 30, ($ in millions)	2012	2011
Financing activities		
Net change in short-term borrowings	(1,485)	(227)
Net increase in bank deposits	2,895	2,570
Proceeds from issuance of long-term debt	19,123	26,225
Repayments of long-term debt	(15,916)	(22,951)
Dividends paid	(401)	(419)
Other, net	78	551
Net cash provided by financing activities	4,294	5,749
Effect of exchange-rate changes on cash and cash equivalents	(39)	(78)
Net increase in cash and cash equivalents	3,052	3,260
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	39	(29)
Cash and cash equivalents at beginning of year	13,035	11,670
Cash and cash equivalents at June 30,	$16,126	$14,901
Supplemental disclosures		
Cash paid for		
Interest	$2,563	$2,886
Income taxes	273	471
Noncash items		
Transfer of mortgage servicing rights into trading securities through certification	—	266
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	104	110

(a) The amounts are net of cash and cash equivalents of $147 million at June 30, 2012, and $88 million at June 30, 2011, 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, globally 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 (online and telephonic) 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, 2012, and for the three months and six months ended June 30, 2012, and 2011, 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, 2011, as filed on February 28, 2012, with the U.S. Securities and Exchange Commission (SEC).

Residential Capital, LLC

On May 14, 2012 (the Petition Date), Residential Capital, LLC (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 (Bankruptcy Court). In connection with the filings, Ally Financial Inc. and its direct and indirect subsidiaries and affiliates (excluding the Debtors and their direct and indirect subsidiaries) (collectively, AFI) reached an agreement with the Debtors and certain creditor constituencies on a prearranged Chapter 11 plan (the Plan).

In connection with the Plan, the Debtors expect to sell certain of their assets, consisting of the Debtors' mortgage origination and servicing business and certain other mortgage-related assets, to Nationstar Mortgage LLC and Berkshire Hathaway Inc., or one or more alternate purchasers with higher and better offers for such assets, under section 363 of the Bankruptcy Code. The Bankruptcy Court entered an order on June 28, 2012, approving Nationstar Mortgage LLC as stalking horse bidder for the Debtors' mortgage origination and servicing platform, and Berkshire Hathaway Inc. as stalking horse bidder for the Debtors' held-for-sale loan portfolio. The bid provided by Berkshire Hathaway Inc. supplanted the stalking horse bid provided by AFI that is described below. The Debtors' remaining assets are expected to be sold, wound down, or otherwise liquidated over time.

The contemplated Plan, which has not yet been filed with the Bankruptcy Court, is subject to Bankruptcy Court approval. The Plan is based on a settlement (the Settlement) between AFI and the Debtors under which, in exchange for the releases described below, AFI, among other things: (a) agreed to serve as the stalking horse bidder for the Debtors' held-for-sale loan portfolio, with a purchase price of approximately $1.6 billion (which, as noted above, was supplanted by Berkshire Hathaway Inc. pursuant to an order entered by the Bankruptcy Court on June 28, 2012); (b) will make a cash contribution to the Debtors' estates of $750 million that will enable certain recoveries to creditors of the Debtors' estates under the Plan; (c) provided the Debtors with a $220 million post-petition debtor-in-possession financing facility; (d) consented to the Debtors' use of cash collateral pledged to Ally-funded, pre-petition senior secured credit facilities; (e) agreed to enter into and perform a shared services agreement with the Debtors to enable the Debtors to continue to operate their businesses during their bankruptcy cases; (f) agreed to enter into and perform

a transition services agreement with the purchaser of the Debtors' mortgage origination and servicing business to facilitate the sale of such assets; (g) continues to provide the Debtors with consumer lending origination support during their bankruptcy cases, including to allow implementation of the aforementioned asset sales; (h) provides the support necessary for the Debtors to satisfy certain regulatory obligations; and (i) agreed to provide indemnification of ResCap's current directors and officers. The Settlement, which is subject to Bankruptcy Court approval, provides for the release of all existing or potential causes of action between AFI and the Debtors, as well as a release of all existing or potential ResCap-related causes of action against AFI held by third parties.

Also ResCap has obtained support for the Plan from the ad hoc steering committee representing ResCap's junior secured notes (Ad Hoc Committee), as well as other certain noteholders, and as of the Petition Date, had affirmative support from entities holding $791 million of these notes, out of a total of approximately $2.1 billion. Additionally, institutional investors in residential mortgage-backed securities issued by ResCap's affiliates and holding more than 25 percent of at least one class in each of 290 securitizations agreed to support the Plan as of the Petition Date. To date, institutional investors holding more than 25 percent of at least one class in each of 336 securitizations have agreed to support the Plan. These 336 securitizations have an aggregate original principal balance of approximately $189 billion (out of a total of 392 outstanding securitizations with an original principal balance of $221 billion). The settlements reached are subject to Bankruptcy Court approval.

The Debtors have failed to satisfy certain milestone requirements in the Plan support agreements (the PSAs) with the Ad Hoc Committee and AFI, which relieves the Ad Hoc Committee and AFI of their obligations to perform under each of their respective PSAs. Notwithstanding

this, to date, AFI has continued to comply with its obligations under its PSAs. Furthermore, the Ad Hoc Committee has not indicated any intention to terminate its PSA.

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 propose to release under the Plan. On June 18, 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. On July 27, 2012, the Bankruptcy Court entered an order approving the scope of the examiner's investigation. The investigation will include, among other things: (a) all material pre-petition transactions between or among the Debtors and AFI, Cerberus Capital Management, L.P. and its subsidiaries and affiliates, and/or Ally Bank; (b) certain post-petition negotiations and transactions with the Debtors, including with respect to plan sponsor, plan support, and settlement agreements, the debtor-in-possession financing with AFI, the stalking horse asset purchase agreement with AFI, and the servicing agreement with Ally Bank; (c) all state and federal law claims or causes of action the Debtors propose to release as part of the Plan; and (d) the release of all existing or potential ResCap-related causes of action against AFI held by third parties. The examiner's preliminary estimate regarding the time necessary for the examiner to complete the examiner's investigation and related report is six months.

As a result of the bankruptcy filing, effective May 14, 2012, we have deconsolidated ResCap from our financial statements and ResCap is prospectively accounted for using the cost method. Furthermore, circumstances indicated to us that as of May 14, 2012, our investment in ResCap would not be recoverable, and accordingly we recorded a full impairment of such investment. The deconsolidation resulted in the removal of the following assets, liabilities, and accumulated other comprehensive income items from our Condensed Consolidated Balance Sheet.

($ in millions)	May 13, 2012
Assets	
Cash and cash equivalents	
Noninterest-bearing	$494
Interest-bearing	45
Total cash and cash equivalents	539
Trading assets	31
Loans held-for-sale, net	4,103
Finance receivables and loans, net	
Finance receivables and loans, net	743
Allowance for loan losses	(9)
Total finance receivables and loans, net	734
Mortgage servicing rights	1,130
Premiums receivable and other insurance assets	4
Other assets	5,365
Total assets	$11,906
Liabilities	
Short-term borrowings	$788
Long-term debt	5,428
Interest payable	157
Reserves for insurance losses and loss adjustment expenses	89
Accrued expenses and other liabilities	5,002
Total liabilities	$11,464
Accumulated other comprehensive income	

Foreign currency translation adjustment	$20

ResCap's results of operations have been removed from our Condensed Consolidated Financial Statements since May 14, 2012. As ResCap remains a wholly owned subsidiary of Ally as of June 30, 2012, and they do not meet the requirements of a discontinued operation, ResCap's results of operations continue to be included in our Condensed Consolidated Statement of Comprehensive Income for periods prior to May 14, 2012. Our Condensed Consolidated Statements of Comprehensive Income include the following for ResCap's results of operations (amounts presented are before the elimination of balances and transactions with Ally).

($ in millions)	Period from April 1, 2012 to May 13, 2012	Three months ended June 30, 2011	Period from January 1, 2012 to May 13, 2012	Six months ended June 30, 2011
Total net revenue	$49	$277	$476	$576
Provision for loan losses	1	1	—	7
Total noninterest expense	128	389	437	632
(Loss) income from continuing operations before income tax expense	(80)	(113)	39	(63)
Income tax expense from continuing operations	2	—	7	9
Net (loss) income from continuing operations	$(82)	$(113)	$32	$(72)

Based on our assessment of the effect of the deconsolidation of ResCap, obligations under the Plan, and other impacts related to the Chapter 11 filing, we recorded a charge of $1.2 billion during the three months ended June 30, 2012, within our other operating expenses. This charge primarily consists of the impairment of Ally's $442 million investment in ResCap and the $750 million cash contribution to be made by us to the Debtors' estate described above. As of June 30, 2012, we have $1.2 billion of financing due from ResCap, which is classified as Finance Receivables and Loans, net on our Condensed Consolidated Balance Sheet. We maintain no allowance or impairment against these receivables because management considers them to be fully collectible. At June 30, 2012, our hedging arrangements with ResCap were fully collateralized. Additionally, under a shared services agreement (SSA), each entity agreed to provide services to the other for a period of one year. The SSA will automatically renew each year unless either entity provides written notice of nonrenewal to the other party at least three months prior to the expiration. The SSA fees received by Ally and the expenses paid to the Debtors will be reflected within the Condensed Consolidated Statement of Comprehensive Income as a reduction or increase of noninterest expense. Because of the uncertain nature of the bankruptcy proceedings, we cannot predict the ultimate financial impact to Ally. Refer to Note 25 to the Condensed Consolidated Financial Statements for additional information regarding these bankruptcy proceedings.

