Ally Financial Inc.
Form 10-Q
October 31, 2014

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 September 30, 2014, 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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).

Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a 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 October 30, 2014, the number of shares outstanding of the Registrant's common stock was 479,818,096 shares.

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 PART I — FINANCIAL INFORMATION
Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
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	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,114	$1,119	$3,345	$3,393
Interest on loans held-for-sale	—	—	1	19
Interest and dividends on available-for-sale investment securities	94	85	282	229
Interest-bearing cash	2	3	6	8
Operating leases	899	832	2,653	2,354
Total financing revenue and other interest income	2,109	2,039	6,287	6,003
Interest expense				
Interest on deposits	166	163	495	489
Interest on short-term borrowings	12	15	40	47
Interest on long-term debt	493	609	1,576	2,013
Total interest expense	671	787	2,111	2,549
Depreciation expense on operating lease assets	549	515	1,600	1,449
Net financing revenue	889	737	2,576	2,005
Other revenue				
Servicing fees	6	13	22	114
Servicing asset valuation and hedge activities, net	—	—	—	(213)
Total servicing income (loss), net	6	13	22	(99)
Insurance premiums and service revenue earned	246	251	736	768
Gain on mortgage and automotive loans, net	—	15	6	52
Loss on extinguishment of debt	—	(42)	(46)	(42)
Other gain on investments, net	45	41	129	156
Other income, net of losses	78	93	214	324
Total other revenue	375	371	1,061	1,159
Total net revenue	1,264	1,108	3,637	3,164
Provision for loan losses	102	141	302	361
Noninterest expense				
Compensation and benefits expense	241	245	710	782
Insurance losses and loss adjustment expenses	97	85	353	346
Other operating expenses	404	432	1,213	1,393
Total noninterest expense	742	762	2,276	2,521
Income from continuing operations before income tax expense (benefit)	420	205	1,059	282
Income tax expense (benefit) from continuing operations	127	28	285	(55)
Net income from continuing operations	293	177	774	337
Income (loss) from discontinued operations, net of tax	130	(86)	199	(80)
Net income	423	91	973	257
Other comprehensive (loss) income, net of tax	(55)	4	126	(494)
Comprehensive income (loss)	$368	$95	$1,099	$(237)

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)
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(in dollars)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Basic earnings per common share				
Net income (loss) from continuing operations	$0.47	$(0.06)	$1.19	$(0.64)
Income (loss) from discontinued operations, net of tax	0.27	(0.21)	0.41	(0.19)
Net income (loss)	$0.74	$(0.27)	$1.60	$(0.83)
Diluted earnings per common share				
Net income (loss) from continuing operations	$0.47	$(0.06)	$1.19	$(0.64)
Income (loss) from discontinued operations, net of tax	0.27	(0.21)	0.41	(0.19)
Net income (loss)	$0.74	$(0.27)	$1.60	$(0.83)

Refer to Note 17 for additional earnings per share information. The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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

($ in millions, except share data)	September 30, 2014	December 31, 2013
Assets		
Cash and cash equivalents		
Noninterest-bearing	$1,318	$1,315
Interest-bearing	4,381	4,216
Total cash and cash equivalents	5,699	5,531
Investment securities	16,714	17,083
Loans held-for-sale, net ($3 and $16 fair value-elected)	3	35
Finance receivables and loans, net		
Finance receivables and loans, net ($1 and $1 fair value-elected)	99,518	100,328
Allowance for loan losses	(1,113)	(1,208)
Total finance receivables and loans, net	98,405	99,120
Investment in operating leases, net	19,341	17,680
Premiums receivable and other insurance assets	1,678	1,613
Other assets	6,752	9,589
Assets of operations held-for-sale	603	516
Total assets	$149,195	$151,167
Liabilities		
Deposit liabilities		
Noninterest-bearing	$73	$60
Interest-bearing	56,778	53,290
Total deposit liabilities	56,851	53,350
Short-term borrowings	5,255	8,545
Long-term debt	67,299	69,465
Interest payable	542	888
Unearned insurance premiums and service revenue	2,369	2,314
Accrued expenses and other liabilities	1,689	2,397
Total liabilities	134,005	136,959
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 479,845,945; and outstanding 479,818,096)	21,022	20,939
Preferred stock	1,255	1,255
Accumulated deficit	(6,937)	(7,710)
Accumulated other comprehensive loss	(150)	(276)
Total equity	15,190	14,208
Total liabilities and equity	$149,195	$151,167

