

Ally Financial Inc.
Form 10-K
February 21, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2017 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 (I.R.S. Employer
incorporation or organization) Identification No.)

Ally Detroit Center

500 Woodward Ave.

Floor 10, Detroit, Michigan

48226

(Address of principal executive offices)

(Zip Code)

(866) 710-4623

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act (all listed on the New York Stock Exchange):

Title of each class

Common Stock, par value \$0.01 per 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 of GMAC
share Capital Trust I

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, 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 such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No
The aggregate market value of the Registrant's common stock (Common Stock) held on June 30, 2017 by non-affiliated entities was approximately \$9.5 billion (based on the June 30, 2017 closing price of Common Stock of \$20.90 per share as reported on the New York Stock Exchange).

At February 16, 2018, the number of shares outstanding of the Registrant's common stock was 434,771,498 shares. Documents incorporated by reference: portions of the Registrant's Proxy Statement for the annual meeting of stockholders to be held on May 8, 2018, are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13, and 14 of Part III.

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Part I

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Item 1. Business

Our Business

Ally Financial Inc. (together with its consolidated subsidiaries unless the context requires otherwise, Ally, the Company, or we, us, or our) is a leading digital financial services company and top 25 U.S. financial holding company (FHC) with \$167.1 billion in assets as of December 31, 2017, offering diversified financial products and services for consumers, businesses, automotive dealers, and corporate clients. Ally operates with a distinctive brand, an innovative approach, and a relentless focus on our customers. We are a Delaware corporation and are registered as a bank holding company (BHC) under the Bank Holding Company Act of 1956 as amended (BHC Act) and an FHC under the Gramm-Leach-Bliley Act of 1999 as amended (GLB Act). We are one of the largest full service automotive finance operations in the country with a legacy that dates back to 1919, a deep expertise in automotive lending, and a complementary automotive-focused insurance business. Our wholly-owned banking subsidiary, Ally Bank, with total assets of \$137.4 billion and deposits of \$93.2 billion at December 31, 2017, has received numerous industry awards for its services and capabilities and is one of the largest and most respected online banks, uniquely positioned for the observed shifting trends in consumer banking preferences for digital banking. We offer mortgage lending services and a variety of deposit and other banking products, including CDs, online savings, money market and checking accounts, and IRA products. We also promote a cash back credit card. We have recently integrated a growing digital wealth management and online brokerage platform to enable consumers to have a variety of options in managing their savings and wealth. Additionally, through our corporate finance business, we primarily offer senior secured leveraged cash flow and asset-based loans to middle-market companies.

Our primary lines of business are Dealer Financial Services, which comprises our Automotive Finance and Insurance operations, Mortgage Finance, and Corporate Finance. Corporate and Other primarily consists of centralized corporate treasury activities, the management of our legacy mortgage portfolio, the activity related to Ally Invest—our digital wealth management and online brokerage platform—and reclassifications and eliminations between the reportable operating segments.

At December 31, 2017, 82% of Ally's total assets resided within Ally Bank. Over the past year, we have strengthened and simplified our organizational structure by establishing Ally Bank as the primary business entity of Ally. Additionally, during the third quarter of 2017, banking agencies lifted certain commitments that Ally Bank had made in connection with its application for membership in the Federal Reserve System, including the commitment to maintain a Tier 1 leverage ratio of at least 15%. As a result of these actions, the increased utilization of Ally's leading digital bank is expected to be a fundamental driver of financial performance, an improved funding profile, and operational efficiency. Ally Bank's assets and operating results are included within our Automotive Finance, Mortgage Finance, and Corporate Finance segments, as well as Corporate and Other, based on its underlying business activities. Our strategic focus is centered around maintaining a leading, respected, and growing brand, gaining scale with an expanded consumer product offering, and further growing and diversifying our corporate finance and other commercial lending portfolios. Within our Automotive Finance and Insurance operations, we are focused on strengthening our network of dealer relationships and pursuing digital distribution channels for our products and services, including partnerships with direct lending institutions and digital automotive distributors—all while maintaining an appropriate level of risk. This includes extending our leading position in automotive finance in the United States by continuing to provide automotive dealers and their retail customers with premium service, a comprehensive product suite, consistent funding, and competitive pricing—reflecting our commitment to the automotive industry. Within our other banking operations—including Mortgage Finance and Corporate Finance—we seek to prudently expand our consumer and commercial banking products and services while providing a high level of customer service. Through our digital product offerings, we continue to focus on delivering significant and sustainable growth in deposit customers and balances while optimizing our cost of funds. At Ally Invest, we look to augment our securities brokerage and investment advisory services to more comprehensively assist our customers in managing their savings

and wealth.

We continue to invest in enhancing the customer experience with integrated features across product lines on our digital platform. We also continue to build on our existing foundation of approximately 5.7 million consumer automotive financing and primary deposit customers, strong brand, and innovative culture. Upon launching our first ever enterprise-wide campaign themed “Do It Right,” we introduced a broad audience to our full suite of digital financial services, which emphasizes our relentless customer-centric focus and commitment to constantly create and reinvent our product offerings and digital experiences to meet the needs of consumers. Our product offerings and brand continue to gain traction in the marketplace, as demonstrated by industry recognition of our award-winning direct online bank and strong retention rates of our customer base.

Our use of the term “loans” describes all of the products associated with our direct and indirect lending activities. The specific products include loans, retail installment sales contracts, lines of credit, leases, and other financing products.

The term “lend” or “originate” refers to our direct origination of loans or our purchase or acquisition of loans.

For further details and information related to our business segments and the products and services they provide, refer to Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in Part II, Item 7 of this report, and Note 27 to the Consolidated Financial Statements.

Industry and Competition

The markets for automotive financing, insurance, banking (including corporate finance and mortgage finance), and brokerage are highly competitive. We directly compete in the automotive financing market with banks, credit unions, captive automotive finance companies, and independent finance companies. Our insurance business also faces significant competition from automotive manufacturers, captive

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automotive finance companies, insurance carriers, third-party administrators, brokers, and other insurance-related companies. Some of these competitors in automotive financing and insurance, such as captive automotive finance companies, have certain exclusivity privileges with automotive manufacturers whose customers and dealers compose a significant portion of our customer base. In addition, our banking and brokerage businesses face intense competition from banks, savings associations, finance companies, credit unions, mutual funds, investment advisers, asset managers, brokerage firms, hedge funds, insurance companies, mortgage-banking companies, and credit card companies. Financial-technology (fintech) companies also have been partnering more often with financial services providers to compete against us in lending and other markets. Many of our competitors have substantial positions nationally or in the markets in which they operate. Some of our competitors have lower cost structures, substantially lower costs of capital, and much less reliance on securitization, unsecured debt, and other capital markets. Our competitors may be subject to different and, in some cases, less stringent legislative, regulatory, or supervisory regimes than we are. A range of competitors differ from us in their strategic and tactical priorities and, for example, may be willing to suffer meaningful financial losses in the pursuit of disruptive innovation or to accept more aggressive business, compliance, and other risks in the pursuit of higher returns. Competition affects every aspect of our business, including product and service offerings, rates, pricing and fees, and customer service. Successfully competing in our markets also depends on our ability to innovate, to invest in technology and infrastructure, to maintain and enhance our reputation, and to attract, retain, and motivate talented employees, all the while effectively managing expenses. We expect that competition will only intensify in the future.

Regulation and Supervision

We are subject to significant regulatory frameworks in the United States—at federal, state, and local levels—that affect the products and services that we may offer and the manner in which we may offer them, the risks that we may take, the ways in which we may operate, and the corporate and financial actions that we may take.

We are also subject to direct supervision and periodic examinations by various government agencies and industry self-regulatory organizations that are charged with overseeing the kinds of business activities in which we engage, including the Board of Governors of the Federal Reserve System (FRB), the Utah Department of Financial Institutions (UDFI), the Federal Deposit Insurance Corporation (FDIC), the Consumer Financial Protection Bureau (CFPB), the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and a number of state regulatory and licensing authorities such as the New York Department of Financial Services (NYDFS). These agencies and organizations generally have broad authority and discretion in restricting or otherwise affecting our businesses and operations and may take formal or informal enforcement actions against us when, in the applicable agency's or organization's judgment, our businesses or operations fail to comply with applicable law, comport with safe and sound practices, or meet its supervisory expectations.

This system of regulation, supervision, and examination is intended primarily for the protection and benefit of our depositors and other customers, the FDIC's Deposit Insurance Fund (DIF), the banking and financial systems as a whole, and the broader economy—and not for the protection or benefit of our stockholders or non-deposit creditors. The scope, intensity, and focus of this system can vary from time to time for reasons that range from the state of the economic and political environments to the performance of our businesses and operations, but for the foreseeable future, we expect to remain subject to extensive regulation, supervision, and examinations.

This section summarizes some relevant provisions of the principal statutes, regulations, and other laws that apply to us. The descriptions, however, are not complete and are qualified in their entirety by the full text and judicial or administrative interpretations of those laws and other laws that affect us.

Bank Holding Company, Financial Holding Company, and Depository Institution Status

Ally and IB Finance Holding Company, LLC (IB Finance) are BHCs under the BHC Act. Ally is also an FHC under the GLB Act. IB Finance is a direct subsidiary of Ally and the direct holding company for Ally Bank, which is a commercial bank that is organized under the laws of the State of Utah and whose deposits are insured by the FDIC under the Federal Deposit Insurance Act (FDI Act). As BHCs, Ally and IB Finance are subject to regulation, supervision, and examination by the FRB. Ally Bank is a member of the Federal Reserve System and is subject to

regulation, supervision, and examination by the FRB and the UDFI.

Permitted Activities — Under the BHC Act, BHCs and their subsidiaries are generally limited to the business of banking and to closely related activities that are incident to banking. The GLB Act amended the BHC Act and provided a regulatory framework applicable to FHCs, which are BHCs that meet certain qualifications and elect FHC status. FHCs, directly or indirectly through their subsidiaries, are generally permitted to engage in a broader range of financial and related activities than those that are permissible for BHCs—for example, (1) underwriting, dealing in, and making a market in securities; (2) providing financial, investment, or economic advisory services; (3) underwriting insurance; and (4) merchant banking activities. The FRB regulates, supervises, and examines FHCs, as it does all BHCs, but insurance and securities activities conducted by an FHC or its nonbank subsidiaries are also regulated, supervised, and examined by functional regulators such as state insurance commissioners, the SEC, or FINRA. Ally’s status as an FHC allows us to provide insurance products and services, operate our SmartAuction vehicle remarketing services for third parties, and offer a range of brokerage services. To remain eligible to conduct these broader financial and related activities, Ally and Ally Bank must remain “well-capitalized” and “well-managed” as defined under applicable law. Refer to Note 21 to the Consolidated Financial Statements and the section below titled Basel Capital Frameworks for additional information. In addition, our ability to expand these financial and related activities or make acquisitions generally requires that we achieve a satisfactory or better rating under the Community Reinvestment Act (CRA). Further, under the BHC Act, Ally generally may not directly or indirectly acquire control of more than 5% of any class of voting securities of any unaffiliated bank or BHC without first obtaining FRB approval.

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Enhanced Prudential Standards — Ally is subject to the enhanced prudential standards that have been established by the FRB for BHCs with total consolidated assets of \$50 billion or more as required or authorized under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). Among other things, the enhanced prudential standards require Ally to maintain a buffer of unencumbered highly liquid assets to meet projected net cash outflows for 30 days over the range of liquidity stress scenarios used in internal stress tests and to comply with a number of risk management and governance requirements, including liquidity risk management standards. The enhanced prudential standards also compel Ally to engage in capital planning, stress testing, and resolution planning, all of which are further described later in this section. The FRB has repropounded but not yet finalized a rule that would subject Ally to single-counterparty credit limits and is still developing a repropounded rule that would subject Ally to an early-remediation framework. Further, under the Dodd-Frank Act, the FRB remains empowered to adopt additional enhanced prudential standards that in its judgment are appropriate, including limits on short-term debt. All the while, Congress continues to formally and informally deliberate on legislative proposals that could alter the scope or applicability of the enhanced prudential standards to Ally.