International Businesses

We have determined to explore strategic alternatives for all of our international operations, which includes automotive finance, insurance, and banking and deposit operations. As of June 30, 2012, the businesses did not meet the requirements of a discontinued operation.

Significant Accounting Policies

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification (ASC) 740, Income Taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. 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 are estimated using tax rates specific to that jurisdiction.

Refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Financial Services - Insurance - Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts (ASU 2010-26)

As of January 1, 2012, we adopted Accounting Standards Update (ASU) 2010-26, which amends ASC 944, Financial Services - Insurance. The amendments in this ASU specify which costs incurred in the acquisition of new and renewal insurance contracts should be capitalized. All other acquisition-related costs should be expensed as incurred. If the initial application of the amendments in this ASU results in the capitalization of acquisition costs that had not been previously capitalized, an entity may elect not to capitalize those types of costs. Both retrospective application and early adoption was permitted. We elected prospective application and did not early adopt the ASU. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Fair Value Measurement - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (ASU 2011-04)

As of January 1, 2012, we adopted ASU 2011-04, which amends ASC 820, Fair Value Measurements. The amendments in this ASU clarify how to measure fair value and it contains new disclosure requirements to provide more transparency into Level 3 fair value measurements. It is intended to improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. GAAP and International Financial Reporting Standards (IFRS). The ASU must be applied prospectively. The adoption did not have a material impact to our consolidated financial condition or results of operations.

Intangibles-Goodwill and Other - Testing Goodwill for Impairment (ASU 2011-08)

As of January 1, 2012, we adopted ASU 2011-08, which amends ASC 350, Intangibles-Goodwill and Other. This ASU permits the option of performing a qualitative assessment before calculating the fair value of a reporting unit in step 1 of the goodwill impairment test. If it is determined, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not more than the carrying amount, the two-step impairment test would not be required. Otherwise, further evaluation under the existing two-step framework would be required. The adoption did not have a material impact to our consolidated financial condition or results of operation.

Recently Issued Accounting Standards

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

In December 2011, the Financial Accounting Standards Board issued ASU 2011-11, which amends ASC 210, Balance Sheet. This ASU contains new disclosure requirements regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. The new disclosures will give financial statement users information about both gross and net exposures. ASU 2011-11 is effective for us on January 1, 2013, and retrospective application is required. Since the guidance relates only to disclosures, adoption is not expected to have a material effect on our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale 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 second quarter of 2012, we sold the Canadian mortgage operations of ResMor Trust.

Select Global Automotive Services — Insurance Operations

During the fourth quarter of 2011, we committed to sell our U.K.-based operations that provide vehicle service contracts and insurance products in Europe and Latin America. During the second quarter of 2011, we completed the sale of our U.K. consumer property and casualty insurance business.

Select Global Automotive Services — International Automotive Finance Operations

During the fourth quarter of 2011, we committed to sell our full-service leasing operations in Austria, Germany, Greece, Portugal, and Spain. During the first quarter of 2012, we completed the sale of our Venezuela operations.

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

Select Financial Information
Select financial information of discontinued operations is summarized below. The pretax income or loss, including direct costs to transact, 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 the fluidity of ongoing negotiations, price volatility, changing interest rates, changing foreign-currency rates, and future economic conditions.

($ in millions)	Three months ended June 30, 2012	Three months ended June 30, 2011	Six months ended June 30, 2012	Six months ended June 30, 2011
Select Mortgage operations				
Total net revenue	$3	$5	$8	$3
Pretax loss including direct costs to transact a sale	(10)	(3)	(10)	(11)
Tax benefit	—	(1)	—	(3)
Select Global Automotive Services — Insurance operations				
Total net revenue	$34	$75	$72	$166
Pretax (loss) income including direct costs to transact a sale	(32)	9	(24)	18
Tax expense	1	—	3	2
Select Global Automotive Services — International operations				
Total net revenue	$2	$16	$8	$44
Pretax income (loss) including direct costs to transact a sale (a)	13	(3)	15	(24)
Tax expense (benefit)	4	(1)	4	2

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

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

June 30, 2012 ($ in millions)	Select Global Automotive Services –Insurance operations (a)	Select Global Automotive Services – International operations (b)	Total held-for-sale operations
Assets			
Cash and cash equivalents			
Noninterest-bearing	$2	$27	$29
Interest-bearing	76	6	82
Total cash and cash equivalents	78	33	111
Investment securities	177	—	177
Finance receivables and loans, net	—	3	3
Investment in operating leases, net	—	40	40
Premiums receivable and other insurance assets	74	—	74
Other assets	19	15	34
Impairment on assets of held-for-sale operations	(36)	(20)	(56)
Total assets	$312	$71	$383
Liabilities			
Unearned insurance premiums and service revenue	$130	$—	$130
Reserves for insurance losses and loss adjustment expenses	15	—	15
Accrued expenses and other liabilities	89	7	96

Total liabilities	$234	$7	$241

(a) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.
(b) Includes our full-service leasing operations in Austria, Germany, Greece, Portugal, and Spain.

December 31, 2011 ($ in millions)	Select Mortgage operations (a)	Select Global Automotive Services –Insurance operations (b)	Select Global Automotive Services – International operations (c)	Total held-for-sale operations
Assets				
Cash and cash equivalents				
Noninterest-bearing	$—	$ 4	$ 55	$59
Interest-bearing	—	54	38	92
Total cash and cash equivalents	—	58	93	151
Investment securities	—	186	—	186
Loans held-for-sale, net	260	—	—	260
Finance receivables and loans, net				
Finance receivables and loans, net	285	—	11	296
Allowance for loan losses	—	—	(1)	(1)
Total finance receivables and loans, net	285	—	10	295
Investment in operating leases, net	—	—	91	91
Premiums receivable and other insurance assets	—	77	—	77
Other assets	140	14	30	184
Impairment on assets of held-for-sale operations	—	—	(174)	(174)
Total assets	$685	$ 335	$ 50	$1,070
Liabilities				
Unearned insurance premiums and service revenue	$—	$ 130	$ —	$130
Reserves for insurance losses and loss adjustment expenses	—	17	—	17
Accrued expenses and other liabilities	80	82	28	190
Total liabilities	$80	$ 229	$ 28	$337

(a) Includes the Canadian mortgage operations of ResMor Trust.
(b) Includes our U.K.-based operations that provide vehicle service contracts and insurance products.
(c) Includes the operations of Venezuela and our full-service leasing operations in Austria, Germany, Greece, Portugal, and Spain.

Table of Contents

Recurring Fair Value

The following tables display the assets and liabilities of our held-for-sale operations measured at fair value on a recurring basis. 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.

	Recurring fair value measurements			
($ in millions)	Level 1	Level 2	Level 3	Total
June 30, 2012				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	$177	$—	$—	$177
Total assets	$177	$—	$—	$177
December 31, 2011				
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
Foreign government	$171	$15	$—	$186
Other assets				
Interest retained in financial asset sales	—	—	66	66
Total assets	$171	$15	$66	$252

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)	2012	2011	2012	2011
Mortgage processing fees and other mortgage income	$113	$44	$237	$88
Late charges and other administrative fees	32	24	63	57
Securitization income	22	123	23	151
Income from equity-method investments	18	20	47	42
Remarketing fees	17	31	37	68
Change due to fair value option elections (a)	(5)	(22)	(19)	(39)
Fair value adjustment on derivatives (b)	(44)	(65)	(33)	(79)
Other, net	73	84	148	155
Total other income, net of losses	$226	$239	$503	$443

(a) Refer to Note 22 for a description of fair value option elections.
(b) 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.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2012	2011	2012	2011
Impairment and accruals related to ResCap deconsolidation (a)	$1,192	$—	$1,192	$—
Technology and communications	109	115	235	234
Insurance commissions	107	116	219	234
Professional services	93	77	209	143
Regulatory penalties imposed for foreclosure-related matters	90	—	90	—
Lease and loan administration	64	45	110	89
Advertising and marketing	36	41	75	95
Regulatory and licensing fees	33	34	69	71
Premises and equipment depreciation	24	24	49	50
Occupancy	21	22	45	44
Vehicle remarketing and repossession	20	37	45	72
Mortgage representation and warranty obligation, net	18	184	37	210
State and local non-income taxes	5	35	29	66
Other	121	162	245	330
Total other operating expenses	$1,933	$892	$2,649	$1,638

(a) For the three months and six months ended June 30, 2012, this charge primarily consists of the $442 million total impairment of our investment in ResCap and a $750 million cash contribution to be made by us to the Debtors' estate. Refer to Note 1 for more information regarding the Debtors' bankruptcy, deconsolidation, and this charge.