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

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

($ in millions)	September 30, 2014	December 31, 2013
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net	$30,515	$32,265
Allowance for loan losses	(193)	(174)
Total finance receivables and loans, net	30,322	32,091
Investment in operating leases, net	3,581	4,620
Other assets	1,675	3,436
Total assets	$35,578	$40,147
Liabilities		
Short-term borrowings	$—	$250
Long-term debt	24,621	24,147
Accrued expenses and other liabilities	175	43
Total liabilities	$24,796	$24,440

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

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

($ in millions)	Common stock and paid-in capital	Mandatorily convertible preferred stock held by U.S. Department of the Treasury	Preferred stock	Accumulated deficit	Accumulated other comprehensive income (loss)	Total equity
Balance at January 1, 2013	$19,668	$5,685	$1,255	$(7,021)	$311	$19,898
Net income				257		257
Preferred stock dividends — U.S. Department of the Treasury				(401)		(401)
Preferred stock dividends				(200)		(200)
Other comprehensive loss, net of tax					(494)	(494)
Increase in paid-in capital	1					1
Balance at September 30, 2013	$19,669	$5,685	$1,255	$(7,365)	$(183)	$19,061
Balance at January 1, 2014	$20,939	$—	$1,255	$(7,710)	$(276)	$14,208
Net income				973		973
Preferred stock dividends				(200)		(200)
Share-based compensation	83					83
Other comprehensive income, net of tax					126	126
Balance at September 30, 2014	$21,022	$—	$1,255	$(6,937)	$(150)	$15,190

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Nine months ended September 30, ($ in millions)	2014	2013
Operating activities		
Net income	$973	$257
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	2,133	2,106
Changes in fair value of mortgage servicing rights	—	102
Provision for loan losses	302	431
Gain on sale of loans, net	(6)	(52)
Net gain on investment securities	(129)	(156)
Loss on extinguishment of debt	46	42
Originations and purchases of loans held-for-sale	—	(6,234)
Proceeds from sales and repayments of loans held-for-sale	59	8,647
Impairment and settlement related to Residential Capital, LLC	(150)	1,350
Loss (gain) on sale of subsidiaries, net	7	(932)
Net change in		
Deferred income taxes	174	(604)
Interest payable	(346)	51
Other assets	42	2,943
Other liabilities	(529)	(3,456)
Other, net	(118)	(130)
Net cash provided by operating activities	2,458	4,365
Investing activities		
Purchases of available-for-sale securities	(4,117)	(12,747)
Proceeds from sales of available-for-sale securities	2,974	4,721
Proceeds from maturities and repayment of available-for-sale securities	1,877	3,893
Net (increase) decrease in finance receivables and loans	(1,267)	2,744
Proceeds from sales of finance receivables and loans	1,557	—
Purchases of operating lease assets	(7,770)	(7,251)
Disposals of operating lease assets	4,505	2,080
Sale of mortgage servicing rights	—	911
Proceeds from sale of business units, net (a)	47	6,937
Net change in restricted cash	2,128	2,297
Other, net	71	(55)
Net cash provided by investing activities	5	3,530

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Nine months ended September 30, ($ in millions)	2014	2013
Financing activities		
Net change in short-term borrowings	(3,298)	(936)
Net increase in deposits	3,501	4,057
Proceeds from issuance of long-term debt	18,942	13,347
Repayments of long-term debt	(21,239)	(26,725)
Dividends paid	(200)	(601)
Net cash used in financing activities	(2,294)	(10,858)
Effect of exchange-rate changes on cash and cash equivalents	(1)	47
Net increase (decrease) in cash and cash equivalents	168	(2,916)
Adjustment for change in cash and cash equivalents of operations held-for-sale (a) (b)	—	1,952
Cash and cash equivalents at beginning of year	5,531	7,513
Cash and cash equivalents at September 30,	$5,699	$6,549
Supplemental disclosures		
Cash paid for		
Interest	$2,380	$2,890
Income taxes	13	67

(a) The amount at September 30, 2013, is net of cash and cash equivalents of $1,418 million of business units at the time of disposition.