Liquidity Coverage Ratio Requirements — The FRB and other U.S. banking agencies have adopted a liquidity coverage ratio (LCR) that is consistent with international standards developed by the Basel Committee on Banking Supervision (Basel Committee). The LCR complements the enhanced prudential standards for managing liquidity risk and establishes a minimum quantitative ratio of high-quality liquid assets to total net cash outflows over a prospective 30 calendar-day period, applicable to BHCs with \$250 billion or more in total consolidated assets or \$10 billion or more in foreign exposures. Ally is subject to a modified and less stringent version of the LCR that applies to BHCs with \$50 billion or more but less than \$250 billion in total consolidated assets and less than \$10 billion of foreign exposures. Ally is required to calculate its LCR on a monthly basis and, beginning in 2017, became subject to a minimum LCR of 100%. In addition, beginning October 1, 2018, Ally will be required to comply with LCR public disclosure obligations—as prescribed by the FRB—which include quantitative information about its LCR calculation and a qualitative discussion of the factors that have a significant effect on its LCR.

Capital Adequacy Requirements — Ally and Ally Bank are subject to various capital adequacy requirements. Refer to Note 21 to the Consolidated Financial Statements and the section below titled Basel Capital Frameworks for additional information.

Capital Planning and Stress Tests — The FRB has adopted capital planning and stress testing requirements for large and noncomplex BHCs with total consolidated assets between \$50 billion and \$250 billion and total nonbank assets of less than \$75 billion. As part of these enhanced prudential standards, Ally is subject to supervisory and company-run stress tests and must submit a proposed capital plan to the FRB annually in connection with its Comprehensive Capital Analysis and Review (CCAR) process. The proposed capital plan must include an assessment of our expected uses and sources of capital and a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any dividend or other capital distribution, and any similar action that the FRB determines could have an impact on Ally's capital. The proposed capital plan must also include a discussion of how Ally, under expected and stressful conditions, will maintain capital commensurate with its risks and above the minimum regulatory capital ratios and serve as a source of strength to Ally Bank. The FRB will either object to Ally's proposed capital plan, in whole or in part, or provide a notice of non-objection. If the FRB objects to the proposed capital plan, or if certain material events occur after approval of the plan, Ally must submit a revised capital plan within 30 days.

Ally received a non-objection to its 2017 capital plan. Ally expects to submit its 2018 capital plan by April 5, 2018, with a response expected from the FRB by June 30, 2018.

In the CCAR process, the FRB's quantitative assessment of Ally's proposed capital plan is based on the results of Ally's company-run stress tests and the FRB's estimate of Ally's post-stress capital ratios under the supervisory stress tests. Pursuant to the Dodd-Frank Act, the FRB requires Ally to conduct semi-annual (annual and mid-cycle) company-run stress tests under baseline, adverse, and severely adverse economic scenarios over a nine-quarter planning horizon. For the 2017 stress testing cycle, Ally submitted the results of its semi-annual stress tests to the FRB in April and

October 2017. Ally expects to submit its 2018 company-run stress tests by April 5, 2018, and October 5, 2018. In January 2017, the FRB amended the capital planning and stress testing rules, effective for the 2017 cycle and beyond. As a result of this amendment, the FRB may no longer object to the capital plan of a large and noncomplex BHC, like Ally, on the basis of qualitative deficiencies in its capital planning process. Instead, the qualitative assessment of Ally's capital planning process is now conducted outside of CCAR through the supervisory review process. The amendment also decreased the de minimis threshold for the amount of capital that Ally could distribute to stockholders outside of an approved capital plan without seeking prior approval of the FRB, and modified Ally's reporting requirements to reduce unnecessary burdens.

The FRB publishes summary quantitative results of the supervisory stress tests of each large and noncomplex BHC, like Ally, ordinarily in June in connection with the culmination of the CCAR process. Additionally, we publicly disclose summary results of each company-run stress test under the severely adverse economic scenario in accordance with regulatory requirements. In 2017, we disclosed the summary results of our annual stress test on June 23, 2017, and the summary results of our mid-cycle stress test on October 5, 2017.

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Resolution Planning — As a BHC with total consolidated assets of \$50 billion or more, Ally is required to submit annually to the FRB and the FDIC a plan (commonly known as a living will) for the rapid and orderly resolution of Ally and its significant legal entities under the U.S. Bankruptcy Code and other applicable insolvency laws in the event of future material financial distress or failure. If the FRB and the FDIC jointly determine that the resolution plan is not credible and the deficiencies are not adequately remedied in a timely manner, they may jointly impose on us more stringent capital, leverage, or liquidity requirements or restrictions on our growth, activities, or operations. Further, if we were to fail to address any deficiencies in our resolution plan when required, we could eventually be compelled to divest specified assets or operations. Ally submitted its most recent resolution plan to the FRB and the FDIC in December 2017. In addition, Ally Bank is required to periodically submit to the FDIC a separate resolution plan, which is similarly assessed for its credibility. Ally Bank's next resolution plan must be submitted to the FDIC by July 1, 2018. The public versions of the resolution plans previously submitted by Ally and Ally Bank are available on the FRB's and the FDIC's websites.

Limitations on Bank and Bank Holding Company Dividends and Other Capital Distributions — Federal and Utah law place a number of conditions, restrictions, and limitations on dividends and other capital distributions that may be paid by Ally Bank to IB Finance and thus indirectly to Ally. In addition, even if the FRB does not object to our capital plan, Ally may be precluded from or limited in paying dividends or other capital distributions without the FRB's approval under certain circumstances—for example, when we would not meet minimum regulatory capital ratios after giving effect to the distributions. FRB supervisory guidance also requires BHCs such as Ally to consult with the FRB prior to increasing dividends, implementing common stock repurchase programs, or redeeming or repurchasing capital instruments. Further, the U.S. banking agencies are authorized to prohibit an insured depository institution, like Ally Bank, or a BHC, like Ally, from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or other capital distribution would constitute an unsafe or unsound banking practice.

Transactions with Affiliates — Sections 23A and 23B of the Federal Reserve Act and the FRB's Regulation W prevent Ally and its nonbank subsidiaries from taking undue advantage of the benefits afforded to Ally Bank as a depository institution, including its access to federal deposit insurance and the FRB's discount window. Pursuant to these laws, "covered transactions"—including Ally Bank's extensions of credit to and asset purchases from its affiliates—are generally subject to meaningful restrictions. For example, unless otherwise exempted, (1) covered transactions are limited to 10% of Ally Bank's capital stock and surplus in the case of any individual affiliate and 20% of Ally Bank's capital stock and surplus in the case of all affiliates; (2) Ally Bank's credit transactions with an affiliate are generally subject to stringent collateralization requirements; (3) with few exceptions, Ally Bank may not purchase any "low quality asset" from an affiliate; and (4) covered transactions must be conducted on terms and conditions that are consistent with safe and sound banking practices (collectively, the Affiliate Transaction Restrictions). In addition, transactions between Ally Bank and an affiliate must be on terms and conditions that are either substantially the same as or more beneficial to Ally Bank than those prevailing at the time for comparable transactions with or involving nonaffiliates. Furthermore, these laws include an attribution rule that treats a transaction between Ally Bank and a nonaffiliate as a transaction between Ally Bank and an affiliate to the extent that the proceeds of the transaction are used for the benefit of or transferred to the affiliate. Thus, Ally Bank's purchase from a dealer of a retail installment sales contract involving a vehicle for which Ally provided floorplan financing is subject to the Affiliate Transaction Restrictions because the purchase price paid by Ally Bank is ultimately transferred by the dealer to Ally to pay off the floorplan financing.

The Dodd-Frank Act tightened the Affiliate Transaction Restrictions in a number of ways. For example, the definition of covered transactions was expanded to include credit exposures arising from derivatives transactions, securities lending and borrowing transactions, and the acceptance of affiliate-issued debt obligations (other than securities) as collateral. For a credit transaction that must be collateralized, the Dodd-Frank Act also requires that collateral be maintained at all times while the credit extension or credit exposure remains outstanding and places additional limits on acceptable collateral.

Source of Strength — The Dodd-Frank Act codified the FRB’s policy requiring a BHC, like Ally, to serve as a source of financial strength for a depository institution subsidiary, like Ally Bank, and to commit resources to support the subsidiary in circumstances when Ally might not otherwise elect to do so. This commitment is also reflected in Ally Bank’s application for membership in the Federal Reserve System, as described in Note 21 to the Consolidated Financial Statements. The functional regulator of any nonbank subsidiary of Ally, however, may prevent that subsidiary from directly or indirectly contributing its financial support, and if that were to preclude Ally from serving as an adequate source of financial strength, the FRB may instead require the divestiture of Ally Bank and impose operating restrictions pending such a divestiture.

Single Point of Entry Resolution Authority — Under the Dodd-Frank Act, a BHC whose failure would have serious adverse effects on the financial stability of the United States may be subjected to an FDIC-administered resolution regime called the orderly liquidation authority as an alternative to bankruptcy. If Ally were to be placed into receivership under the orderly liquidation authority, the FDIC as receiver would have considerable rights and powers in liquidating and winding up Ally, including the ability to assign assets and liabilities without the need for creditor consent or prior court review and the ability to differentiate and determine priority among creditors. In doing so, moreover, the FDIC’s primary goal would be a liquidation that mitigates risk to the financial stability of the United States and that minimizes moral hazard. In December 2013, the FDIC released its proposed Single Point of Entry strategy for the resolution of a systemically important financial institution under the orderly liquidation authority. Under this strategy, the FDIC would place the top-tier U.S. holding company in receivership, keep its operating subsidiaries open

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and out of insolvency proceedings by transferring them to a new bridge holding company imposing losses on the stockholders and creditors of the holding company in receivership according to their statutory order of priority, and addressing the problems that led to the institution's failure.

Enforcement Authority — The FRB possesses extensive authorities and powers to regulate and supervise the conduct of Ally's businesses and operations. If the FRB were to take the position that Ally or any of its subsidiaries have violated any law or commitment or engaged in any unsafe or unsound practice, formal or informal corrective or enforcement actions could be taken by the FRB against Ally, its subsidiaries, and institution-affiliated parties (such as directors, officers, and agents). The UDFI and the FDIC have similarly expansive authorities and powers over Ally Bank and its subsidiaries. For example, these government authorities could order us to cease and desist from engaging in specified activities or practices or could affirmatively compel us to correct specified violations or practices. Some or all of these government authorities also would have the power, as applicable, to issue administrative orders against us that can be judicially enforced; direct us to increase capital and liquidity; limit our dividends and other capital distributions; restrict or redirect the growth of our assets, businesses, and operations; assess civil money penalties against us; remove our officers and directors; require the divestiture or the retention of assets or entities; terminate deposit insurance; or force us into bankruptcy, conservatorship, or receivership. These actions could directly affect not only Ally, its subsidiaries, and institution-affiliated parties but also Ally's counterparties, stockholders, and creditors and its commitments, arrangements, or other dealings with them.

In addition, the CFPB has broad authorities and powers to enforce federal consumer protection laws involving financial products and services. The CFPB has exercised these authorities and powers through public enforcement actions, lawsuits, and consent orders and through nonpublic enforcement actions. In doing so, the CFPB has generally sought remediation of harm alleged to have been suffered by consumers, civil money penalties, and changes in practices and other conduct.

The SEC, FINRA, the Department of Justice, state attorneys general, and other domestic or foreign government authorities also have an array of means at their disposal to regulate and enforce matters within their jurisdiction that could impact Ally's businesses and operations.