5. Trading Assets

The composition of trading assets was as follows.

($ in millions)	June 30, 2012	December 31, 2011
Mortgage-backed residential trading securities	$—	$ 608
Trading derivatives	—	14
Total trading assets	$—	$ 622

6. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset- and mortgage-backed securities, 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.

	June 30, 2012				December 31, 2011			
	Amortized	Gross unrealized		Fair	Amortized	Gross unrealized		Fair
($ in millions)	cost	gains	losses	value	cost	gains	losses	value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$874	$3	$—	$877	$1,535	$13	$(2)	$1,546
U.S. states and political subdivisions	—	—	—	—	1	—	—	1
Foreign government	831	18	—	849	765	20	(1)	784
Mortgage-backed residential (a)	6,205	75	(25)	6,255	7,266	87	(41)	7,312
Asset-backed	2,497	38	(2)	2,533	2,600	28	(13)	2,615
Corporate debt	1,312	37	(6)	1,343	1,486	23	(18)	1,491
Other	353	—	—	353	326	1	—	327
Total debt securities	12,072	171	(33)	12,210	13,979	172	(75)	14,076
Equity securities	1,306	22	(172)	1,156	1,188	25	(154)	1,059
Total available-for-sale securities (b)	$13,378	$193	$(205)	$13,366	$15,167	$197	$(229)	$15,135

(a) Residential mortgage-backed securities include agency-backed bonds totaling $4,347 million and $6,114 million at June 30, 2012, and December 31, 2011, 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 $16 million at June 30, 2012, and December 31, 2011, 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, 2012															
Fair value of available-for-sale debt securities (b)															
U.S. Treasury and federal agencies	$877	0.8	%	$151	0.8	%	$725	0.8	%	$1	1.5	%	$—	—	%
U.S. states and political subdivisions	—	—		—	—			—		—	—		—	—	
Foreign government	849	4.2		202	5.6		419	4.0		221	3.1		7	6.2	
Mortgage-backed residential	6,255	2.8		1	4.6		—	—		209	2.4		6,045	2.8	
Asset-backed	2,533	2.3		—	—		1,568	2.1		527	2.0		438	3.3	
Corporate debt	1,343	5.2		9	6.9		615	4.5		604	6.2		115	3.8	
Other	353	1.5		352	1.4		—	—		1	7.2		—	—	
Total available-for-sale debt securities	$12,210	2.8		$715	2.5		$3,327	2.4		$1,563	3.6		$6,605	2.8	
Amortized cost of available-for-sale debt securities	$12,072			$713			$3,293			$1,528			$6,538		
December 31, 2011															
Fair value of available-for-sale debt securities (b)															
U.S. Treasury and federal agencies	$1,546	0.9	%	$231	—	%	$1,202	0.9	%	$113	2.2	%	$—	—	%
U.S. states and political subdivisions	1	5.4		—	—		—	—		—	—		1	5.4	
Foreign government	784	4.4		77	7.7		506	4.3		201	3.3		—	—	
Mortgage-backed residential	7,312	2.5		3	4.8		2	6.3		189	2.6		7,118	2.5	
Asset-backed	2,615	2.1		—	—		1,599	1.9		574	1.9		442	3.2	
Corporate debt	1,491	4.9		19	4.9		741	4.4		606	5.6		125	4.7	
Other	327	1.4		316	1.3		—	—		11	4.6		—	—	
Total available-for-sale debt securities	$14,076	2.6		$646	1.7		$4,050	2.4		$1,694	3.5		$7,686	2.6	
Amortized cost of available-for-sale debt securities	$13,979			$644			$4,026			$1,678			$7,631		

(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 $8.9 billion and $5.6 billion at June 30, 2012, and December 31, 2011, 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. During the three months and six months ended June 30, 2012, we did not recognize any other-than-temporary impairment on available-for-sale securities.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2012	2011	2012	2011
Gross realized gains	$70	$100	$168	$194
Gross realized losses	(4)	(8)	(12)	(18)
Net realized gains	$66	$92	$156	$176

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2012	2011	2012	2011
Taxable interest	$79	$100	$158	$198
Taxable dividends	7	6	12	11
Interest and dividends on available-for-sale securities	$86	$106	$170	$209

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, 2012, 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, 2012, 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, 2012. Refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	June 30, 2012				December 31, 2011			
	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	$4	$—	$—	$—	$179	$(2)	$—	$—
Foreign government	108	—	—	—	197	(1)	—	—
Mortgage-backed residential	931	(19)	196	(6)	2,302	(39)	45	(2)
Asset-backed	438	(2)	1	—	994	(13)	1	—
Corporate debt	189	(6)	—	—	444	(16)	30	(2)
Total temporarily impaired debt securities	1,670	(27)	197	(6)	4,116	(71)	76	(4)
Temporarily impaired equity securities	697	(126)	116	(46)	770	(148)	18	(6)
Total temporarily impaired available-for-sale securities	$2,367	$(153)	$313	$(52)	$4,886	$(219)	$94	$(10)

7. Loans Held-for-Sale, Net

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

	June 30, 2012			December 31, 2011		
($ in millions)	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	$623	$—	$623	$425	$—	$425
Consumer mortgage						
1st Mortgage	1,377	—	1,377	7,360	12	7,372

Home equity	—	—	—	740	—	740
Total consumer mortgage (a)	1,377	—	1,377	8,100	12	8,112
Commercial and industrial						
Other	—	—	—	20	—	20
Total loans held-for-sale (b)	$2,000	$—	$2,000	$8,545	$12	$8,557

(a) Fair value option-elected domestic consumer mortgages were $1.4 billion and $3.9 billion at June 30, 2012, and December 31, 2011, 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 premiums of $26 million at June 30, 2012, and net unamortized discounts of $221 million at December 31, 2011.

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

($ in millions)	June 30, 2012	December 31, 2011
High original loan-to-value (greater than 100%) mortgage loans	$324	$423
Payment-option adjustable-rate mortgage loans	—	12
Interest-only mortgage loans	10	298
Below-market rate (teaser) mortgages	—	169
Total higher-risk mortgage loans held-for-sale	$334	$902

8. 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.

	June 30, 2012			December 31, 2011		
($ in millions)	Domestic	Foreign	Total	Domestic	Foreign	Total
Consumer automobile	$50,697	$17,439	$68,136	$46,576	$16,883	$63,459
Consumer mortgage						
1st Mortgage	7,030	—	7,030	6,867	24	6,891
Home equity	2,793	—	2,793	3,102	—	3,102
Total consumer mortgage	9,823	—	9,823	9,969	24	9,993
Commercial						
Commercial and industrial						
Automobile	28,061	7,786	35,847	26,552	8,265	34,817
Mortgage	1,146	—	1,146	1,887	24	1,911
Other	2,391	44	2,435	1,178	63	1,241
Commercial real estate						
Automobile	2,387	139	2,526	2,331	154	2,485
Mortgage	—	—	—	—	14	14
Total commercial	33,985	7,969	41,954	31,948	8,520	40,468
Loans at fair value (a)	—	—	—	603	232	835
Total finance receivables and loans (b)	$94,505	$25,408	$119,913	$89,096	$25,659	$114,755

(a) Includes domestic consumer mortgages at fair value as a result of fair value option election. Refer to Note 22 for additional information.