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

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

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

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

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

The Condensed Consolidated Financial Statements at September 30, 2014, and for the three months and nine months ended September 30, 2014, and 2013, 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, 2013, as filed on March 3, 2014, with the U.S. Securities and Exchange Commission (SEC).

Initial Public Offering of Common Stock, Stock Split, and Changes in Number of Shares Authorized

In April 2014, we completed an initial public offering (IPO) of our common stock. All proceeds from the offering were obtained by the U.S. Department of the Treasury (Treasury) as the single selling stockholder. In connection with the IPO, we effected a 310-for-one stock split on shares of our common stock, $0.01 par value per share. Accordingly, all references in the Condensed Consolidated Financial Statements to share and per share amounts relating to common stock have been adjusted, on a retroactive basis, to recognize the 310-for-one stock split. In addition, on April 9, 2014, we increased the number of shares authorized for issuance of common stock to 1.1 billion and decreased the number of shares authorized for issuance of Series A Preferred Stock to approximately 41 million.

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. This method differs from that described in Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K, which describes our annual significant income tax accounting policy and related methodology.

Refer to Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

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

As of January 1, 2014, we adopted Accounting Standards Update (ASU) 2013-04. The guidance within the ASU requires an entity to measure obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date, as the sum of the following: (a) The amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and (b) any additional amount the reporting entity expects to pay on behalf of its co-obligors. The amendments were effective

retrospectively for all arrangements within its scope. It further requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. The adoption of this guidance did not have a material effect on our consolidated financial condition or results of operations.
Foreign Currency Matters — Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (ASU 2013-05)
As of January 1, 2014, we adopted ASU 2013-05. The guidance within the ASU closes diversity in practice in this area and requires a reporting entity that ceases to have a controlling financial interest, in a subsidiary or group of assets or a business, within a foreign entity to release any related Cumulative Translation Adjustment (CTA) into net income. The CTA should be released into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity. For an equity method investment that is a foreign entity, a pro rata portion of the CTA should be released into net income upon a partial sale of such an investment. This ASU further clarifies that the sale of an investment in a foreign entity includes both events that result in the loss of a controlling financial interest in a foreign entity, irrespective of any retained investment, and events that result in step acquisition under which an acquirer obtains control of an acquiree in which it held an equity interest immediately before the acquisition date. Under these circumstances, the CTA should be released into net

income upon their occurrence. The amendments are to be applied prospectively for all transactions within its scope. Since the guidance is prospective and we have previously sold or exited substantially all of our international businesses and released the related CTA upon those dispositions, the adoption of this guidance did not have a material effect on our consolidated financial condition or results of operations.

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

As of January 1, 2014, we adopted ASU 2013-11. The guidance within the ASU closes diversity in practice and requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit, to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward. The guidance further includes an exception that if a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available to settle any additional income taxes that would result from the disallowance of a tax position at the reporting date or the tax law of the applicable jurisdiction does not require the entity to use them and the entity does not intend to use them, the unrecognized tax benefit for such purpose should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The assessment of whether a deferred tax asset is available is based on the unrecognized tax benefit and deferred tax asset that exist at the reporting date and should be made presuming disallowance of the tax position at the reporting date. The amendments are to be applied prospectively to all unrecognized tax benefits that exist at the effective date. The adoption of this guidance did not have a material effect to our consolidated financial condition or results of operations.