Basel Capital Framework

The FRB and other U.S. banking agencies have adopted risk-based and leverage capital standards that establish minimum capital-to-asset ratios for BHCs, like Ally, and depository institutions, like Ally Bank.

The risk-based capital ratios are based on a banking organization's risk-weighted assets (RWAs), which are generally determined under the standardized approach applicable to Ally and Ally Bank by (1) assigning on-balance sheet exposures to broad risk weight categories according to the counterparty or, if relevant, the guarantor or collateral (with higher risk weights assigned to categories of exposures perceived as representing greater risk), and (2) multiplying off-balance sheet exposures by specified credit conversion factors to calculate credit equivalent amounts and assigning those credit equivalent amounts to the relevant risk weight categories. The leverage ratio, in contrast, is based on an institution's average unweighted on-balance sheet exposures.

Until January 1, 2015, the U.S. risk-based and leverage capital standards applicable to Ally and Ally Bank were based on the Basel I capital accord promulgated by the Basel Committee in 1989 (U.S. Basel I). Ally and Ally Bank were required to maintain, under U.S. Basel I, a minimum Tier 1 risk-based capital ratio of Tier 1 capital to RWAs of 4%, a minimum total risk-based capital ratio of total qualifying capital to RWAs of 8%, and a minimum Tier 1 leverage ratio of Tier 1 capital to average on-balance-sheet exposures of 4%.

In December 2010, the Basel Committee reached an agreement on the global Basel III capital framework, which was designed to increase the quality and quantity of regulatory capital by introducing new risk-based and leverage capital standards. In July 2013, the U.S. banking agencies finalized rules implementing the Basel III capital framework in the United States as well as related provisions of the Dodd-Frank Act (U.S. Basel III). U.S. Basel III represents a substantial revision to the previously effective regulatory capital standards for U.S. banking organizations. We became subject to U.S. Basel III on January 1, 2015, although a number of its provisions—including capital buffers and certain regulatory capital deductions—are subject to a phase-in period through December 31, 2018.

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

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

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aggregate thresholds to be deducted from Common Equity Tier 1 capital. U.S. Basel III also revised the standardized approach for calculating RWAs by, among other things, modifying certain risk weights and the methods for calculating RWAs for certain types of assets and exposures.

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

On November 21, 2017, the FRB and other U.S. banking agencies finalized a rule that extends the period for applying existing capital requirements to a targeted set of items that are subject to transition provisions under U.S. Basel III. Specifically, the rule indefinitely postpones certain remaining phase-in requirements for capital deductions and adjustments for investments in unconsolidated financial institutions, mortgage servicing assets, and certain DTAs, none of which have a material impact on our regulatory capital position. In addition, on September 27, 2017, the FRB and other U.S. banking agencies released a proposal to simplify certain capital requirements, including the requirements related to the above-mentioned capital deductions and adjustments. The simplification proposal primarily applies to non-advanced approaches banking organizations such as Ally and Ally Bank. We are evaluating the effect that this proposal would have on our regulatory capital position, but we do not expect this will have a material impact on our regulatory capital position. In December 2017, the Basel Committee approved revisions to the global Basel III capital framework (commonly known as Basel IV), many of which—if adopted in the United States—could heighten regulatory capital standards even more. How all of these proposals and revisions will be harmonized and finalized in the United States is not clear or predictable.

The capital-to-asset ratios play a central role in prompt corrective action (PCA), which is an enforcement framework used by the U.S. banking agencies to constrain the activities of depository institutions based on their levels of regulatory capital. Five categories have been established using thresholds for the Common Equity Tier 1 risk-based capital ratio, the Tier 1 risk-based capital ratio, the total risk-based capital ratio, and the leverage ratio: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) generally prohibits a depository institution from making any capital distribution, including any payment of a cash dividend or a management fee to its BHC, if the depository institution would become undercapitalized after the distribution. An undercapitalized institution is also subject to growth limitations and must submit and fulfill a capital restoration plan. While BHCs are not subject to the PCA framework, the FRB is empowered to compel a BHC to take measures—such as the execution of financial or performance guarantees—when PCA is required in connection with one of its depository institution subsidiaries. In addition, under FDICIA, only well-capitalized and adequately capitalized institutions may accept brokered deposits, and even adequately capitalized institutions are subject to some restrictions on the rates they may offer for brokered deposits. At December 31, 2017, Ally Bank was well capitalized under the PCA framework. At December 31, 2017, Ally and Ally Bank were in compliance with their regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 21 to the Consolidated Financial Statements.

Insured Depository Institution Status

Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were \$137.4 billion and \$123.5 billion at December 31, 2017, and 2016, respectively.

Ally Bank's deposits are insured by the FDIC in the standard insurance amounts per depositor for each account ownership category as prescribed by the FDI Act. Deposit insurance is funded through assessments on Ally Bank and other insured depository institutions, and the FDIC may take action to increase insurance premiums if the DIF is not funded to its regulatory mandated Designated Reserve Ratio (DRR). Currently, the FDIC is mandated to achieve a DRR of 1.35% by September 30, 2020, and has established a target DRR of 2.0%. Under the Dodd-Frank Act, the FDIC assesses premiums from each institution based on its average consolidated total assets minus its average tangible equity, and a scorecard method is utilized to determine each institution's risk to the DIF. The Dodd-Frank Act also requires the FDIC, in setting assessments, to offset the effect of increasing its reserve for the DIF on institutions with consolidated assets of less than \$10 billion. To achieve the mandated DRR consistent with these provisions of the

Dodd-Frank Act, the FDIC implemented a rule in 2016 imposing a surcharge of 4.5 basis points on all insured depository institutions with assets of \$10 billion or more in addition to their regular assessments; under the rule, the surcharge would cease once the DIF achieves the 1.35% DRR or on December 31, 2018, whichever comes first—although the FDIC indicated that it would impose a shortfall assessment in 2019 if the DIF has not achieved the 1.35% DRR by December 31, 2018.

If an insured depository institution like Ally Bank were to become insolvent or if other specified events were to occur relating to its financial condition or the propriety of its actions, the FDIC may be appointed as conservator or receiver for the institution. In that capacity, the FDIC would have the power (1) to transfer assets and liabilities of the institution to another person or entity without the approval of the institution's creditors; (2) to require that its claims process be followed and to enforce statutory or other limits on damages claimed by the institution's creditors; (3) to enforce the institution's contracts or leases according to their terms; (4) to repudiate or disaffirm the institution's contracts or leases; (5) to seek to reclaim, recover, or recharacterize transfers of the institution's assets or to exercise control over assets in which the institution may claim an interest; (6) to enforce statutory or other injunctions; and (7) to exercise a wide range of other rights, powers, and authorities, including those that could impair the rights and interests of all or some of the institution's creditors. In addition, the administrative expenses of the conservator or receiver could be afforded priority over all or some of the claims of the institution's creditors, and under the FDI Act, the claims of depositors (including the FDIC as subrogee of depositors) would enjoy priority over the claims of the institution's unsecured creditors.

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Consumer Financial Laws

Ally and Ally Bank are subject to regulation, supervision, and examination by the CFPB with respect to federal consumer protection laws involving financial products and services. The Dodd-Frank Act also empowers state attorneys general and other state officials to enforce federal consumer protection laws under specified conditions. Ally and Ally Bank are subject to a host of state consumer protections laws as well.

Mortgage Operations — Our mortgage business is subject to extensive federal, state, and local laws, in addition to judicial and administrative decisions that impose requirements and restrictions on this business. The federal, state, and local laws to which our mortgage business is subject, among other things, impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including the assessment, collection, foreclosure, claims handling, and investment and interest payments on escrow accounts.

Through our direct-to-consumer mortgage offering, we offer a variety of jumbo and conforming fixed- and adjustable-rate mortgage products with the assistance of a third-party fulfillment partner. Jumbo mortgage loans are generally held on our balance sheet and are accounted for as held-for-investment. Conforming mortgage loans are generally originated as held-for-sale and then sold to the fulfillment partner, which in turn may sell the loans to the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), or other participants in the secondary mortgage market. The nature and dynamics of this market, however, continue to evolve in the wake of the economic crisis that began in 2007–2008 and the role of Fannie Mae and Freddie Mac in it remains subject to uncertainty.

Automotive Lending Business — In March 2013, the CFPB issued guidance about compliance with the fair lending requirements of the Equal Credit Opportunity Act and Regulation B. The guidance is specific to the practice of indirect automotive finance companies purchasing financing contracts executed between dealers and consumers and paying dealers for the contracts at a discount below the rates dealers charge consumers. In December 2017, the Government Accountability Office (GAO) determined that the CFPB’s guidance constitutes a rule under the Congressional Review Act, which requires the CFPB to take certain steps to make the guidance effective. With the GAO’s determination, the future of the guidance is uncertain at this time.

Asset-backed Securitizations

Section 941 of the Dodd-Frank Act requires securitizers of different types of asset-backed securitizations, including transactions backed by residential mortgages, commercial mortgages, and commercial, credit card, and automotive loans, to retain no less than five percent of the credit risk of the assets being securitized, with an exemption for securitizations that are wholly composed of “qualified residential mortgages” (QRMs). Federal regulators issued final rules implementing this Dodd-Frank Act requirement in October 2014. The final rules aligned the definition of QRMs with the CFPB’s definition of “Qualified Mortgage” and also included an exemption for the mortgage-backed securities (MBS) of Government-sponsored Enterprises. The regulations took effect on February 23, 2015. Compliance was required with respect to securitization transactions backed by residential mortgages beginning December 24, 2015, and with respect to securitization transactions backed by other types of assets beginning December 24, 2016. Ally Bank has complied with the FDIC’s Safe Harbor Rule requiring it to retain five percent risk retention in retail automotive loan and lease securitizations. Ally has complied with the risk retention rules for automotive asset-backed securitizations, which became effective on December 24, 2016.

Insurance Companies

Certain of our Insurance operations are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance laws, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. Our insurance operations are also subject to

applicable state laws generally governing insurance companies, as well as laws and regulations for products that are not regulated as insurance, such as vehicle service contracts (VSCs) and guaranteed asset protection (GAP) waivers.

Investments in Ally

Because Ally Bank is a FDIC-insured bank and Ally and IB Finance are BHCs, acquisitions of our voting stock above certain thresholds may be subject to regulatory approval or notice under federal or state law. Investors are responsible for ensuring that they do not, directly or indirectly, acquire shares of our stock in excess of the amount that may be acquired without regulatory approval under the Change in Bank Control Act, the BHC Act, and Utah state law.

Ally Invest Subsidiaries

As discussed below, we acquired 100% of the equity of TradeKing Group, Inc., which we later renamed Ally Invest Group Inc. (Ally Invest), on June 1, 2016. As a result of the acquisition and rebranding, Ally Invest Securities LLC (Ally Invest Securities), Ally Invest Forex LLC (Ally Invest Forex), Ally Invest Futures LLC (Ally Invest Futures), Ally Invest Advisors Inc. (Ally Invest Advisors), and TKconnect LLC are now indirect wholly-owned subsidiaries of Ally.

Ally Invest Securities is registered as a securities broker-dealer with the SEC and in all 50 states, the District of Columbia, and Puerto Rico, is registered with the Municipal Securities Rulemaking Board as a municipal securities broker-dealer, and is a member of FINRA,

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Securities Investor Protection Corporation (SIPC) and various other self-regulatory organizations (SROs), including BATS BYX Exchange, BATS BZX Exchange, NYSE Arca, and Nasdaq Stock Market. As a result, Ally Invest Securities and its personnel are subject to extensive regulatory requirements under the Exchange Act, SEC regulations and SRO rules covering all aspects of the firm’s securities activities, including, for example, sales and trading practices, capital adequacy, recordkeeping, privacy, anti-money laundering, financial and other reporting, supervision, misuse of material nonpublic information, conducting its business in accordance with just and equitable principles of trade, and personnel qualifications. The firm operates as an introducing broker and clears all transactions, including all customer transactions, through a third-party clearing broker-dealer on a fully disclosed basis.