(b) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of $3.0 billion and $2.9 billion at June 30, 2012, and December 31, 2011, 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, 2012 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at April 1, 2012	$832	$501	$213	$1,546
Charge-offs				
Domestic	(85)	(41)	(1)	(127)
Foreign	(45)	—	(2)	(47)
Total charge-offs	(130)	(41)	(3)	(174)
Recoveries				
Domestic	42	4	2	48
Foreign	18	—	20	38
Total recoveries	60	4	22	86
Net charge-offs	(70)	(37)	19	(88)
Provision for loan losses	45	20	(36)	29
Deconsolidation of ResCap	—	(9)	—	(9)
Other	(29)	(3)	(19)	(51)
Allowance at June 30, 2012	$778	$472	$177	$1,427

Three months ended June 30, 2011 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at April 1, 2011	$916	$563	$327	$1,806
Charge-offs				
Domestic	(95)	(48)	(12)	(155)
Foreign	(33)	(2)	(17)	(52)
Total charge-offs	(128)	(50)	(29)	(207)
Recoveries				
Domestic	51	6	6	63
Foreign	17	—	6	23
Total recoveries	68	6	12	86
Net charge-offs	(60)	(44)	(17)	(121)
Provision for loan losses	51	38	(39)	50
Discontinued operations	—	1	—	1
Other	4	—	(1)	3
Allowance at June 30, 2011	$911	$558	$270	$1,739

Table of Contents

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				
Domestic	(185)	(86)	(3)	(274)
Foreign	(81)	—	(2)	(83)
Total charge-offs	(266)	(86)	(5)	(357)
Recoveries				
Domestic	88	6	9	103
Foreign	34	—	25	59
Total recoveries	122	6	34	162
Net charge-offs	(144)	(80)	29	(195)
Provision for loan losses	178	48	(57)	169
Deconsolidation of ResCap	—	(9)	—	(9)
Other	(22)	(3)	(16)	(41)
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

Six months ended June 30, 2011 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2011	$970	$580	$323	$1,873
Charge-offs				
Domestic	(234)	(108)	(18)	(360)
Foreign	(75)	(2)	(48)	(125)
Total charge-offs	(309)	(110)	(66)	(485)
Recoveries				
Domestic	101	9	12	122
Foreign	36	—	17	53
Total recoveries	137	9	29	175
Net charge-offs	(172)	(101)	(37)	(310)
Provision for loan losses	104	78	(19)	163
Discontinued operations	—	1	—	1
Other	9	—	3	12
Allowance at June 30, 2011	$911	$558	$270	$1,739
Allowance for loan losses				
Individually evaluated for impairment	$—	$94	$57	$151
Collectively evaluated for impairment	899	464	213	1,576
Loans acquired with deteriorated credit quality	12	—	—	12
Finance receivables and loans at historical cost				

Ending balance	58,735	10,412	40,632	109,779
Individually evaluated for impairment	—	549	1,070	1,619
Collectively evaluated for impairment	58,612	9,863	39,562	108,037
Loans acquired with deteriorated credit quality	123	—	—	123

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.

($ in millions)	Three months ended June 30, 2012	2011	Six months ended June 30, 2012	2011
Consumer automobile	$1,960	$1,318	$1,960	$1,318
Consumer mortgage	—	28	40	93
Commercial	—	—	—	6
Total sales and transfers	$1,960	$1,346	$2,000	$1,417

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, 2012						
Consumer automobile	$738	$161	$181	$1,080	$67,056	$ 68,136
Consumer mortgage						
1st Mortgage	80	34	169	283	6,747	7,030
Home equity	15	8	14	37	2,756	2,793
Total consumer mortgage	95	42	183	320	9,503	9,823
Commercial						
Commercial and industrial						
Automobile	9	4	47	60	35,787	35,847
Mortgage	—	—	—	—	1,146	1,146
Other	—	—	1	1	2,434	2,435
Commercial real estate						
Automobile	—	2	14	16	2,510	2,526
Mortgage	—	—	—	—	—	—
Total commercial	9	6	62	77	41,877	41,954
Total consumer and commercial	$842	$209	$426	$1,477	$118,436	$ 119,913
December 31, 2011						
Consumer automobile	$802	$162	$179	$1,143	$62,316	$ 63,459
Consumer mortgage						
1st Mortgage	91	35	162	288	6,603	6,891
Home equity	21	11	18	50	3,052	3,102
Total consumer mortgage	112	46	180	338	9,655	9,993
Commercial						
Commercial and industrial						
Automobile	—	1	126	127	34,690	34,817
Mortgage	—	—	—	—	1,911	1,911
Other	—	—	1	1	1,240	1,241
Commercial real estate						
Automobile	2	1	34	37	2,448	2,485
Mortgage	—	2	12	14	—	14
Total commercial	2	4	173	179	40,289	40,468
Total consumer and commercial	$916	$212	$532	$1,660	$112,260	$ 113,920

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, 2012	December 31, 2011
Consumer automobile	$297	$228
Consumer mortgage		
1st Mortgage	375	281
Home equity	36	58
Total consumer mortgage	411	339
Commercial		
Commercial and industrial		
Automobile	201	223
Mortgage	—	—
Other	37	37
Commercial real estate		
Automobile	49	67
Mortgage	—	12
Total commercial	287	339
Total consumer and commercial finance receivables and loans	$995	$906

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.

	June 30, 2012			December 31, 2011		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automobile	$67,839	$297	$68,136	$63,231	$228	$63,459
Consumer mortgage						
1st Mortgage	6,655	375	7,030	6,610	281	6,891
Home equity	2,757	36	2,793	3,044	58	3,102
Total consumer mortgage	$9,412	$411	$9,823	$9,654	$339	$9,993

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, 2012			December 31, 2011		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automobile	$33,739	$2,108	$35,847	$32,464	$2,353	$34,817
Mortgage	1,094	52	1,146	1,760	151	1,911
Other	2,123	312	2,435	883	358	1,241
Commercial real estate						
Automobile	2,352	174	2,526	2,305	180	2,485
Mortgage	—	—	—	—	14	14

Total commercial	$39,308	$2,646	$41,954	$37,412	$3,056	$40,468

(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 2011 Annual Report on Form 10-K.

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, 2012					
Consumer automobile	$97	$97	$—	$97	$9
Consumer mortgage					
1st Mortgage	676	598	92	506	127
Home equity	90	91	—	91	39
Total consumer mortgage	766	689	92	597	166
Commercial					
Commercial and industrial					
Automobile	201	201	85	116	12
Mortgage	—	—	—	—	—
Other	37	37	10	27	6
Commercial real estate					
Automobile	49	49	14	35	14
Mortgage	—	—	—	—	—
Total commercial	287	287	109	178	32
Total consumer and commercial finance receivables and loans	$1,150	$1,073	$201	$872	$207
December 31, 2011					
Consumer automobile	$69	$69	$—	$69	$7
Consumer mortgage					
1st Mortgage	516	508	83	425	126
Home equity	97	98	—	98	46
Total consumer mortgage	613	606	83	523	172
Commercial					
Commercial and industrial					
Automobile	222	222	64	158	22
Mortgage	—	—	—	—	—
Other	37	37	25	12	5
Commercial real estate					
Automobile	68	68	32	36	18
Mortgage	12	12	1	11	5
Total commercial	339	339	122	217	50
Total consumer and commercial finance receivables and loans	$1,021	$1,014	$205	$809	$229

Table of Contents

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

Three months ended June 30, ($ in millions)	2012 Average balance	2012 Interest income	2011 Average balance	2011 Interest income
Consumer automobile	$94	$3	$—	$—
Consumer mortgage				
1st Mortgage	574	7	448	4
Home equity	96	1	90	1
Total consumer mortgage	670	8	538	5
Commercial				
Commercial and industrial				
Automobile	185	3	360	1
Mortgage	15	—	32	—
Other	25	5	99	—
Commercial real estate				
Automobile	54	1	140	—
Mortgage	7	—	45	—
Total commercial	286	9	676	1
Total consumer and commercial finance receivables and loans	$1,050	$20	$1,214	$6

Six months ended June 30, ($ in millions)	2012 Average balance	2012 Interest income	2011 Average balance	2011 Interest income
Consumer automobile	$88	$5	$—	$—
Consumer mortgage				
1st Mortgage	546	11	435	8
Home equity	97	2	88	2
Total consumer mortgage	643	13	523	10
Commercial				
Commercial and industrial				
Automobile	197	5	353	1
Mortgage	9	—	36	5
Other	29	5	113	1
Commercial real estate				
Automobile	58	1	162	—
Mortgage	10	—	55	1
Total commercial	303	11	719	8
Total consumer and commercial finance receivables and loans	$1,034	$29	$1,242	$18

Troubled Debt Restructurings

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. Numerous initiatives, such as the Home Affordable Modification Program (HARP) 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 changing the due date and rewriting the loan terms. Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were $829 million at June 30, 2012, reflecting an increase of $95 million from December 31, 2011. Refer to Note 1 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for additional information.

27

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

The following tables present information related to finance receivables and loans recorded at historical cost modified in connection with a troubled debt restructuring during the period.