Investments — Accounting for Investments in Qualified Affordable Housing Projects (ASU 2014-01)

As of January 1, 2014, we adopted ASU 2014-01. The amendments in this ASU allow an entity to make an accounting policy election to account for investments in qualified affordable housing projects using a proportional amortization method, if certain conditions are met. Under the election, the entity would amortize the initial cost of the investment in proportion to the tax credits and other benefits received while recognizing the net investment performance in the statement of comprehensive income as a component of income tax expense. The amendments are to be applied retrospectively to all periods presented. We have elected to utilize the proportional amortization method for qualifying affordable housing investments and therefore will be presenting the amortization and tax impacts of such investments as a component of income tax expense under the proportional amortization method. The adoption of this guidance did not have a material effect to our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

Receivables — Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (ASU 2014-04)

In January 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-04. The amendments in this ASU clarify the timing for which an entity should reclassify a loan that has been foreclosed or where an in substance repossession has occurred to real estate owned. The guidance requires such reclassification to occur when the entity obtains legal title upon completion of foreclosure or the borrower conveys all interest in the residential real estate property to the entity to satisfy the loan through completion of a deed in lieu of foreclosure or similar legal agreement. In addition, the ASU clarifies that redemption rights of the borrower should be ignored for purposes of determining whether legal title has transferred. The amendments are effective for us beginning on January 1, 2015. The amendments can be applied using either a modified retrospective or prospective basis. Under the modified retrospective approach, the entity should record a cumulative-effect adjustment to residential consumer mortgage loans and residential real estate owned as of the beginning of the annual period for which the amendments are effective. Early adoption is permitted. Management is assessing the impact of the adoption of this guidance.

Presentation of Financial Statements and Property, Plant, and Equipment — Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity (ASU 2014-08)

In April 2014, the FASB issued ASU 2014-08. The amendments in this ASU modify the requirements for the reporting of discontinued operations. In order to qualify as a discontinued operation, the disposal of a component of an entity, a group of components, or a business of an entity must represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The ASU further indicates that the timing for recording a discontinued operation is when one of the following occurs: the component, group of components, or business meets the criteria to be classified as held for sale; the component, group of components, or business is disposed of by sale; or the component, group of components, or business is disposed of other than by sale (for example abandonment or spinoff). In addition, the ASU also requires additional disclosure items about an entity’s discontinued operations. The amendments are effective for us beginning on January 1, 2015. The amendments are to be applied prospectively solely to newly identified disposals that qualify as discontinued operations after the effective date. Items previously reported as discontinued operations will maintain their classification based on the prior guidance. Early adoption is permitted, but only for disposals that have not been previously reported as discontinued operations in previously issued financial statements. Because the guidance is prospective only for newly identified disposals that qualify as a discontinued operation, this guidance is not expected to have a material impact to our consolidated financial condition or results of operations upon adoption.

Revenue from Contracts with Customers (ASU 2014-09)

In May 2014, the FASB issued ASU 2014-09. The purpose of this guidance is to streamline and consolidate existing revenue recognition principles in GAAP and to converge revenue recognition principles with International Financial Reporting Standards (IFRS). The core principle of the amendments is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. The amendments include a five step process for consideration of the main principle, guidance on accounting treatment for costs associated with a contract, and disclosure requirements related to the revenue process. The amendments are effective for us beginning on January 1, 2017. The amendments can be applied either through a full retrospective application or retrospectively with a cumulative effect adjustment on the date of initial adoption. Early adoption is prohibited. Management is assessing the impact of the adoption of this guidance.

Transfers and Servicing — Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosures (ASU 2014-11)

In June 2014, the FASB issued ASU 2014-11. The amendments in this ASU change the accounting for repurchase to maturity transactions and repurchase financing transactions such that both will be reported as secured borrowings when the guidance becomes effective. In addition to the changes to how these transactions are reported, the ASU also includes new disclosure requirements. The amendments are effective for us beginning on January 1, 2015. The amendments are to be applied to all transactions that fall under the guidance as of the date of adoption with a cumulative effect adjustment recorded on the date of initial adoption. Early adoption is prohibited. The guidance is not expected to have a material impact to our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

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

Select Mortgage Operations

During the first quarter of 2013, the operations of ResCap were classified as discontinued.

Select Insurance Operations

During the first quarter of 2013, we completed the sale of our U.K.-based operations. During the second quarter of 2013, we sold our Mexican insurance business, ABA Seguros.