Ally Invest Forex and Ally Invest Futures are each registered with the U.S. Commodity Futures Trading Commission (CFTC) as introducing brokers and are members of the National Futures Association (NFA), which is the primary SRO for the U.S. futures industry. Both firms are subject to regulatory requirements governing introducing brokers and their personnel under the Commodity Exchange Act and CFTC and NFA rules. In addition, Ally Invest Forex (but not Ally Invest Futures) is subject to CFTC retail forex rules.

A subsidiary of Ally Invest is also registered as an investment adviser with the SEC. As a result, such subsidiary is subject to regulatory requirements governing investment advisers and their personnel under the Investment Advisers Act of 1940, and the rules and regulations promulgated thereunder, including certain fiduciary and other obligations with respect to its relationships with its investment advisory clients.

Regulators conduct periodic examinations of Ally Invest Securities, Ally Invest Forex, Ally Invest Futures, and Ally Invest Advisors, and regularly review reports that the firms are required to submit on an ongoing basis. Violations of relevant regulatory requirements could result in adverse consequences for the firms and their personnel, including censure, penalties and fines, the issuance of cease-and-desist orders, and restriction, suspension or expulsion from the securities industry and other adverse consequences.

Other Laws

Ally is subject to numerous federal, state, and local statutes, regulations, and other laws, and the possibility of violating applicable law presents an ongoing risk to Ally. Some of the other more significant laws to which we are subject include:

Privacy — The GLB Act imposes additional obligations on us to safeguard the information we maintain on our customers, requires us to provide notice of our privacy practices, and permits customers to “opt-out” of information sharing with unaffiliated parties. The U.S. banking regulators and the Federal Trade Commission have issued regulations that establish obligations to safeguard information. In addition, several states have enacted even more stringent privacy and safeguarding legislation. If a variety of inconsistent state privacy rules or requirements are enacted, our compliance costs could increase substantially.

Volcker Rule — Under the Dodd-Frank Act and implementing regulations of the CFTC, FDIC, FRB, Office of the Comptroller of the Currency and the SEC (the Volcker Rule), insured depository institutions and their affiliates are prohibited from (1) engaging in “proprietary trading” and (2) investing in or sponsoring certain types of funds (covered funds) subject to certain limited exceptions. The final rules contain exemptions for market-making, hedging, underwriting, trading in U.S. government and agency obligations and also permit certain ownership interests in certain types of funds to be retained. They also permit the offering and sponsoring of funds under certain conditions. In early 2017, the FRB granted us a five-year extension to conform with requirements related to certain covered funds activities. The Volcker Rule imposes significant compliance and reporting obligations on banking entities. The impact of the Volcker Rule is not expected to be material to Ally’s business operations.

Fair Lending Laws — The Equal Credit Opportunity Act, the Fair Housing Act, and similar fair-lending laws (collectively, Fair Lending Laws) generally prohibit a lender from discriminating against a borrower in any aspect of a credit transaction on the basis of specified characteristics known as “prohibited bases,” such as race, gender, and religion. In addition to outlawing discrimination in credit on a prohibited basis, the Fair Lending Laws require lenders to follow a number of prescriptive rules, including rules requiring the lender to make credit decisions promptly, to notify customers of adverse actions, and, in the case of mortgage lenders of a certain size, to gather and make publicly

available anonymized data and information about mortgage applicants and the lender's credit decisions. Ally, under the oversight of its Fair and Responsible Banking team, has established a comprehensive fair-lending program that is designed to identify and mitigate fair-lending risk. The Fair Lending Laws, however, continue to be interpreted in evolving ways and to evolve, however, Ally remains at risk of being accused of violating Fair Lending Laws.

Fair Credit Reporting Act — The Fair Credit Reporting Act regulates the use of credit reports and the reporting of information to credit reporting agencies, and also provides a national legal standard for lenders to share information with affiliates and certain third parties and to provide firm offers of credit to consumers. In late 2003, the Fair and Accurate Credit Transactions Act was enacted, making this preemption of conflicting state and local law permanent. The Fair Credit Reporting Act was also amended to place further restrictions on the use of information shared between affiliates, to provide new disclosures to consumers when risk-based pricing is used in the credit decision, and to help protect consumers from identity theft. All of these provisions impose additional regulatory and compliance costs on us and reduce the effectiveness of our marketing programs.

Truth in Lending Act — The Truth in Lending Act (TILA), as amended, and Regulation Z, which implements TILA, requires lenders to provide borrowers with uniform, understandable information concerning terms and conditions in certain credit transactions. These rules apply to Ally and its subsidiaries in transactions in which they extend credit to consumers and require, in the case of certain mortgage and automotive financing transactions, conspicuous disclosure of the finance charge and annual percentage rate, if any. In addition, if an advertisement for credit states specific credit terms, Regulation Z requires that such

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advertisement state only those terms that actually are or will be arranged or offered by the creditor. The CFPB has issued substantial amendments to the mortgage requirements under Regulation Z, and additional changes are likely in the future. Amendments to Regulation Z and Regulation X, which implements the Real Estate Settlement Procedures Act, require integrated mortgage loan disclosures to be provided for applications received on or after October 3, 2015. Failure to comply with TILA can result in liability for damages as well as criminal and civil penalties.

Sarbanes-Oxley Act — The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate governance and accounting measures designed to promote honesty and transparency in corporate America. The principal provisions of the act include, among other things, (1) the creation of an independent accounting oversight board; (2) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (3) additional corporate governance and responsibility measures including the requirement that the principal executive and financial officers certify financial statements; (4) the potential forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the twelve-month period following initial publication of any financial statements that later require restatement; (5) an increase in the oversight and enhancement of certain requirements relating to audit committees and how they interact with the independent auditors; (6) requirements that audit committee members must be independent and are barred from accepting consulting, advisory, or other compensatory fees from the issuer; (7) requirements that companies disclose whether at least one member of the audit committee is a "financial expert" (as defined by the SEC) and, if not, why the audit committee does not have a financial expert; (8) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions, on nonpreferential terms and in compliance with other bank regulatory requirements; (9) disclosure of a code of ethics; (10) requirements that management assess the effectiveness of internal control over financial reporting and that the independent registered public accounting firm attest to the assessment; and (11) a range of enhanced penalties for fraud and other violations.

USA PATRIOT Act/Anti-Money-Laundering Requirements — In 2001, the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (USA PATRIOT Act) was signed into law. Title III of the USA PATRIOT Act amends the Bank Secrecy Act and contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing activities. The Bank Secrecy Act, as amended by the USA PATRIOT Act, requires banks, certain other financial institutions, and, in certain cases, BHCs to undertake activities including maintaining an anti-money-laundering program, verifying the identity of clients, monitoring for and reporting on suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to certain requests for information by regulatory authorities and law enforcement agencies. We have implemented internal practices, procedures, and controls designed to comply with these anti-money-laundering requirements.

Community Reinvestment Act — Under the CRA, a bank has a continuing and affirmative obligation, consistent with the safe and sound operation of the institution, to help meet the credit needs of its entire community, including low- and moderate-income persons and neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions. However, institutions are rated on their performance in meeting the needs of their communities. Ally Bank filed its three-year CRA Strategic Plan with the FRB in October 2016, and received approval in November 2016. In addition, in 2017, Ally Bank received an "Outstanding" rating in its most recent CRA performance evaluation. Failure by Ally Bank to maintain a "Satisfactory" or better rating under the CRA may adversely affect our ability to expand our financial and related activities as an FHC or make acquisitions.

Employees

We had approximately 7,900 and 7,600 employees at December 31, 2017, and 2016, respectively.

Additional Information

The results of operations for each of our reportable operating segments and the products and services offered are contained in the individual business operations sections of MD&A. Financial information related to reportable operating segments and geographic areas is provided in Note 27 to the Consolidated Financial Statements.

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K (and amendments to these reports) are available on our internet website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at www.ally.com/about/investor/sec-filings/. These reports can also be found on the SEC website at www.sec.gov.

Item 1A. Risk Factors

We face many risks and uncertainties, any one or more of which could have a material adverse effect on our business, results of operations, financial condition (including capital and liquidity), or prospects or the value of or return on an investment in Ally. We believe that the most significant of these risks and uncertainties are described in this section, although we may be adversely affected by other risks or uncertainties that are not presently known to us, that we have failed to appreciate, or that we currently consider immaterial. These risk factors should be read in conjunction with the MD&A in Part II, Item 7 of this report, and the Consolidated Financial Statements and notes thereto. This Annual Report on Form 10-K is qualified in its entirety by these risk factors.

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Risks Related to Regulation and Supervision

The regulatory and supervisory environment in which we operate could have an adverse effect on our business, financial condition, results of operations, and prospects.

We are subject to extensive regulatory frameworks and to direct supervision and periodic examinations by various government agencies and industry self-regulatory organizations that are charged with overseeing the kinds of business activities in which we engage. These regulatory and supervisory frameworks are designed to protect public or private interests—such as macroeconomic policy objectives, financial-market stability and liquidity, and the confidence and security of depositors—that may not always be aligned with those of our stockholders or non-deposit creditors. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report. In the last decade, government scrutiny of the financial services industry has intensified, fundamental changes have been made to the banking, securities, and other laws that govern financial services, and a multitude of related business practices have been altered. While the scope, intensity, and focus of government oversight can vary from time to time, we expect to continue devoting substantial time and resources to risk management, compliance, regulatory change management, and cybersecurity and other technology initiatives, each of which may adversely affect our ability to operate profitably or to pursue advantageous business opportunities.

Ally operates as an FHC, which permits us to engage in a number of financial and related activities—including securities, advisory, insurance, and merchant-banking activities—beyond the business of banking. To remain eligible to do so, Ally and Ally Bank must remain well capitalized and well managed as defined under applicable law. If Ally or Ally Bank were found not to be well capitalized or well managed, we may be restricted from engaging in the broader range of financial and related activities permitted for FHCs and may be required to discontinue these activities or even divest Ally Bank. In addition, if we fail to achieve a satisfactory or better rating under the CRA, our ability to expand these financial and related activities or make acquisitions could be restricted.

In connection with their continuous supervision and examinations of us, the FRB, the UDFI, the CFPB, the SEC, FINRA, the NYDFS, or other regulatory agencies may require changes in our business or operations. Such a requirement may be judicially enforceable or impractical for us to contest, and if we are unable to implement or maintain the requirement in a timely and effective manner, we could become subject to formal or informal supervisory actions, including memoranda of understanding, written agreements, cease-and-desist orders, and prompt-corrective-action or safety-and-soundness directives. Supervisory actions could entail significant restrictions on our existing business, our ability to develop new business, our flexibility in conducting operations, and our ability to pay dividends or utilize capital. Supervisory actions also may result in the imposition of civil monetary penalties, the enforcement of supervisory requirements through injunctions or other administrative or judicial orders, related litigation by private plaintiffs, damage to our reputation, and a loss of investor confidence. We could be required as well to dispose of specified assets and liabilities within a prescribed period of time. As a result, any supervisory action could have an adverse effect on our business, financial condition, results of operations, and prospects.

Our regulatory environment is not static. No assurance can be given that applicable statutes, regulations, or other laws will not be amended or construed differently, that new laws will not be adopted, or that any of these laws will not be enforced more aggressively. Changes in the regulatory environment could adversely affect us in substantial and unpredictable ways, including by limiting the types of financial services and products we may offer, enhancing the ability of others to offer more competitive financial services and products, restricting our ability to make acquisitions or pursue other profitable opportunities, and negatively impacting our financial condition and results of operations. Further, noncompliance with applicable laws could result in the suspension or revocation of licenses or registrations that we need to operate and in the initiation of supervisory actions or private litigation.