	2012			2011		
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	1,980	$ 25	$ 25	1,550	$ 20	$ 20
Consumer mortgage						
1st Mortgage	845	231	161	102	37	37
Home equity	54	3	3	266	14	14
Total consumer mortgage	899	234	164	368	51	51
Commercial						
Commercial and industrial						
Automobile	3	5	5	—	—	—
Mortgage	—	—	—	1	38	28
Other	—	—	—	2	11	10
Commercial real estate						
Automobile	3	7	6	1	4	2
Mortgage	—	—	—	1	1	1
Total commercial	6	12	11	5	54	41
Total consumer and commercial finance receivables and loans	2,885	$ 271	$ 200	1,923	$ 125	$ 112

	2012			2011		
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	4,772	$ 58	$ 58	2,778	$ 37	$ 37
Consumer mortgage						
1st Mortgage	922	259	188	229	81	81
Home equity	227	13	12	482	27	25
Total consumer mortgage	1,149	272	200	711	108	106
Commercial						
Commercial and industrial						
Automobile	6	8	8	1	3	3
Mortgage	—	—	—	1	38	28
Other	—	—	—	2	11	10
Commercial real estate						
Automobile	4	9	8	1	4	2
Mortgage	—	—	—	1	1	1
Total commercial	10	17	16	6	57	44
Total consumer and commercial finance receivables and loans	5,931	$ 347	$ 274	3,495	$ 202	$ 187

The following tables present 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 troubled debt restructuring. 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 2011 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans where default is defined as 90 days past due.

	2012			2011		
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	161	$ 1	$ 1	88	$ 1	$ 1
Consumer mortgage						
1st Mortgage	7	2	1	4	2	—
Home equity	9	—	—	7	—	—
Total consumer mortgage	16	2	1	11	2	—
Commercial						
Commercial and industrial						
Automobile	2	1	—	1	3	—
Commercial real estate						
Automobile	1	2	—	—	—	—
Total commercial	3	3	—	1	3	—
Total consumer and commercial finance receivables and loans	180	$ 6	$ 2	100	$ 6	$ 1

	2012			2011		
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	369	$ 3	$ 2	88	$ 1	$ 1
Consumer mortgage						
1st Mortgage	12	3	1	5	2	—
Home equity	13	1	1	9	—	—
Total consumer mortgage	25	4	2	14	2	—
Commercial						
Commercial and industrial						
Automobile	4	3	—	1	3	—
Commercial real estate						
Automobile	1	2	—	—	—	—
Total commercial	5	5	—	1	3	—
Total consumer and commercial finance receivables and loans	399	$ 12	$ 4	103	$ 6	$ 1

At June 30, 2012, and December 31, 2011, commercial commitments to lend additional funds to debtors owing receivables whose terms had been modified in a troubled debt restructuring were $29 million and $45 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, 2012	December 31, 2011
Interest-only mortgage loans (a)	$2,527	$2,947
Below-market rate (teaser) mortgages	204	248
Total higher-risk mortgage finance receivables and loans	$2,731	$3,195

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

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	June 30, 2012	December 31, 2011
Vehicles and other equipment	$13,224	$11,160
Accumulated depreciation	(2,027)	(1,885)
Investment in operating leases, net	$11,197	$9,275

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)	2012	2011	2012	2011
Depreciation expense on operating lease assets (excluding remarketing gains)	$372	$342	$719	$732
Remarketing gains	(54)	(166)	(108)	(286)
Depreciation expense on operating lease assets	$318	$176	$611	$446

10. Securitizations and Variable Interest Entities

Overview

We are involved in several types of securitization and financing transactions that utilize special purpose entities (SPEs). An 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, 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 and operating leases 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, 2012 and 2011, 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 11 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. 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 retain beneficial interests in our private-label securitizations, which may 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 trust as they may absorb credit losses or other cash shortfalls. Additionally, the securitization agreements 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.

We generally hold certain conditional repurchase options 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 are met. 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 25 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, 2012 and 2011.

Other Variable Interest Entities

Servicer Advance Funding Entity

We previously assisted in the financing of our servicer advance receivables; we formed a VIE that issued variable funding notes to third-party investors that were collateralized by servicer advance receivables. These servicer advance receivables were transferred to the VIE and consisted of delinquent principal and interest advances we made as servicer to various investors; property taxes and insurance premiums advanced to taxing authorities and insurance companies on behalf of borrowers; and amounts advanced for mortgages in foreclosure. The VIE funded the purchase of the receivables through financing obtained from the third-party investors and subordinated loans or an equity contribution from our mortgage activities. This VIE was not consolidated on our balance sheet at June 30, 2012 as a result of the deconsolidation of ResCap, but was consolidated on our balance sheet at December 31, 2011. The beneficial interest holder of this VIE does not have legal recourse to our general credit. We do not have a contractual obligation to provide any type of financial support in the future, nor have we provided noncontractual financial support to the entity during the six months ended June 30, 2012 and 2011.

Other

We had involvements with various other on-balance sheet, immaterial VIEs. Most of these VIEs were used for additional liquidity whereby we sold certain financial assets into the VIE and issued 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 SPE. 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.

Table of Contents

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

($ in millions)	Consolidated involvement with VIEs		Assets of nonconsolidated VIEs (a)		Maximum exposure to loss in nonconsolidated VIEs	
June 30, 2012						
On-balance sheet variable interest entities						
Consumer automobile	$26,852		$—		$—	
Commercial automobile	18,371		—		—	
Commercial other	656		—		—	
Off-balance sheet variable interest entities						
Consumer automobile	—		1,829		1,829	(b)
Consumer mortgage — other	—		—	(c)	15	(d)
Commercial other	8	(e)	—	(f)	135	
Total	$45,887		$1,829		$1,979	
December 31, 2011						
On-balance sheet variable interest entities						
Consumer automobile	$26,504		$—		$—	
Consumer mortgage — private-label	1,098		—		—	
Commercial automobile	19,594		—		—	
Other	956		—		—	
Off-balance sheet variable interest entities						
Consumer mortgage — Ginnie Mae	2,652	(g)	44,127		44,127	(b)
Consumer mortgage — CMHC	66	(g)	3,222		66	(h)
Consumer mortgage — private-label	141	(g)	4,408		4,408	(b)
Consumer mortgage — other	—		—	(c)	17	(d)
Commercial other	83	(e)	—	(f)	242	
Total	$51,094		$51,757		$48,860	

(a) Asset values represent the current unpaid principal balance of outstanding consumer 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) Includes a VIE for which we have no management oversight and therefore we are not able to provide the total assets of the VIE. However, in March 2011 we sold excess servicing rights valued at $266 million to the VIE.

(d) 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.

(e) Includes $0 million and $100 million classified as finance receivables and loans, net, and $36 million and $20 million classified as other assets, offset by $28 million and $37 million classified as accrued expenses and other liabilities at June 30, 2012, and December 31, 2011, respectively.

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

(g) Includes $0 billion and $2.4 billion classified as mortgage loans held-for-sale, $0 million and $92 million classified as trading securities or other assets, and $0 million and $386 million classified as mortgage servicing rights at

(h) June 30, 2012, and December 31, 2011, respectively. CMHC is the Canada Mortgage and Housing Corporation. Due to combination of the credit loss insurance on the mortgages and the guarantee by CMHC on the issued securities, the maximum exposure to loss would be limited to the amount of the retained interests. Additionally, the maximum loss would occur only in the event that CMHC dismisses us as servicer of the loans due to servicer performance or insolvency.

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 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 25.

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 the sale accounting conditions in ASC 860, Transfers and Servicing. 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 (MSR) 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 following summarizes all pretax gains and losses recognized on financial assets sold into nonconsolidated securitization and similar asset-backed financing entities.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2012	2011	2012	2011
Consumer automobile	$6	$—	$6	$—
Consumer mortgage — GSEs	85	267	365	265
Consumer mortgage — private-label	—	2	—	1
Total pretax gain	$91	$269	$371	$266

34

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 three months ended June 30, 2012 and 2011. 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
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
2011			
Cash proceeds from transfers completed during the period	$—	$28,418	$727
Cash flows received on retained interests in securitization entities	—	—	37
Servicing fees	—	495	72
Purchases of previously transferred financial assets	—	(1,068)	(11)
Representations and warranties obligations	—	(100)	(28)
Other cash flows	—	67	141

The following tables represent on-balance sheet loans held-for-sale and finance receivable 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 11 for further detail on total serviced assets.

	Total Amount		Amount 60 days or more past due	
($ in millions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
On-balance sheet loans				
Consumer automobile	$68,759	$63,884	$342	$341
Consumer mortgage (a)	11,200	18,940	230	3,242
Commercial automobile	38,373	37,302	67	162
Commercial mortgage	1,146	1,925	—	14
Commercial other	2,435	1,261	1	1
Total on-balance sheet loans	121,913	123,312	640	3,760
Off-balance sheet securitization entities				
Consumer automobile	1,829	—	1	—
Consumer mortgage — GSEs	127,383	262,984	1,847	9,456
Consumer mortgage — private-label	—	63,991	—	11,301
Total off-balance sheet securitization entities	129,212	326,975	1,848	20,757
Whole-loan transactions (b)	9,101	33,961	31	2,901
Total	$260,226	$484,248	$2,519	$27,418

(a)

Includes loans subject to conditional repurchase options of $0 billion and $2.3 billion guaranteed by the GSEs, and $0 million and $132 million sold to certain private-label mortgage securitization entities at June 30, 2012, and December 31, 2011, respectively.

(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.