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GM Financial). On the same date, we entered into an agreement with GM Financial to acquire our 40% interest in a motor vehicle finance joint venture in China. During the second quarter of 2013, we completed the sale of our operations in Europe and the majority of Latin America. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium, France and the Netherlands, and Latin American operations in Mexico, Chile, and Colombia. On October 1, 2013, we completed the sale of the remaining Latin American operations in Brazil. The agreement for the sale of our interest in a motor vehicle finance joint venture in China is subject to certain regulatory and other approvals. We currently expect the sale to be completed in late 2014, or as soon as practicable thereafter.

During the first quarter of 2013, we sold our Canadian automotive finance operations, Ally Credit Canada Limited and ResMor Trust.

Select Financial Information

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

($ in millions)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Select Mortgage operations				
Total net revenue	$—	$—	$—	$—
Pretax loss including direct costs to transact a sale (a) (b)	(1)	(158)	(4)	(1,762)
Tax benefit (c)	(86)	(40)	(87)	(573)
Select Insurance operations				
Total net revenue	$—	$—	$—	$190
Pretax income including direct costs to transact a sale (a)	6	5	6	319
Tax expense (benefit) (c)	7	3	7	(12)
Select Automotive Finance operations				
Total net revenue	$29	$119	$95	$544
Pretax income including direct costs to transact a sale (a)	46	58	101	752
Tax expense (benefit) (c)	—	28	4	(25)
Select Corporate and Other operations				
Total net revenue	$—	$—	$—	$—
Pretax income	—	—	23	1
Tax expense	—	—	3	—

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.
(b) 2013 periods include amounts related to our former Residential Capital, LLC (ResCap) subsidiary.
(c) Includes certain income tax activity recognized by Corporate and Other.

Held-for-sale Operations

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

($ in millions)	Select Automotive Finance operations (a)
September 30, 2014	
Assets	
Other assets	$603
Total assets	$603
December 31, 2013	
Assets	
Other assets	$516
Total assets	$516

(a) Represents our joint venture in China that is being sold to GM Financial.

3. Other Income, Net of Losses

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

($ in millions)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Remarketing fees	$28	$20	$85	$59
Late charges and other administrative fees	23	25	66	71
Fair value adjustment on derivatives (a)	(4)	21	(19)	31
Mortgage processing fees and other mortgage income	—	—	—	81
Other, net	31	27	82	82
Total other income, net of losses	$78	$93	$214	$324

(a) Refer to Note 19 for a description of derivative instruments and hedging activities.

4. Other Operating Expenses

Details of other operating expenses were as follows.

($ in millions)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Insurance commissions	$95	$93	$279	$278
Technology and communications	77	87	255	250
Lease and loan administration	32	29	92	141
Advertising and marketing	27	33	81	96
Professional services	20	38	73	140
Regulatory and licensing fees	23	25	69	87
Premises and equipment depreciation	23	20	61	61
Vehicle remarketing and repossession	22	15	61	42
Occupancy	12	12	34	34
State and local non-income taxes	12	1	32	17
Mortgage representation and warranty obligation, net	—	22	1	103
Other	61	57	175	144
Total other operating expenses	$404	$432	$1,213	$1,393

5. 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.

	September 30, 2014				December 31, 2013			
	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	$1,313	$1	$(28)	$1,286	$1,495	$1	$(69)	$1,427
U.S. States and political subdivisions	386	16	—	402	316	—	(1)	315
Foreign government	226	6	—	232	287	4	(3)	288
Mortgage-backed residential (a)	11,018	78	(212)	10,884	11,131	49	(398)	10,782
Mortgage-backed commercial	213	—	(1)	212	39	—	—	39
Asset-backed	1,982	8	(3)	1,987	2,207	15	(3)	2,219
Corporate debt	970	18	(5)	983	1,052	23	(6)	1,069
Total debt securities	16,108	127	(249)	15,986	16,527	92	(480)	16,139
Equity securities	721	30	(23)	728	898	74	(28)	944
Total available-for-sale securities (b)	$16,829	$157	$(272)	$16,714	$17,425	$166	$(508)	$17,083