Our ability to execute our business strategy for Ally Bank may be adversely affected by regulatory constraints. A primary component of our business strategy is the continued growth of Ally Bank. This growth includes amassing a higher level of retail deposits, expanding our commercial lending, and originating increased volumes of consumer products such as residential mortgage loans. If our regulatory agencies raise concerns about any aspect of our business strategy for Ally Bank or the way in which we implement it—including any associated affiliate transactions that are

governed and constrained by Sections 23A and 23B of the Federal Reserve Act—we may be obliged to limit or even reverse the growth of Ally Bank or otherwise alter our strategy, which could have an adverse effect on our business, financial condition, results of operations, or prospects. In addition, if we are compelled to retain or shift any of our business activities in or to nonbank affiliates, our funding costs for those activities—such as unsecured funding in the capital markets—could be more expensive than our cost of funds at Ally Bank.

We are subject to stress tests, capital and liquidity planning, and other enhanced prudential standards, which impose significant restrictions and costly requirements on our business and operations.

We are subject to the enhanced prudential standards that have been established by the FRB for BHCs with total consolidated assets of \$50 billion or more, including capital planning requirements for large and noncomplex BHCs with total consolidated assets between \$50 billion and \$250 billion and total nonbank assets of less than \$75 billion. As part of these enhanced prudential standards, Ally is subject to supervisory and company-run stress tests and must submit a proposed capital plan to the FRB annually in connection with its CCAR process. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report. The proposed capital plan must include an assessment of our expected uses and sources of capital and a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any dividend or other capital distribution, and any similar action that the FRB determines could have an impact on Ally's capital. The proposed capital plan must also include a discussion of how Ally, under expected and stressful conditions, will maintain capital commensurate with its risks and above the minimum regulatory capital ratios and serve as a source

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of strength to Ally Bank. The FRB will either object to the proposed capital plan, in whole or in part, or provide notice of non-objection to Ally. The failure to receive a notice of non-objection from the FRB—whether due to how well our businesses and operations are forecasted to perform, how capably we execute our capital planning process, how acutely the FRB projects severely adverse conditions to be, or otherwise—may prohibit us from paying dividends, repurchasing our common stock, or making other capital distributions, may compel us to issue capital instruments that could be dilutive to stockholders, may prevent us from maintaining or expanding lending or other business activities, and may damage our reputation and result in a loss of investor confidence.

We may be required to raise capital as well if we are at risk of failing to satisfy our minimum regulatory capital ratios or other related supervisory requirements, whether due to inadequate operating results that erode capital, future growth that outpaces the accumulation of capital through earnings, changes in regulatory capital standards, or otherwise. In addition, we may elect to raise capital for strategic reasons even when not required to do so. Our ability to raise capital on favorable terms or at all will depend on general economic and market conditions, which are outside of our control, and on our operating and financial performance. Accordingly, we cannot be assured of being able to raise capital when needed or on favorable terms. An inability to raise capital when needed and on favorable terms could damage the performance and value of our business, prompt supervisory actions, and harm our reputation, and if the condition were to persist for any appreciable period of time, our viability as a going concern could be threatened. Further, if we are able to raise capital and do so by issuing common stock or convertible securities, the ownership interest of our existing stockholders could be diluted, and the market price of our common stock could decline.

The enhanced prudential standards also require Ally to conduct liquidity stress tests and maintain a sufficient quantity of highly liquid assets to survive a projected 30-day liquidity stress event, to adopt a contingency funding plan that would address liquidity needs during various stress events, and to implement specified liquidity risk management and corporate governance measures. These enhanced liquidity standards, together with a quantitative minimum liquidity coverage ratio that we must satisfy as a complement to these standards, could constrain our ability to originate or invest in longer-term or less liquid assets or to take advantage of other profitable opportunities and, therefore, may adversely affect our business, results of operations, and prospects.

Additionally, the FRB has proposed rules to implement other enhanced prudential standards mandated by Sections 165 and 166 of the Dodd-Frank Act and related capital and liquidity requirements, including single-counterparty credit limits, an early remediation framework, and a quantitative minimum net stable funding ratio. Once adopted and implemented, these rules also could adversely affect our business, results of operations, financial condition, and prospects.

Our ability to rely on deposits as a part of our funding strategy may be limited.

Ally Bank is a key part of our funding strategy, and we place great reliance on deposits at Ally Bank as a source of funding. Competition for deposits and deposit customers, however, is fierce and has only intensified with the implementation of enhanced capital and liquidity requirements in the last decade. Ally Bank does not have a retail branch network but, instead, obtains its deposits through online and other direct banking, from customers of Ally Invest, and through deposit brokers. Brokered deposits may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher returns. Brokered deposits totaled \$15.2 billion at December 31, 2017, which represented 16% of Ally Bank's total deposits. In addition, our ability to maintain or grow direct banking deposits may be constrained by our lack of in-person banking services, changes in consumer trends, or any loss of confidence in our brand. Our level of deposits also could be adversely affected by regulatory or supervisory restrictions, including any applicable prior approval requirements or limits on our offered rates or brokered deposit growth, and by changes in monetary or fiscal policies that influence deposit or other interest rates. Perceptions of our financial strength, rates or returns offered by other financial institutions or third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact the size of our deposit base.

The full impact of the Dodd-Frank Act and other financial-reform laws and policies on us remains unclear and unpredictable but could have a further adverse effect on our business, results of operations, financial condition, or

prospects.

The Dodd-Frank Act, which became law in July 2010, and other financial-reform laws and policies have substantially changed the legal and supervisory frameworks under which we operate and have adversely affected our business, results of operations, and financial condition. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report. While much in the Dodd-Frank Act has been implemented, some meaningful provisions remain subject to further rulemaking, transition periods, and the discretion of various regulatory agencies. Even provisions that have been implemented are or may become the subject of interpretive disputes, litigation, proposed legislative or regulatory amendments, or shifting supervisory priorities. For example, the CFPB—which was created by the Dodd-Frank Act—has aggressively enforced its positions on a wide range of consumer protection laws that affect our business, including in the context of indirect automotive lending. Some of these positions or their application in particular cases, however, have been contested by affected companies, as has the constitutionality of the structure of the CFPB itself. The outcomes of these matters and their impact on both the meaning of consumer protection laws and the enforcement powers and posture of the CFPB remain unclear and unpredictable but could adversely affect us. Recent changes in leadership within the CFPB have added to this lack of clarity and predictability. Similarly, the full impact of the Dodd-Frank Act and financial-reform laws and policies as whole on us cannot be predicted with any certainty and may not be known for a number of years, but individually or collectively, they may have a further adverse effect on our business, results of operations, financial condition, or prospects. In addition, these laws and policies may impact us differently than other financial institutions due to a number of factors, such as differences in activities, size, risk profile, complexity, or regulatory or supervisory status.

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Requirements under the U.S. Basel III rules to increase the quality and quantity of regulatory capital and future revisions to the Basel III framework may adversely affect our business and financial results.

In December 2010, the Basel Committee reached an agreement on the global Basel III capital framework, which was designed to increase the quality and quantity of regulatory capital by introducing new risk-based and leverage capital standards. In July 2013, the U.S. banking agencies finalized rules implementing the Basel III capital framework in the United States as well as related provisions of the Dodd-Frank Act. The U.S. Basel III rules represent substantial revisions to the previously effective regulatory capital standards for U.S. banking organizations.

Ally and Ally Bank became subject to the U.S. Basel III rules on January 1, 2015, although a number of them—including new capital buffers and regulatory capital deductions—are subject to phase-in through December 31, 2018. The U.S. Basel III rules subject Ally and Ally Bank to higher minimum risk-based capital ratios and a capital conservation buffer above these minimum ratios. Failure to maintain the full amount of the buffer would result in restrictions on our ability to make capital distributions, including dividend payments and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. The U.S. Basel III rules also will, over time, impose more stringent deductions for specified DTAs and other assets and limit our ability to meet regulatory capital requirements through the use of trust preferred securities or other hybrid securities.

If Ally or Ally Bank were to fail to satisfy its regulatory capital requirements, significant regulatory sanctions could result, such as a bar on acquisitions or new activities, a loss of our status as an FHC, informal or formal supervisory actions, or even resolution or receivership. Any of these sanctions could have an adverse effect on our business, results of operations, financial condition, or prospects.

In December 2017, the Basel Committee approved revisions to the global Basel III capital framework (commonly known as Basel IV), many of which—if adopted in the United States—could heighten regulatory capital standards even more. At the same time, the U.S. banking agencies have proposed to simplify several elements of the U.S. Basel III rules. How these revisions and proposals will be harmonized and finalized in the United States is not clear or predictable, and no assurance can be provided that they would not further impact our business, results of operations, financial condition, or prospects in an adverse way.

Our business and financial results could be adversely affected by the political environment and governmental fiscal and monetary policies.

A fractious or volatile political environment in the United States, including any related social unrest, could negatively impact business and market conditions, economic growth, financial stability, and business, consumer, investor, and regulatory sentiments, any one or more of which in turn could cause our business and financial results to suffer. In addition, disruptions in the foreign relations of the United States could adversely affect the automotive and other industries on which our business depends and our tax positions and other dealings in foreign countries.

Our business and financial results are also significantly affected by the fiscal and monetary policies of the U.S. government and its agencies. We are particularly affected by the policies of the FRB, which regulates the supply of money and credit in the United States in pursuit of maximum employment, stable prices, and moderate long-term interest rates. The FRB and its policies influence the availability and demand for loans and deposits, the rates and other terms for loans and deposits, the conditions in equity, fixed-income, currency, and other markets, and the value of securities and other financial instruments. Refer to the risk factor below, titled The levels of or changes in interest rates could affect our results of operations and financial condition, for more information on how the FRB could affect interest rates. These actions and policies, therefore, could adversely affect every facet of our business and operations—for example, the new and used vehicle financing market, the cost of our deposits and other interest-bearing liabilities, and the yield on our earning assets. Tax and other fiscal policies, moreover, impact not only general economic and market conditions but also give rise to incentives or disincentives that affect how we and our customers prioritize objectives, deploy resources, and run households or operate businesses. For example, the Tax Cuts and Jobs Act of 2017 (Tax Act) is expected to significantly affect these incentives and disincentives, including by revising corporate and individual tax rates, altering the deductibility of net interest expense and capital outlays, and limiting the deductibility of state and local taxes as well as interest on residential mortgage loans. The direct and indirect effects of

the Tax Act on us and our customers have not yet been holistically assessed, but changes in borrowing patterns, asset valuations, and other economic and market conditions could result and adversely impact our business and financial results. Both the timing and the nature of any changes in monetary or fiscal policies, as well as their consequences for the economy and the markets in which we operate, are beyond our control and difficult to predict but could adversely affect us.

If our ability to receive distributions from subsidiaries is restricted, we may not be able to satisfy our obligations to counterparties or creditors, make dividend payments to stockholders, or repurchase our common stock.

Ally is a legal entity separate and distinct from its bank and nonbank subsidiaries and, in significant part, depends on dividend payments and other distributions from those subsidiaries to fund its obligations to counterparties and creditors, its dividend payments to stockholders, and its repurchases of common stock. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report. Regulatory or other legal restrictions, deterioration in a subsidiary's performance, or investments in a subsidiary's own growth may limit the ability of the subsidiary to transfer funds freely to Ally. In particular, many of Ally's subsidiaries are subject to laws that authorize their supervisory agencies to block or reduce the flow of funds to Ally in certain situations. In addition, if any subsidiary were unable to remain viable as a going concern, Ally's right to participate in a distribution of assets would be subject to the prior claims of the subsidiary's creditors (including, in the case of Ally Bank, its depositors and the FDIC).

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Legislative or regulatory initiatives on cybersecurity and data privacy could adversely impact our business and financial results.