	Net credit losses			
	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2012	2011	2012	2011
On-balance sheet loans				
Consumer automobile	$70	$60	$144	$172
Consumer mortgage	(3)	33	18	81
Commercial automobile	(1)	8	(1)	11
Commercial mortgage	—	9	(1)	25
Commercial other	(18)	—	(27)	1
Total on-balance sheet loans	48	110	133	290
Off-balance sheet securitization entities				
Consumer automobile	—	—	—	—
Consumer mortgage — GSEs (a)	n/m	n/m	n/m	n/m
Consumer mortgage — private-label	485	1,010	1,234	2,299
Total off-balance sheet securitization entities	485	1,010	1,234	2,299
Whole-loan transactions	95	55	237	270
Total	$628	$1,175	$1,604	$2,859

n/m = not meaningful

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

11. Servicing Activities

Mortgage Servicing Rights

The following tables summarize activity related to MSRs, which are carried at fair value. As MSRs do not trade in an active market with observable prices, management estimates fair value using internally developed discounted cash flow models (an income approach) 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)	2012	2011
Estimated fair value at April 1,	$2,595	$3,774
Additions recognized on sale of mortgage loans	—	144
Additions from purchases of servicing rights	42	15
Subtractions from sales of servicing assets	—	—
Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(301)	(135)
Other changes in fair value	(101)	(97)
Deconsolidation of ResCap	(1,130)	—
Estimated fair value at June 30, (a)	$1,105	$3,701

(a) For the three months ended June 30, 2012, the remaining balance was at Ally Bank. Please see Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

Six months ended June 30, ($ in millions)	2012	2011
Estimated fair value at January 1,	$2,519	$3,738
Additions recognized on sale of mortgage loans	—	328
Additions from purchases of servicing rights	117	16
Subtractions from sales of servicing assets	—	(266)

Changes in fair value		
Due to changes in valuation inputs or assumptions used in the valuation model	(138)	163
Other changes in fair value	(263)	(278)
Deconsolidation of ResCap	(1,130)	—
Estimated fair value at June 30, (a)	$1,105	$3,701

(a) For the six months ended June 30, 2012, the remaining balance was at Ally Bank. Please see Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

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 2011 Annual Report on Form 10-K for additional information regarding our significant assumptions and valuation techniques used in the valuation of mortgage servicing rights.

The key economic assumptions and sensitivity of the fair value of MSRs to immediate 10% and 20% adverse changes in those assumptions were as follows.

($ in millions)	June 30, 2012	December 31, 2011
Weighted average life (in years)	4.8	4.7
Weighted average prepayment speed	13.1 %	15.7 %
Impact on fair value of 10% adverse change	$(78)	$(135)
Impact on fair value of 20% adverse change	(147)	(257)
Weighted average discount rate	8.0 %	10.2 %
Impact on fair value of 10% adverse change	$(14)	$(59)
Impact on fair value of 20% adverse change	(26)	(114)

These sensitivities are hypothetical and should be considered with caution. Changes in fair value based on a 10% and 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumptions to the change in fair value may not be linear. Also, the effect of a variation in a particular assumption on the fair value is calculated without changing any other assumption. In reality, changes in one factor may result in changes in another (e.g., increased market interest rates may result in lower prepayments and increased credit losses) that could magnify or counteract the sensitivities. Further, these sensitivities show only the change in the asset balances and do not show any expected change in the fair value of the instruments used to manage the interest rates and prepayment risks associated with these assets.

Risk Mitigation Activities

The primary risk of our 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 economically hedge 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)	2012	2011	2012	2011
Change in estimated fair value of mortgage servicing rights	$(402)	$(232)	$(401)	$(115)
Change in fair value of derivative financial instruments	329	127	337	(77)
Servicing asset valuation and hedge activities, net	$(73)	$(105)	$(64)	$(192)

Mortgage Servicing Fees

The components of mortgage servicing fees were as follows.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2012	2011	2012	2011
Contractual servicing fees, net of guarantee fees and including subservicing	$160	$247	$386	$504

Late fees	8	16	27	37
Ancillary fees	18	37	53	70
Total mortgage servicing fees	$186	$300	$466	$611

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, thus making their collection reasonably assured. These servicing advances are included in other assets on the Condensed Consolidated Balance Sheet and totaled $66 million and $1.9 billion at June 30, 2012, and December 31, 2011, respectively. We maintain an allowance for uncollected primary servicing advances of $1 million and $43 million at June 30, 2012, and December 31, 2011, respectively. Our potential obligation is influenced by the loan’s performance and credit quality.

When we acted as a subservicer of mortgage loans we performed the responsibilities of a primary servicer but did not own the corresponding primary servicing rights. We received a fee from the primary servicer for such services. As the subservicer, we had the same responsibilities of a primary servicer in that we made certain payments of property taxes and insurance premiums, default and property maintenance, as well as advances of principal and interest payments before collecting them from individual borrowers. At June 30, 2012, and December 31, 2011, outstanding servicer advances related to subserviced loans were $0 million and $125 million, respectively, and we had a reserve for uncollected subservicer advances of $0 million and $1.1 million, respectively.

In many cases, where we acted as master servicer, we also acted as primary servicer. In connection with our master-servicing activities, we serviced the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages sold to investors. As the master servicer, we collected mortgage loan payments from primary servicers and distributed those funds to investors in the mortgage-backed and mortgage-related asset-backed securities and whole-loan packages. As the master servicer, we were required to advance scheduled payments to the securitization trust or whole-loan investors. To the extent the primary servicer does not advance the payments, we were responsible for advancing the payment to the trust or whole-loan investors. Master-servicing advances, including contractual interest, are priority cash flows in the event of a default, thus making their collection reasonably assured. In most cases, we were required to advance these payments to the point of liquidation of the loan or reimbursement of the trust or whole-loan investors. We had outstanding master-servicing advances of $0 million and $158 million at June 30, 2012, and December 31, 2011, respectively. We had no reserve for uncollected master-servicing advances at June 30, 2012, or December 31, 2011.

Serviced Mortgage 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 consumer finance receivables and loans which are discussed in further detail in Note 7 and Note 8, 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, 2012 (a)	December 31, 2011
On-balance sheet mortgage loans		
Held-for-sale and investment	$9,716	$ 18,871
Operations held-for-sale	—	541
Off-balance sheet mortgage loans		
Loans sold to third-party investors		
Private-label	—	50,886
GSEs	127,383	262,868
Whole-loan	3	15,105
Purchased servicing rights	—	3,247
Operations held-for-sale	—	4,912

Total primary serviced mortgage loans	137,102	356,430
Subserviced mortgage loans	—	26,358
Subserviced operations held-for-sale	—	4
Total subserviced mortgage loans	—	26,362
Master-servicing-only mortgage loans	—	8,557
Total serviced mortgage loans	$137,102	$391,349

(a) At June 30, 2012 the remaining balances were at Ally Bank, due to the deconsolidation of ResCap. Please see Note 1 for more information regarding the Debtors' Bankruptcy and the deconsolidation of ResCap.

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 GMAC Mortgage, LLC (GMACM), a subsidiary of ResCap, pursuant to a servicing agreement. GMACM is required to maintain certain servicer ratings in accordance with master agreements with the GSEs, which are highly correlated with GMACM's consolidated tangible net worth and overall financial strength. At June 30, 2012, Ally Bank was in compliance with the requirements of the servicing agreements.

Automobile 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 $30 million and $60 million during the three months and six months ended June 30, 2012, respectively, compared to $41 million and $87 million for three months and six months ended June 30, 2011, respectively.

Automobile Serviced Assets

The total serviced automobile loans outstanding were as follows.

($ in millions)	June 30, 2012	December 31, 2011
On-balance sheet automobile loans and leases		
Consumer automobile	$68,759	$63,884
Commercial automobile	38,373	37,302
Operating leases	11,197	9,275
Operations held-for-sale	43	102
Off-balance sheet automobile loans		
Loans sold to third-party investors		
Securitizations	1,803	—
Whole-loan	8,805	12,318
Total serviced automobile loans and leases	$128,980	$122,881

12. Other Assets

The components of other assets were as follows.

($ in millions)	June 30, 2012	December 31, 2011
Property and equipment at cost	$903	$1,152
Accumulated depreciation	(592)	(787)
Net property and equipment	311	365
Fair value of derivative contracts in receivable position	4,874	5,687
Restricted cash collections for securitization trusts (a)	1,695	1,596
Collateral placed with counterparties	1,323	1,448
Restricted cash and cash equivalents	875	1,381
Cash reserve deposits held-for-securitization trusts (b)	742	838
Unamortized debt issuance costs	551	612
Goodwill	518	518

Prepaid expenses and deposits	471	568
Real estate and other investments	428	385
Other accounts receivable	419	1,110
Nonmarketable equity securities	374	419
Interests retained in financial asset sales	193	231
Accrued interest and rent receivable	191	232
Servicer advances	91	2,142
Other assets	954	1,209
Total other assets	$14,010	$ 18,741

(a) Represents cash collection 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.

13. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	June 30, 2012	December 31, 2011
Domestic deposits		
Noninterest-bearing deposits	$2,411	$ 2,029
Interest-bearing deposits		
Savings and money market checking accounts	10,314	9,035
Certificates of deposit	29,994	28,540
Dealer deposits	1,524	1,769
Total domestic deposit liabilities	44,243	41,373
Foreign deposits		
Interest-bearing deposits		
Savings and money market checking accounts	1,422	1,408
Certificates of deposit	2,070	1,958
Dealer deposits	257	311
Total foreign deposit liabilities	3,749	3,677
Total deposit liabilities	$47,992	$ 45,050

Noninterest-bearing deposits primarily represent third-party escrows associated with our mortgage loan-servicing portfolio. The escrow deposits are not subject to an executed agreement and can be withdrawn without penalty at any time. At June 30, 2012, and December 31, 2011, certificates of deposit included $11.0 billion and $10.0 billion, respectively, of domestic certificates of deposit in denominations of $100 thousand or more.

14. Short-term Borrowings

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

	June 30, 2012			December 31, 2011		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Demand notes	$2,958	$—	$2,958	$2,756	$—	$2,756
Bank loans and overdrafts	857	—	857	1,613	—	1,613
Federal Home Loan Bank	—	—	—	—	1,400	1,400
Other (a)	188	2,007	2,195	146	1,765	1,911
Total short-term borrowings	$4,003	$2,007	$6,010	$4,515	$3,165	$7,680

(a) Other primarily includes nonbank secured borrowings at our International Automotive Finance operations.

15. Long-term Debt

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

	June 30, 2012			December 31, 2011		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year (a)	$10,541	$15,243	$25,784	$11,664	$14,521	$26,185
Due after one year (b)	31,858	32,329	64,187	30,272	35,279	65,551
Fair value adjustment	1,125	—	1,125	1,058	—	1,058
Total long-term debt (c)	$43,524	$47,572	$91,096	$42,994	$49,800	$92,794

(a) Includes $7.4 billion and $7.4 billion guaranteed by the Federal Deposit Insurance Corporation (FDIC) under the Temporary Liquidity Guarantee Program (TLGP) at June 30, 2012, and December 31, 2011, respectively.

(b) Includes $2.6 billion and $2.6 billion of trust preferred securities at June 30, 2012, and December 31, 2011, respectively.

(c) Includes fair value option-elected secured long-term debt of $0 million and $830 million at June 30, 2012, and December 31, 2011, respectively. Refer to Note 22 for additional information.

The following table presents the scheduled remaining maturity of long-term debt at June 30, 2012, 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)	2012	2013	2014	2015	2016	2017 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$9,888	$2,321	$5,797	$4,465	$1,510	$20,410	$1,125	$45,516
Original issue discount	(140)	(266)	(193)	(58)	(63)	(1,272)	—	(1,992)
Total unsecured	9,748	2,055	5,604	4,407	1,447	19,138	1,125	43,524
Secured								
Long-term debt	6,787	16,764	12,845	6,728	2,410	2,038	—	47,572
Total long-term debt	$16,535	$18,819	$18,449	$11,135	$3,857	$21,176	$1,125	$91,096

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, 2012		December 31, 2011	
($ in millions)	Total	Ally Bank (a)	Total	Ally Bank (a)
Trading assets	$—	$—	$27	$—
Investment securities	428	428	780	780
Loans held-for-sale	—	—	805	—
Mortgage assets held-for-investment and lending receivables	10,496	10,496	12,197	11,188
Consumer automobile finance receivables	35,016	17,164	33,888	17,320
Commercial automobile finance receivables	21,745	16,138	20,355	14,881
Investment in operating leases, net	4,789	358	4,555	431
Mortgage servicing rights	1,105	1,105	1,920	1,286
Other assets	2,041	2,041	3,973	1,816
Total assets restricted as collateral (b)	$75,620	$47,730	$78,500	$47,702
Secured debt (c)	$49,579	$26,101	$52,965	$25,533

(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 access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the FHLB and Federal Reserve Bank totaling $9.4 billion and $11.8 billion at June 30, 2012, and December 31, 2011, respectively. These assets were composed of consumer and commercial mortgage finance receivables and loans, net; consumer automobile finance receivables and loans, net; and investment securities. Under the agreement with the FHLB, Ally Bank also had assets pledged as collateral under a blanket-lien totaling $9.0 billion and $7.3 billion at June 30, 2012, and December 31, 2011, respectively. These assets were primarily composed of mortgage servicing rights; consumer and commercial mortgage finance receivables and loans, net; and other assets. Availability under these programs is generally only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its subsidiaries.

(c) Includes $2.0 billion and $3.2 billion of short-term borrowings at June 30, 2012, and December 31, 2011, 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.

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, 2012, Ally Bank had exclusive access to $9.5 billion of funding capacity from committed credit facilities. Ally Bank also has access to a $3.9 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 do not allow for any further funding after the closing date. At June 30, 2012, $33.2 billion of our $42.3 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, 2012, we had $17.5 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

	Outstanding		Unused capacity (a)		Total capacity	
($ in billions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Bank funding						
Secured - U.S.	$3.9	$ 5.8	$5.6	$ 3.7	$9.5	$ 9.5
Nonbank funding						
Unsecured						
Automotive Finance operations — U.S.	—	—	—	0.5	—	0.5
Automotive — International	0.1	0.3	—	—	0.1	0.3
Secured						
Automotive — U.S. (b) (c)	7.4	4.2	9.3	10.2	16.7	14.4
Automotive — International (b)	9.9	10.1	2.2	3.0	12.1	13.1
Mortgage operations	—	0.7	—	0.5	—	1.2
Total nonbank funding	17.4	15.3	11.5	14.2	28.9	29.5
Shared capacity (d)						
U.S.	—	1.5	3.8	2.5	3.8	4.0
International	0.1	0.1	—	—	0.1	0.1
Total committed facilities	$21.4	$ 22.7	$20.9	$ 20.4	$42.3	$ 43.1

(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 unused capacity includes $3.6 billion as of June 30, 2012, and $4.9 billion as of December 31, 2011, from certain committed funding arrangements that are generally reliant upon the origination of future automotive receivables and that are available in 2012 and 2013.
(c) Includes the secured facilities of Ally Commercial Finance, LLC.
(d) Funding is generally available for assets originated by Ally Bank or the parent company, Ally Financial Inc.

Uncommitted Funding Facilities

	Outstanding		Unused capacity		Total capacity	
($ in billions)	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Bank funding						
Secured — U.S.						
Federal Reserve funding programs	$—	$ —	$2.0	$ 3.2	$2.0	$ 3.2
FHLB advances	4.3	5.4	0.4	—	4.7	5.4
Repurchase agreements	—	—	—	—	—	—
Total bank funding	4.3	5.4	2.4	3.2	6.7	8.6
Nonbank funding						
Unsecured						

Automotive Finance operations — International	1.8	1.9	0.7	0.5	2.5	2.4
Secured						
Automotive Finance operations — International	0.1	0.1	0.1	0.1	0.2	0.2
Mortgage operations	—	—	—	0.1	—	0.1
Total nonbank funding	1.9	2.0	0.8	0.7	2.7	2.7
Total uncommitted facilities	$6.2	$ 7.4	$3.2	$ 3.9	$9.4	$ 11.3

Table of Contents

16. Accrued Expenses and Other Liabilities

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

($ in millions)	June 30, 2012	December 31, 2011
Fair value of derivative contracts in payable position	$5,072	$ 5,367
Collateral received from counterparties	969	1,410
Accounts payable	899	1,178
ResCap settlement accrual	750	—
Employee compensation and benefits	541	649
GM payable, net	377	228
Non-income tax payable	281	296
Current income tax payable	181	200
Reserve for mortgage representation and warranty obligation	124	825
Deferred revenue	104	86
Deferred income tax liability	100	111
Loan repurchase liabilities	—	2,387
Other liabilities	800	1,347
Total accrued expenses and other liabilities	$10,198	$ 14,084

17. Equity

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

	June 30, 2012	December 31, 2011
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.
(b) Convertible prior to mandatory conversion date with consent of Treasury.
(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.