(a) Residential mortgage-backed securities include agency-backed bonds totaling $8,175 million and $8,266 million at September 30, 2014, and December 31, 2013, respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. Amounts deposited totaled $15 million and $15 million at September 30, 2014, and December 31, 2013, 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
September 30, 2014										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$1,286	1.3 %	$7	3.1 %	$791	1.2 %	$488	1.5 %	$—	— %
U.S. States and political subdivisions	402	3.5	36	1.2	15	2.0	108	2.8	243	4.3
Foreign government	232	2.7	—	—	124	2.6	108	2.9	—	—
Mortgage-backed residential	10,884	2.8	—	—	65	2.1	—	—	10,819	2.8
Mortgage-backed commercial	212	2.1	—	—	—	—	—	—	212	2.1
Asset-backed	1,987	2.0	26	2.3	1,300	2.0	479	1.9	182	2.5
Corporate debt	983	3.9	34	3.1	480	3.0	413	4.9	56	5.8
Total available-for-sale debt securities	$15,986	2.6	$103	2.2	$2,775	1.9	$1,596	2.6	$11,512	2.8
Amortized cost of available-for-sale debt securities	$16,108		$102		$2,773		$1,596		$11,637	
December 31, 2013										
Fair value of available-for-sale debt securities (b)										
U.S. Treasury and federal agencies	$1,427	1.3 %	$9	3.0 %	$766	1.2 %	$652	1.3 %	$—	— %
U.S. States and political subdivisions	315	3.3	39	1.3	10	0.6	102	2.6	164	4.3
Foreign government	288	2.7	18	2.7	105	2.4	164	2.9	1	2.7
Mortgage-backed residential	10,782	2.7	—	—	90	2.1	3	4.2	10,689	2.7
Mortgage-backed commercial	39	1.3	—	—	—	—	—	—	39	1.3
Asset-backed	2,219	2.0	76	2.4	1,483	1.9	491	1.9	169	2.7
Corporate debt	1,069	4.1	24	3.4	547	3.0	430	5.3	68	5.7
Total available-for-sale debt securities	$16,139	2.5	$166	2.3	$3,001	1.9	$1,842	2.5	$11,130	2.7
Amortized cost of available-for-sale debt securities	$16,527		$165		$3,000		$1,882		$11,480	

(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 $2.1 billion and $2.4 billion at September 30, 2014, and December 31, 2013, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Gross realized gains	$48	$59	$150	$196
Gross realized losses	(3)	(7)	(11)	(21)
Other-than-temporary impairment	—	(11)	(10)	(19)
Other gain on investments, net	$45	$41	$129	$156

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

($ in millions)	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Taxable interest	$87	$79	$256	$210
Taxable dividends	6	6	18	19
Interest and dividends exempt from U.S. federal income tax	1	—	8	—
Interest and dividends on available-for-sale securities	$94	$85	$282	$229

Certain available-for-sale securities were sold at a loss in 2014 and 2013 as a result of market conditions within these respective periods (e.g., change in market interest rates or a downgrade in the rating of a debt security). 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 September 30, 2014, 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 September 30, 2014, we had the ability and intent to hold equity 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 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 September 30, 2014. Refer to Note 1 to the Consolidated Financial Statements in our 2013 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	September 30, 2014				December 31, 2013			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$—	$—	$1,245	$(28)	$1,405	$(69)	$—	$—
U.S. States and political subdivisions	21	—	—	—	212	(1)	—	—
Foreign government	43	—	—	—	114	(3)	—	—
Mortgage-backed	1,428	(12)	4,229	(201)	7,503	(388)	100	(10)
Asset-backed	699	(3)	16	—	407	(3)	1	—
Corporate debt	238	(4)	20	(1)	310	(6)	3	—
Total temporarily impaired debt securities	2,429	(19)	5,510	(230)	9,951	(470)	104	(10)
Temporarily impaired equity securities	255	(21)	14	(2)	167	(12)	100	(16)
Total temporarily impaired available-for-sale securities	$2,684	$(40)	$5,524	$(232)	$10,118	$(482)	$204	$(26)

6. Finance Receivables and Loans, Net

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

($ in millions)	September 30, 2014	December 31, 2013
Consumer automobile (a)	$58,675	$56,417
Consumer mortgage (b)(c)	7,595	8,444
Commercial		
Commercial and industrial		
Automobile	28,453	30,948
Other	1,756	1,664
Commercial Real Estate — Automobile	3,039	2,855
Total commercial	33,248	35,467
Total finance receivables and loans (d)	$99,518	$100,328

(a) Includes $16 million and $1 million of fair value adjustment for loans in hedge accounting relationships at September 30, 2014, and December 31, 2013, respectively. Refer to Note 19 for additional information.