Cybersecurity and data privacy risks have received heightened legislative and regulatory attention. For example, the U.S. banking agencies have proposed enhanced cyber risk management standards that would apply to us and our service providers and that would address cyber risk governance and management, management of internal and external dependencies, and incident response, cyber resilience, and situational awareness. Several states also have adopted or proposed cybersecurity laws targeting these issues.

Legislation and regulations on cybersecurity and data privacy may compel us to enhance or modify our systems, invest in new systems, change our service providers, or alter our business practices or our policies on data governance and privacy. If any of these outcomes were to occur, our operational costs could increase significantly. In addition, if government authorities were to conclude that we or our service providers had not adequately implemented laws on cybersecurity and data privacy or had not otherwise met related supervisory expectations, we could be subject to supervisory actions, related litigation by private plaintiffs, reputational damage, or a loss of investor confidence.

Risks Related to Our Business

Weak or deteriorating economic conditions, failures in underwriting, changes in underwriting standards, financial or systemic shocks, or growth in our nonprime or used vehicle financing business could increase our credit risk, which could adversely affect our business and financial results.

Our business is centered around lending and banking, and a significant percentage of our assets are composed of loans, leases, and securities. As a result, credit risk is our most pronounced risk.

Our business and financial results depend significantly on household, business, economic, and market conditions. When those conditions are weak or deteriorating, we could simultaneously experience reduced demand for credit and increased delinquencies or defaults, including in the loans that we have securitized and in which we retain a residual interest. These kinds of conditions also could dampen the demand for products and services in our insurance, banking, brokerage, and other businesses. Increased delinquencies or defaults could result as well from us failing to appropriately underwrite loans that we originate or purchase or from us adopting—for strategic, competitive, or other reasons—more liberal underwriting standards. If delinquencies or defaults on our loans increase, their value and the income derived from them could be adversely affected, and we could incur increased administrative and other costs in seeking a recovery on claims and any collateral. If unfavorable conditions are negatively affecting used vehicle or other collateral values at the same time, the amount and timing of recoveries could suffer as well. Weak or deteriorating economic conditions also may negatively impact the market value and liquidity of our investment securities, and we may be required to record additional impairment charges that adversely affect earnings if investment securities suffer a decline in value that is considered other-than-temporary. There can be no assurance that our monitoring of our credit risk and our efforts to mitigate credit risk through risk-based pricing, appropriate underwriting and investment policies, loss-mitigation strategies, and diversification are, or will be, sufficient to prevent an adverse impact to our business and financial results. A financial or systemic shock and a failure of a significant counterparty or a significant group of counterparties could negatively impact us as well, possibly to a severe degree, due to our role as a financial intermediary and the interconnectedness of the financial system.

We continue to have exposure to nonprime consumer automotive financing and used vehicle financing. We define nonprime consumer automotive loans primarily as those loans with a FICO® Score (or an equivalent score) at origination of less than 620. Customers that finance used vehicles tend to have lower FICO® Scores as compared to new vehicle customers, and defaults resulting from vehicle breakdowns are more likely to occur with used vehicles as compared to new vehicles that are financed. The carrying value of our nonprime consumer automotive loans before allowance for loan losses was \$8.8 billion, or approximately 12.9% of our total consumer automotive loans at December 31, 2017, as compared to \$9.1 billion, or approximately 13.8% of our total consumer automotive loans at December 31, 2016. At December 31, 2017, and 2016, \$204 million and \$211 million, respectively, of nonprime consumer automotive loans were considered nonperforming as they had been placed on nonaccrual status in accordance with our accounting policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated

Financial Statements for additional information. Additionally, the carrying value of our consumer automotive used vehicle loans before allowance for loan losses was \$31.8 billion, or approximately 46.8% of our total consumer automotive loans at December 31, 2017, as compared to \$28.5 billion, or approximately 43.4% of our total consumer automotive loans at December 31, 2016. If our exposure to nonprime consumer automotive loans or used vehicle financing were to increase over time, our credit risk will increase to a possibly significant degree.

As part of the underwriting process, we rely heavily upon information supplied by third parties. If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, we may experience increased credit risk from having engaged in the transaction.

Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to significantly increase our allowance, which may adversely affect our financial condition and results of operations.

We maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expenses and which represents management's best estimate of probable credit losses that have been incurred within the existing portfolio of loans. Refer to Note 1 to the Consolidated Financial Statements. The allowance is established to reserve for estimated loan losses and risks inherent in the loan portfolio. Any increase in the allowance results in an associated decrease in net income and capital and, if significant, may adversely affect our financial condition or results of operations.

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The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing quantitative and qualitative information, all of which may change substantially over time. Changes in economic conditions affecting borrowers, revisions to accounting rules and related guidance, new qualitative or quantitative information about existing loans, identification of additional problem loans, changes in the size or composition of our loan portfolio, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. For example, our shift to a full credit spectrum retail automotive finance portfolio mix has increased our allowance for loan losses and could result in additional increases in our allowance for loan losses in the future.

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update 2016-13, Financial Instruments — Credit Losses (CECL), which introduces a new accounting model to measure credit losses for financial assets measured at amortized cost, such as the vast majority of our finance receivables and loan portfolio. Under CECL, credit losses for financial assets measured at amortized cost should be determined based on the total current expected credit losses over the life of the financial asset or group of financial assets. In effect, this means that the financial asset or group of financial assets should be presented at the net amount expected to be collected. CECL will become effective on January 1, 2020, and represents a significant departure from existing accounting principles generally accepted in the United States of America (GAAP), which currently provide for credit losses on financial assets measured at amortized cost to be measured as they are incurred. When effective, CECL is likely to materially increase our allowance for loan losses with a resulting negative adjustment to equity. This increase to the allowance for loan losses could also adversely impact our regulatory capital position if the FRB and other U.S. banking agencies do not amend existing regulatory capital rules to relieve us from the capital impact associated with the negative adjustment to equity. Refer to the risk factor above, titled Requirements under the U.S. Basel III rules to increase the quality and quantity of regulatory capital and future revisions to the Basel III framework may adversely affect our business and financial results, for more information about the consequences of our failure to satisfy regulatory capital requirements.

Regulatory agencies periodically review our allowance for loan losses, as well as our methodology for calculating our allowance for loan losses, and from time to time may insist on an increase in the allowance for loan losses or the recognition of additional loan charge-offs based on judgments different than those of management. If these differences in judgment are considerable, our allowance could meaningfully increase and result in a sizable decrease in our net income and capital.

We have dealer-centric automotive finance and insurance businesses, and a change in the key role of dealers within the automotive industry or our ability to maintain or build relationships with them could have an adverse effect on our business, results of operations, financial condition, or prospects.

Our Dealer Financial Services business, which includes our Automotive Finance and Insurance segments, depends on the continuation of the key role of dealers within the automotive industry, the maintenance of our existing relationships with dealers, and our creation of new relationships with dealers. Refer to the section titled Our Business in the MD&A that follows.

A number of trends are affecting the automotive industry and the role of dealers within it. These include challenges to the dealer's role as intermediary between manufacturers and purchasers, the rise of vehicle sharing and ride hailing, the development of autonomous and alternative-energy vehicles, the impact of demographic shifts on attitudes and behaviors toward vehicle ownership and use, changing expectations around the vehicle buying experience, adjustments in the geographic distribution of new and used vehicle sales, and advancements in communications technology. Any one or more of these trends could adversely affect the key role of dealers and their business models, profitability, and viability, and if this were to occur, our dealer-centric automotive finance and insurance businesses could suffer as well.

While the number of dealers with whom we have retail relationships increased during 2017, the number of dealers with whom we have wholesale relationships decreased approximately 5% as compared to December 31, 2016.

Further, our share of commercial wholesale financing remains at risk of decreasing in the future as a result of intense

competition and other factors. If we are not able to maintain existing relationships with significant automotive dealers or if we are not able to develop new relationships for any reason—including if we are not able to provide services on a timely basis, offer products that meet the needs of the dealers, compete successfully with the products and services of our competitors, or effectively counter the exclusivity privileges that some competitors have with automotive manufacturers—our wholesale funding volumes, and the number of dealers with whom we have retail funding relationships, could decline in the future. If this were to occur, our business, results of operations, financial condition, or prospects could be adversely affected.

General Motors Company (GM) and Fiat Chrysler Automobiles US LLC (Chrysler) dealers and their retail customers continue to constitute a significant portion of our customer base, which creates concentration risk for us.

While we have diversified—and are continuing to diversify—our automotive finance and insurance businesses and to expand into other financial services, GM and Chrysler dealers and their retail customers continue to constitute a significant portion of our customer base. In 2017, 56% of our new vehicle dealer inventory financing and 32% of our consumer automotive financing volume were transacted for GM-franchised dealers and customers, and 28% of our new vehicle dealer inventory financing and 28% of our consumer automotive financing volume were transacted for Chrysler dealers and customers. GM, Chrysler, and their captive automotive finance companies compete forcefully with us and could take further actions that negatively impact the amount of business that we do with GM and Chrysler dealers and their retail customers. Further, a significant adverse change in GM's or Chrysler's business—including, for example, in the production or sale of GM or Chrysler vehicles, the quality or resale value of GM or Chrysler vehicles, GM's or Chrysler's relationships with its key suppliers, or

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the rate or volume of recalls of GM or Chrysler vehicles—could negatively impact our GM and Chrysler dealer and retail customer bases. Any future reductions in GM and Chrysler business that we are not able to offset could adversely affect our business and financial results.

Our business and financial results are dependent upon overall U.S. automotive industry sales volume.

Our automotive finance and insurance businesses can be impacted by the sales volume for new and used vehicles. Vehicle sales are impacted, in turn, by several economic and market conditions, including employment levels, household income, interest rates, credit availability, and fuel costs. For example, new vehicle sales decreased dramatically during the economic crisis that began in 2007–2008 and did not rebound significantly until 2012 and 2013. Any future declines in new or used vehicle sales could have an adverse effect on our business and financial results.

Vehicle loans and leases make up a significant part of our earning assets, and our business and financial results could suffer if used vehicle prices are low or volatile or decrease in the future.

During the year ended December 31, 2017, more than 69% of our average earning assets were composed of vehicle loans or leases or related residual securitization interests. If we experience higher losses on the sale of repossessed vehicles or lower or more volatile residual values for off-lease vehicles, our business or financial results could be adversely affected.

General economic conditions, the supply of off-lease and other vehicles to be sold, relative market prices for new and used vehicles, perceived vehicle quality, overall vehicle prices, the vehicle disposition channel, volatility in gasoline or diesel fuel prices, levels of household income, interest rates, and other factors outside of our control heavily influence used vehicle prices. Consumer confidence levels and the strength of automotive manufacturers and dealers can also influence the used vehicle market. For example, when the recent economic crisis began in 2007–2008, sharp declines in used vehicle demand and sale prices adversely affected our remarketing proceeds and financial results.

Our expectation of the residual value of a vehicle subject to an automotive lease contract is a critical element used to determine the amount of the lease payments under the contract at the time the customer enters into it. As a result, to the extent that the actual residual value of the vehicle—as reflected in the sale proceeds received upon remarketing at lease termination—is less than the expected residual value for the vehicle at lease inception, we will incur additional depreciation expense and lower profit on the lease transaction than our priced expectation. Our expectation of used vehicle values is also a factor in determining our pricing of new loan and lease originations. To the extent that used vehicle prices are significantly lower than our expectations, our profit on vehicle loans and leases could be substantially less than our expectations, even more so if our estimate of loss frequency is underestimated as well. In addition, we could be adversely affected if we fail to efficiently process and effectively market off-lease vehicles and repossessed vehicles and, as a consequence, incur higher-than-expected disposal costs or lower-than-expected proceeds from the vehicle sales.

The levels of or changes in interest rates could affect our results of operations and financial condition.