Table of Contents

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)	2012	2011	2012	2011
Net (loss) income from continuing operations	$(864)	$108	$(562)	$277
Preferred stock dividends — U.S. Department of Treasury	(134)	(134)	(267)	(267)
Preferred stock dividends	(67)	(57)	(134)	(127)
Impact of preferred stock amendment (a)	—	—	—	32
Net loss from continuing operations attributable to common shareholders (b)	(1,065)	(83)	(963)	(85)
(Loss) income from discontinued operations, net of tax	(34)	5	(26)	(18)
Net loss attributable to common shareholders	$(1,099)	$(78)	$(989)	$(103)
Basic weighted-average common shares outstanding	1,330,970	1,330,970	1,330,970	1,330,970
Diluted weighted-average common shares outstanding (b)	1,330,970	1,330,970	1,330,970	1,330,970
Basic earnings per common share				
Net loss from continuing operations	$(800)	$(62)	$(723)	$(64)
(Loss) income from discontinued operations, net of tax	(25)	4	(20)	(14)
Net loss	$(825)	$(58)	$(743)	$(78)
Diluted earnings per common share (b)				
Net loss from continuing operations	$(800)	$(62)	$(723)	$(64)
(Loss) income from discontinued operations, net of tax	(25)	4	(20)	(14)
Net loss	$(825)	$(58)	$(743)	$(78)

(a) Refer to Note 20 to the Consolidated Financial Statements in our 2011 Annual Report on Form 10-K for further detail.

(b) Due to the antidilutive effect of converting the Fixed Rate Cumulative Mandatorily Convertible Preferred Stock into common shares and the net loss attributable to common shareholders for the three months and six months ended June 30, 2012, and 2011, respectively, loss 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, 2012 and 2011, 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, 2012, and 2011, respectively.

19. Regulatory Capital

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 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, 2012			December 31, 2011			Required		Well-capitalized
($ in millions)	Amount	Ratio		Amount	Ratio		minimum		minimum
Risk-based capital									
Tier 1 (to risk-weighted assets)									
Ally Financial Inc.	$20,235	13.68	%	$21,158	13.71	%	4.00	%	6.00%
Ally Bank	13,502	16.82		12,953	17.42		4.00		6.00
Total (to risk-weighted assets)									
Ally Financial Inc.	$21,738	14.70	%	$22,755	14.75	%	8.00	%	10.00%
Ally Bank	14,333	17.85		13,675	18.40		8.00		10.00
Tier 1 leverage (to adjusted quarterly average assets) (a)									
Ally Financial Inc.	$20,235	10.99	%	$21,158	11.50	%	3.00–4.00%		(b)
Ally Bank	13,502	15.49		12,953	15.50		15.00	(c)	5.00%
Tier 1 common (to risk-weighted assets)									
Ally Financial Inc.	$10,752	7.27	%	$11,676	7.57	%	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, 2012, Ally and Ally Bank were "well-capitalized" and met all capital requirements to which each was subject.

Basel Capital Accord

In June 2012, the U.S. federal banking agencies released three notices of proposed rulemaking (NPRs) and a Market Risk Final Rule. The three NPRs represent substantial revisions to the regulatory capital rules for banking organizations. If adopted, as proposed, these NPRs would incorporate the international Basel III capital framework, as well as implement certain provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). Public comments to the NPRs are due in September 2012.

Highlights of the NPRs 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 and would be phased in between 2013 and 2019 consistent with the Basel Committee's international implementation time line. The NPRs 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 the NPRs refer to as the “general risk-based capital requirements,” would be revised, effective January 1, 2015, to include a more risk-sensitive risk-weighting approach.
The Market Risk Final Rule that amends the calculation of market risk capital only applies to banking organizations with significant trading assets and liabilities. We do not currently meet the qualifications; accordingly, this rule 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 investment securities, MSRs, debt, and deposits. In addition, we use foreign exchange contracts to mitigate foreign-currency risk associated with foreign-currency-denominated investment securities, 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 the outstanding borrowing associated with Ally Bank's secured floating-rate credit facility.

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

- MSRs and retained interests — Our MSRs and retained interest portfolios are generally subject to loss in value when mortgage rates decline. Declining mortgage rates generally result in an increase in refinancing activity that increases prepayments and results in a decline in the value of MSRs and retained interests. To mitigate the impact of this risk, we maintain a portfolio of financial instruments, primarily derivative instruments that increase in value when interest rates decline. The primary objective is to minimize the overall risk of loss in the value of MSRs and retained interests due to the change in fair value caused by interest rate changes.

We may use a multitude of derivative instruments to manage the interest rate risk related to MSRs and retained interests. They include, but are not limited to, interest rate futures contracts, call or put options on U.S. Treasuries, swaptions, MBS, futures, U.S. Treasury futures, interest rate swaps, interest rate floors, and interest rate caps. We monitor and actively manage our risk on a daily basis.

- Mortgage loan commitments and mortgage and automobile loans held-for-sale — We are exposed to interest rate risk from the time an interest rate lock commitment (IRLC) is made until the time the mortgage loan is sold. Changes in interest rates impact the market price for our loans; as market interest rates decline, the value of existing IRLCs and loans held-for-sale increase and vice versa. Our primary objective in risk management activities related to IRLCs and mortgage loans held-for-sale is to eliminate or greatly reduce any interest rate risk associated with these items.

The primary derivative instrument we use to accomplish the risk management objective for mortgage loans and IRLCs is forward sales of MBS, primarily Fannie Mae or Freddie Mac to-be-announced securities. These instruments typically are entered into at the time the IRLC is made. The value of the forward sales contracts moves in the opposite direction of the value of our IRLCs and mortgage loans held-for-sale. We also use other derivatives, such as interest rate swaps, options, and futures, to economically hedge automobile loans held-for-sale and certain portions of the mortgage portfolio. Nonderivative instruments, such as short positions of U.S. Treasuries, may also be periodically used to economically hedge the mortgage portfolio.

- Debt — With the exception of a portion of our fixed-rate debt and a portion of our outstanding floating-rate borrowing associated with Ally Bank's secured floating-rate credit facility, 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.

- Other — We enter into futures, options, and swaptions to economically hedge our net fixed versus variable interest rate exposure. We also enter into equity options to economically hedge our exposure to the equity markets.

Foreign Currency 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 swaps and forwards 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 swaps are generally entered into or traded concurrent with the debt issuance with the terms of the swap matching the terms of the underlying debt.

Our 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). We enter into foreign-currency forwards and option-based contracts with external counterparties to hedge

foreign exchange exposure on our net investments in foreign subsidiaries. In March 2011, we elected to dedesignate all of our existing net investment hedge relationships and changed our method of measuring hedge effectiveness from the spot method to the forward method for new hedge relationships entered into prospectively. For the net investment hedges that were designated under the spot method up until dedesignation date, the hedges were recorded at fair value with changes recorded to accumulated other comprehensive income (loss) with the exception of the spot to forward difference that was recorded to earnings. For current net investment hedges designated under the forward method, 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 also have a centralized-lending program to manage liquidity for all of our subsidiary businesses. Foreign-currency-denominated loan agreements are 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 foreign-currency derivatives are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

We also periodically purchase nonfunctional currency denominated investment securities and enter into foreign currency forward contracts with external counterparties to hedge against changes in the fair value of the securities, through maturity, due to changes in the related foreign-currency exchange rate. The foreign-currency forward contracts are recorded at fair value with changes recorded to earnings. The changes in value of the securities due to changes in foreign-currency exchange rates are also recorded to earnings. In the case of securities classified as available-for-sale, any changes in fair value due to unhedged risks are recorded to accumulated other comprehensive income.

Except for our net investment hedges and fair value foreign currency hedges of available-for-sale securities, 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 $1.3 billion and $1.4 billion at June 30, 2012, and December 31, 2011, respectively, in accounts maintained by counterparties. We received cash collateral from counterparties totaling

$1.0 billion and $1.4 billion at June 30, 2012, and December 31, 2011, 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. At June 30, 2012, and December 31, 2011, we received noncash collateral of $13 million and $43 million, respectively.

Table of Contents

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, 2012, $4.9 billion of the derivative contracts in a receivable position were classified as other assets on the Condensed Consolidated Balance Sheet. At December 31, 2011, $5.7 billion and $14 million of the derivative contracts in a receivable position were classified as other assets and trading assets, respectively, on the Condensed Consolidated Balance Sheet. At June 30, 2012, $5.1 billion of derivative contracts in a liability position were classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet. At December 31, 2011, $5.4 billion of derivative contracts in a liability position and $12 million of trading derivatives were both classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet.

($ in millions)	June 30, 2012			December 31, 2011		
	Derivative contracts in a			Derivative contracts in a		
	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	$444	$—	$7,171	$289	$4	$8,398
Cash flow accounting hedges	—	2	2,580	4	—	3,000
Total interest rate risk	444	2	9,751	293	4	11,398
Foreign exchange risk						
Net investment accounting hedges	144	29	6,573	123	54	8,208
Total derivatives qualifying for hedge accounting	588	31	16,324	416	58	19,606
Economic hedges and trading derivatives						
Interest rate risk						
MSRs and retained interests	3,891	4,822	396,513	4,812	5,012	523,037
Mortgage loan commitments and mortgage loans held-for-sale	109	53	13,490	95	107	24,950
Debt	54					