(b) Includes interest-only mortgage loans of $1.3 billion and $1.5 billion at September 30, 2014, and December 31, 2013, respectively, the majority of which are expected to start principal amortization in 2015 or beyond.

(c) Includes consumer mortgages at a fair value of $1 million at both September 30, 2014, and December 31, 2013, as a result of fair value option election.

(d) Totals are net of unearned income, unamortized premiums and discounts, and deferred fees and costs of $392 million and $595 million at September 30, 2014, and December 31, 2013, respectively.

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

Three months ended September 30, 2014 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at July 1, 2014	$729	$302	$140	$1,171
Charge-offs	(188)	(13)	—	(201)
Recoveries	51	1	—	52
Net charge-offs	(137)	(12)	—	(149)
Provision for loan losses	112	(7)	(3)	102
Other	(11)	—	—	(11)
Allowance at September 30, 2014	$693	$283	$137	$1,113

Three months ended September 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at July 1, 2013	$610	$431	$142	$1,183
Charge-offs	(168)	(16)	—	(184)
Recoveries	53	5	—	58
Net charge-offs	(115)	(11)	—	(126)
Provision for loan losses	156	(12)	(3)	141
Other	—	(1)	1	—
Allowance at September 30, 2013	$651	$407	$140	$1,198

Nine months ended September 30, 2014 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2014	$673	$389	$146	$1,208
Charge-offs	(511)	(38)	(5)	(554)
Recoveries	170	6	11	187
Net charge-offs	(341)	(32)	6	(367)
Provision for loan losses	372	(55)	(15)	302
Other	(11)	(19)	—	(30)
Allowance at September 30, 2014	$693	$283	$137	$1,113
Allowance for loan losses				
Individually evaluated for impairment	$25	$180	$15	$220
Collectively evaluated for impairment	668	103	122	893
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost				
Ending balance	58,675	7,594	33,248	99,517
Individually evaluated for impairment	289	904	73	1,266
Collectively evaluated for impairment	58,384	6,690	33,175	98,249
Loans acquired with deteriorated credit quality	2	—	—	2

Nine months ended September 30, 2013 ($ in millions)	Consumer automobile	Consumer mortgage	Commercial	Total
Allowance at January 1, 2013	$575	$452	$143	$1,170
Charge-offs	(443)	(71)	(3)	(517)
Recoveries	155	13	6	174
Net charge-offs	(288)	(58)	3	(343)
Provision for loan losses	355	14	(8)	361
Other	9	(1)	2	10
Allowance at September 30, 2013	$651	$407	$140	$1,198
Allowance for loan losses				
Individually evaluated for impairment	$22	$199	$28	$249
Collectively evaluated for impairment	629	208	112	949
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost				
Ending balance	56,450	8,772	30,059	95,281
Individually evaluated for impairment	269	916	251	1,436
Collectively evaluated for impairment	56,170	7,856	29,808	93,834
Loans acquired with deteriorated credit quality	11	—	—	11

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Consumer automobile	$1,562	$—	$1,562	$—
Consumer mortgage	—	—	40	—
Commercial	—	2	—	47
Total sales and transfers	$1,562	$2	$1,602	$47

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The following table presents information about significant purchases of finance receivables and loans.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2014	2013	2014	2013
Consumer mortgage	$83	$—	$98	$—
Total purchases	$83	$—	$98	$—

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
September 30, 2014						
Consumer automobile	$1,179	$243	$145	$1,567	$57,108	$ 58,675
Consumer mortgage (a)	110	41	138	289	7,305	7,594
Commercial						
Commercial and industrial						
Automobile	—	—	—	—	28,453	