We are highly dependent on net interest income, which is the difference between interest income on earning assets (such as loans and investments) and interest expense on deposits and borrowings. Net interest income is significantly affected by market rates of interest, which in turn are influenced by monetary and fiscal policies, general economic and market conditions, the political and regulatory environments, business and consumer sentiment, competitive pressures, and expectations about the future (including future changes in interest rates). We may be adversely affected by policies, laws, or events that have the effect of flattening or inverting the yield curve (that is, the difference between long-term and short-term interest rates), depressing the interest rates associated with our earning assets to levels near the rates associated with our interest expense, or changing the spreads among different interest rate indices. The levels of or changes in interest rates could adversely affect us beyond our net interest income, including the following:

- increase the cost or decrease the availability of deposits or other variable-rate funding instruments;
- reduce the return on or demand for loans or increase the prepayment speed of loans;
- increase customer or counterparty delinquencies or defaults;

negatively impact our ability to remarket off-lease and repossessed vehicles; and reduce the value of our loans, retained interests in securitizations, and fixed-income securities in our investment portfolio and the efficacy of our hedging strategies.

The level of and changes in market rates of interest—and, as a result, these risks and uncertainties—are beyond our control. The dynamics among these risks and uncertainties are also challenging to assess and manage. For example, while an accommodative monetary policy may benefit us to some degree by spurring economic activity among our customers, such a policy may ultimately cause us more harm by inhibiting our ability to grow or sustain net interest income. A rising interest rate environment can pose different challenges, such as potentially slowing the demand for credit, increasing delinquencies and defaults, and reducing the values of our loans and fixed-income securities. Following a prolonged period in which the federal funds rate was stable or decreasing, the FRB has begun to increase this benchmark rate. In addition, the FRB has begun to end its quantitative-easing program and reduce the size of its balance sheet, which is also

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expected to exert upward pressure on interest rates. Refer to the section titled Market Risk in the MD&A that follows and Note 22 to the Consolidated Financial Statements.

Uncertainty about the future of the London Interbank Offer Rate (LIBOR) may adversely affect our business and financial results.

LIBOR meaningfully influences market interest rates around the globe. In July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority, which regulates LIBOR, announced its intent to stop persuading or compelling banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. This announcement indicates that the continuation of LIBOR as currently constructed is not guaranteed after 2021. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR, whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere, and whether other rate or rates may become accepted alternatives to LIBOR. No assurance can be provided that these uncertainties or their resolution will not adversely affect the use, level, and volatility of LIBOR or other interest rates or the value of LIBOR-based securities—including Ally's 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2—or other securities or financial arrangements. These uncertainties or their resolution also could negatively impact our funding costs, loan and other asset values, asset-liability management strategies, and other aspects of our business and financial results.

We rely extensively on third-party service providers in delivering products and services to our customers and otherwise conducting our business and operations, and their failure to perform to our standards or other issues of concern with them could adversely affect our reputation, business, and financial results.

Third-party service providers are key to much of our business and operations, including online and mobile banking, mortgage finance, brokerage, customer service, and operating systems and infrastructure. While we have implemented a supplier-risk-management program and can exert varying degrees of influence over our service providers, we do not control them, their actions, or their businesses. No assurance can be provided, therefore, that service providers will perform to our standards, adequately represent our brand, comply with applicable law, appropriately manage their own risks, remain financially or operationally viable, or continue to provide us with the services that we require. In such a circumstance, our ability to deliver products and services to customers, to satisfy customer expectations, and to otherwise successfully conduct our business and operations could be adversely affected. In addition, we may need to incur substantial expenses to address issues of concern with a service provider, and even if the issues cannot be acceptably resolved, we may not be able to timely or effectively replace the service provider due to contractual restrictions, the unavailability of acceptable alternative providers, or other reasons. Further, regardless of how much we can influence our service providers, issues of concern with them could result in supervisory actions against us and could harm our reputation, business, and financial results.

Our operating systems or infrastructure, as well as those of our service providers or others on whom we rely, could fail or be interrupted, which could disrupt our business and adversely affect our results of operations, financial condition, and prospects.

We rely heavily upon communications, data management, and other operating systems and infrastructure to conduct our business and operations, which creates meaningful operational risk for us. Any failure of or interruption in these systems or infrastructure or those of our service providers or others on whom we rely—including as a result of inadequate or failed technology or processes, unplanned or unsuccessful updates to technology, sudden increases in transaction volume, human errors, fraud or other misconduct, deficiencies in the integration of acquisitions or the commencement of new businesses, energy or similar infrastructure outages, disruptions in communications networks or systems, natural disasters, catastrophic events, pandemics, acts of terrorism, political or social unrest, external or internal security breaches, acts of vandalism, cyberattacks such as computer viruses and malware, misplaced or lost data, or breakdowns in business continuity plans—could cause failures or delays in receiving applications for loans, underwriting or processing loans, servicing loans, accessing online accounts, processing transactions, executing brokerage orders, communicating with our customers, managing our investment portfolio, or otherwise conducting our business and operations. These adverse effects could be exacerbated if systems or infrastructure need to be taken

offline or meaningfully repaired, if backup systems or infrastructure are not adequately redundant and effective for the conduct of our business and operations, or if technological or other solutions do not exist or are slow to be developed. Further, to the extent that the systems or infrastructure of service providers or others are involved, we may have little or no control or influence over how and when failures or delays are addressed. As a digital financial services company, we are susceptible to business, reputational, financial, regulatory, and other harm as a result of these risks. In the ordinary course of our business, we collect, store, process, and transmit sensitive, confidential, or proprietary data and other information, including business information, intellectual property, and the personally identifiable information of customers and employees. The secure collection, storage, processing, and transmission of this information are critical to our business and reputation, and if any of this information were mishandled, misused, improperly accessed, lost, or stolen or if related operations were disabled or otherwise disrupted, we could suffer significant business, reputational, financial, regulatory, and other damage.

Even when a failure of or interruption in operating systems or infrastructure is timely resolved, we may need to expend substantial resources in doing so, may be required to take actions that could adversely affect customer satisfaction or behavior, and may be exposed to reputational damage. We also could be exposed to contractual claims, supervisory actions, or litigation by private plaintiffs.

We face a wide array of security risks that could result in business, reputational, financial, regulatory, and other harm to us.

Our operating systems and infrastructure, as well as those of our service providers or others on whom we rely, are subject to security risks that are rapidly evolving and increasing in scope and complexity, in part, because of the introduction of new technologies, the expanded

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use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions, and the increased sophistication and activities of hostile state-sponsored actors, organized crime, perpetrators of fraud, hackers, terrorists, and others. We along with other financial institutions, our service providers, and others on whom we rely are especially likely to be the target of cyberattacks, including computer viruses, malware, malicious or destructive code, phishing or spearphishing attacks, denial-of-service or denial-of-information attacks, ransomware, identity theft, access violations by employees or vendors, attacks on the personal email of employees, and ransom demands accompanied by threats to expose security vulnerabilities. We, our service providers, and others on whom we rely are also exposed to more traditional security threats to physical facilities and personnel.

These security risks could result in business, reputational, financial, regulatory, and other harm to us. For example, if sensitive, confidential, or proprietary data or other information about us or our customers or employees were improperly accessed or destroyed because of a security breach, we could experience business or operational disruptions, reputational damage, contractual claims, supervisory actions, or litigation by private plaintiffs. As security threats evolve, moreover, we expect to continue expending significant resources to enhance our defenses, to educate our employees, to monitor and support the defenses established by our service providers and others on whom we rely, and to investigate and remediate incidents and vulnerabilities as they arise or are identified. Even so, we may not be able to anticipate or implement effective preventive measures against all security breaches, especially because techniques change frequently and attacks can originate with no warning from a wide variety of sources around the globe. A sophisticated breach, moreover, may not be identified until well after the attack has occurred and the damage has been caused.

We also could be adversely affected by security risks faced by others. For example, a cyberattack or other security breach affecting a service provider or another entity on whom we rely could negatively impact us and our ability to conduct business and operations just as much as a breach affecting us directly. Even worse, in such a circumstance, we may not receive timely notice of or information about the breach or be able to exert any meaningful control or influence over how and when the breach is addressed. In addition, a security threat affecting the business community, the markets, or parts of them may cycle or cascade through the financial system and harm us. The mere perception of a security breach involving any part of the financial services industry, whether or not true, also could damage our business and operations.

Many if not all of these risks and uncertainties are beyond our control. Refer to section titled Risk Management in the MD&A that follows.

We are heavily reliant on technology, and a failure in effectively implementing technology initiatives or anticipating future technology needs or demands could adversely affect our business or financial results.

We significantly depend on technology to deliver our products and services and to otherwise conduct our business and operations. To remain technologically competitive and operationally efficient, we invest in system upgrades, new solutions, and other technology initiatives. Many of these initiatives take a significant amount of time to develop and implement, are tied to critical systems, and require substantial financial, human, and other resources. Although we take steps to mitigate the risks and uncertainties associated with these initiatives, no assurance can be provided that they will be implemented on time, within budget, or without negative operational or customer impact or that, once implemented, they will perform as we or our customers expect. We also may not succeed in anticipating or keeping pace with future technology needs, the technology demands of customers, or the competitive landscape for technology. If we were to misstep in any of these areas, our business or financial results could be negatively impacted. Our enterprise, compliance, and other risk management programs or functions may not be effective in mitigating risk and loss.

We maintain an independent enterprise risk management program that is designed to identify, measure, assess, monitor, report, and mitigate the risks that we face. These include credit, insurance/underwriting, vehicle-residual, market, liquidity, business/strategic, reputation, and operational risks. We also maintain a compliance risk management program to identify, measure, assess, monitor, and report on our adherence to applicable law, policies,

and procedures. There can be no assurance that our frameworks or models for enterprise, compliance, and other risk management and related controls—including the scope and amount of our insurance and reinsurance coverage—will effectively mitigate risk and limit losses in our business and operations. If conditions or circumstances arise that expose flaws or gaps in our enterprise, compliance, or other risk management programs or if our controls break down, the performance and value of our business and operations could be adversely affected. We could be negatively impacted as well if, despite adequate programs being in place, our risk management or compliance personnel are ineffective in executing them and mitigating risk and loss. Refer to the section titled Risk Management in the MD&A that follows.

We are or may be subject to potential liability in connection with pending or threatened legal proceedings and other matters, which could adversely affect our business or financial results.

We are involved from time to time in a variety of judicial, alternative-dispute, and other proceedings arising out of our business and operations. These legal matters may be formal or informal and include litigation and arbitration with one or more identified claimants, certified or purported class actions with yet-to-be-identified claimants, and regulatory or other governmental information-gathering requests, examinations, investigations, and enforcement proceedings. Our legal matters exist in varying stages of adjudication, arbitration, negotiation, or investigation and span our lines of business and operations. Claims may be based in law or equity—such as those arising under contracts or in tort and those involving banking, consumer protection, securities, tax, employment, and other laws—and some can present novel legal theories and allege substantial or indeterminate damages.

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The course and outcome of legal matters are inherently unpredictable. This is especially so when a matter is still in its early stages, the damages sought are indeterminate or unsupported, significant facts are unclear or disputed, novel questions of law or other meaningful legal uncertainties exist, a request to certify a proceeding as a class action is outstanding or granted, multiple parties are named, or regulatory or other governmental entities are involved. As a result, we often are unable to determine how or when threatened or pending legal matters will be resolved and what losses may be incurred. Actual losses may be higher or lower than any amounts accrued or estimated for those matters, possibly to a significant degree. Refer to Note 30 to the Consolidated Financial Statements. In addition, while we maintain insurance policies to mitigate the cost of litigation and other proceedings, these policies have deductibles, limits, and exclusions that may diminish their value or efficacy. Substantial legal claims, even if not meritorious, could have a detrimental impact on our business, results of operations, and financial condition and could cause us reputational harm.

Our inability to attract, retain, or motivate qualified employees could adversely affect our business or financial results. Skilled employees are our most important resource, and competition for talented people is intense. Even though compensation and benefits expense is among our highest expenses, we may not be able to locate and hire the best people, keep them with us, or properly motivate them to perform at a high level. Recent scrutiny of compensation practices, especially in the financial services industry, has made this only more difficult. In addition, many parts of our business are particularly dependent on key personnel. If we were to lose and find ourselves unable to replace these personnel or other skilled employees or if the competition for talent were to drive our compensation costs to unsustainable levels, our business and financial results could be negatively impacted.

Our ability to successfully make opportunistic acquisitions is subject to significant risks, including the risk that government authorities will not provide the requisite approvals, the risk that integrating acquisitions may be more difficult, costly, or time consuming than expected, and the risk that the value of acquisitions may be less than anticipated.

We may from time to time seek to make opportunistic acquisitions of other financial services companies or businesses. These acquisitions may be subject to regulatory approval, and no assurance can be provided that we will be able to obtain that approval in a timely manner or at all. Even when we are able to obtain regulatory approval, the failure of other closing conditions to be satisfied or waived could delay the completion of an acquisition for a significant period of time or prevent it from occurring altogether. Any failure or delay in closing an acquisition could adversely affect our reputation, business, and performance.

Acquisitions involve numerous risks and uncertainties, including lower-than-expected performance or higher-than-expected costs, difficulties related to integration, diversion of management's attention from other business activities, changes in relationships with customers or counterparties, and the potential loss of key employees. An acquisition also could be dilutive to our existing stockholders if we were to issue common stock to fully or partially pay or fund the purchase price. We, moreover, may not be successful in identifying appropriate acquisition candidates, integrating acquired companies or businesses, or realizing expected value from acquisitions. There is significant competition for valuable acquisition targets, and we may not be able to acquire other companies or businesses on attractive terms. No assurance can be given that we will pursue future acquisitions, and our ability to grow and successfully compete may be impaired if we choose not to pursue or are unable to successfully make acquisitions. Our business requires substantial capital and liquidity, and a disruption in our funding sources or access to the capital markets may have an adverse effect on our liquidity, capital positions, and financial condition.

Liquidity is the ability to fund increases in assets and meet obligations as they come due, all without incurring unacceptable losses. Banks are especially vulnerable to liquidity risk because of their role in the maturity transformation of demand or short-term deposits into longer-term loans or other extensions of credit. We, like other financial services companies, rely to a significant extent on external sources of funding (such as deposits and borrowings) for the liquidity needed to conduct our business and operations. A number of factors beyond our control, however, could have a detrimental impact on the availability or cost of that funding and thus on our liquidity. These include market disruptions, changes in our credit ratings or the sentiment of our investors, the state of the regulatory

environment and monetary and fiscal policies, reputational damage, financial or systemic shocks, and significant counterparty failures. Unexpected declines or limits on dividends or other distributions from our subsidiaries also could adversely affect Ally's liquidity position.

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding in recent years, it remains an important component of our capital structure and financing plans. At December 31, 2017, approximately \$3.6 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2018, and approximately \$1.7 billion and \$2.3 billion is scheduled to mature in 2019 and 2020, respectively. We also obtain short-term funding from the sale of floating-rate demand notes, all of which the holders may elect to have redeemed at any time without restriction. At December 31, 2017, approximately \$3.2 billion in principal amount of demand notes were outstanding, which is not included in the amount of unsecured debt described above. We also rely substantially on secured funding. At December 31, 2017, approximately \$7.5 billion in principal amount of total outstanding consolidated secured long-term debt is scheduled to mature in 2018, approximately \$8.4 billion is scheduled to mature in 2019, and approximately \$6.9 billion is scheduled to mature in 2020. Furthermore, at December 31, 2017, approximately \$28.8 billion in certificates of deposit at Ally Bank are scheduled to mature in 2018, which is not included in the amounts provided above. Additional funding, whether through deposits or borrowings, will be required to fund a substantial portion of the debt maturities over these periods.

We continue to rely as well on our ability to borrow from other financial institutions, and many of our primary bank facilities are up for renewal on a yearly basis. Any weakness in market conditions, tightening of credit availability, or other events referenced earlier in this risk factor could have a negative effect on our ability to refinance these facilities and could increase the costs of bank funding. Ally and Ally Bank

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also continue to access the securitization markets. While those markets have continued to stabilize following the liquidity crisis that commenced in 2007–2008, there can be no assurances that these sources of liquidity will remain available to us.

Our policies and controls are designed to ensure that we maintain adequate liquidity to conduct our business in the ordinary course even in a stressed environment. There is no guarantee, however, that our liquidity position will never become compromised. In such an event, we may be required to sell assets at a loss or reduce loan and lease originations in order to continue operations. This could damage the performance and value of our business, prompt regulatory intervention, and harm our reputation, and if the condition were to persist for any appreciable period of time, our viability as a going concern could be threatened. Refer to section titled Liquidity Management, Funding, and Regulatory Capital in the MD&A that follows and Note 21 to the Consolidated Financial Statements.

Our indebtedness and other obligations are significant and could adversely affect our business and financial results. We have a significant amount of indebtedness apart from deposit liabilities. At December 31, 2017, we had approximately \$56.8 billion in principal amount of indebtedness outstanding (including \$36.9 billion in secured indebtedness). Interest expense on our indebtedness constituted approximately 21% of our total financing revenue and other interest income for the year ended December 31, 2017. We also have the ability to create additional indebtedness.

If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, we may be required to dedicate a significant portion of our cash flow from operations to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions. In addition, if we are unable to satisfy our indebtedness and other obligations in full and on time, our business, reputation, and value as a going concern could be profoundly and perhaps inexorably damaged.

The markets for automotive financing, insurance, banking (including corporate finance and mortgage finance), and brokerage are extremely competitive, and competitive pressures could adversely affect our business and financial results.

The markets for automotive financing, insurance, banking (including corporate finance and mortgage finance), and brokerage are highly competitive, and we expect competitive pressures only to intensify in the future, especially in light of the regulatory and supervisory environments in which we operate, technological innovations that alter the barriers to entry, current and evolving economic and market conditions, changing customer preferences and consumer and business sentiment, and government monetary and fiscal policies. Refer to the section above titled Industry and Competition in Part I, Item 1 of this report. Competitive pressures may drive us to take actions that we might otherwise eschew, such as lowering the interest rates or fees on loans, raising the interest rates on deposits, or adopting more liberal underwriting standards. These pressures also may accelerate actions that we might otherwise elect to defer, such as substantial investments in systems or infrastructure. Whatever the reason, actions that we take in response to competition may adversely affect our results of operations and financial condition. These consequences could be exacerbated if we are not successful in introducing new products and services, achieving market acceptance of our products and services, developing and maintaining a strong customer base, or prudently managing expenses. Our borrowing costs and access to the banking and capital markets could be negatively impacted if our credit ratings are downgraded or otherwise fail to meet investor expectations or demands.

The cost and availability of our funding are meaningfully affected by our short- and long-term credit ratings. Each of Standard & Poor's Rating Services, Moody's Investors Service, Inc., Fitch, Inc., and Dominion Bond Rating Service rates some or all of our debt, and these ratings reflect the rating agency's opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. Agency ratings are not a recommendation to buy, sell, or hold any security and may be revised or withdrawn at any time. Each agency's rating should be evaluated independently of any other agency's rating.

Some of our current credit ratings are below investment grade, which negatively impacts our access to liquidity and increases our borrowing costs in the banking and capital markets. If our credit ratings were to be downgraded further or were to otherwise fail to meet investor expectations or demands, our borrowing costs and access to the banking and capital markets could become even more challenging and, as a result, negatively affect our business and financial results. In addition, downgrades of our credit ratings or their failure to meet investor expectations or demands could result in more restrictive terms and conditions being added to any new or replacement financing arrangements as well as trigger disadvantageous provisions of existing borrowing arrangements.

Challenging business, economic, or market conditions may adversely affect our business, results of operations, and financial condition.

Our businesses are driven by wealth creation in the economy, robust market activity, monetary and fiscal stability, and positive investor, business, and consumer sentiment. A downturn in economic conditions, disruptions in the equity or debt markets, high unemployment or underemployment, depressed vehicle or housing prices, unsustainable debt levels, unfavorable changes in interest rates, declines in household incomes, deteriorating consumer or business sentiment, consumer or commercial bankruptcy filings, or declines in the strength of national or local economies could decrease demand for our products and services, increase the amount and rate of delinquencies and losses, raise our operating and other expenses, and negatively impact the returns on and the value of our loans, investment portfolio, and other assets. Further, if a significant and sustained increase in fuel prices or other adverse conditions were to lead to diminished new and used vehicle purchases or prices, our automotive finance and insurance businesses could suffer considerably. In addition, concerns about the pace of economic growth

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and uncertainty about fiscal and monetary policies can result in significant volatility in the financial markets and could impact our ability to obtain cost-effective funding. If any of these events were to occur or worsen, our business, results of operation, and financial condition could be adversely affected.

Acts or threats of terrorism, natural disasters, and other conditions or events beyond our control could adversely affect us.

Geopolitical conditions, natural disasters, and other conditions or events beyond our control may adversely affect our business, results of operations, financial condition, or prospects. For example, acts or threats of terrorism and political or military actions taken in response to terrorism could adversely affect general economic, business, or market conditions and, in turn, us. We also could be negatively impacted if our key personnel, a significant number of our employees, or our systems or infrastructure were to become unavailable or damaged due to a pandemic, natural disaster, war, act of terrorism, accident, or similar cause. These same risks and uncertainties arise too for the service providers and counterparties on whom we depend as well as their own third-party service providers and counterparties.

Significant repurchases or indemnification payments in our securitizations or whole-loan sales could harm our profitability and financial condition.

We have repurchase and indemnification obligations in our securitizations and whole-loan sales. If we were to breach a representation, warranty, or covenant in connection with a securitization or whole-loan sale, we may be required to repurchase the affected loans or leases or otherwise compensate investors or purchasers for losses caused by the breach. If the scale or frequency of repurchases or indemnification payments were to increase substantially from its present levels, our results of operations and financial condition could be adversely affected. In such a circumstance, we also could suffer reputational damage, become subject to stricter supervisory scrutiny, and find our access to capital and banking markets more limited or more costly.

Our business and operations make extensive use of models, and we could be adversely affected if our design, implementation, or use of models is flawed.

We use quantitative models to price products and services, measure risk, estimate asset and liability values, assess capital and liquidity, manage our balance sheet, create financial forecasts, and otherwise conduct our business and operations. If the design, implementation, or use of any of these models is flawed, we could make strategic or tactical decisions based on incorrect, misleading, or incomplete information. In addition, to the extent that any inaccurate model outputs are used in reports to banking agencies or the public, we could be subjected to supervisory actions, litigation, and other proceedings that may adversely affect our business and financial results. Refer to section titled Risk Management in the MD&A that follows.

Our hedging strategies may not be successful in mitigating our interest rate, foreign exchange, and market risks, which could adversely affect our financial results.

We employ various hedging strategies to mitigate the interest rate, foreign exchange, and market risks inherent in many of our assets and liabilities. Our hedging strategies rely considerably on assumptions and projections regarding our assets and liabilities as well as general market factors. If any of these assumptions or projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes in interest rates, foreign exchange rates, and other market factors, we may experience volatility in our earnings that could adversely affect our profitability and financial condition. In addition, we may not be able to find market participants that are willing to act as our hedging counterparties on acceptable terms or at all, which could have an adverse effect on the success of our hedging strategies.

We use estimates and assumptions in determining the value or amount of many of our assets and liabilities. If our estimates or assumptions prove to be incorrect, our cash flow, profitability, financial condition, and business prospects could be adversely affected.

We use estimates and various assumptions in determining the fair value of many of our assets, including retained interests from securitizations, loans held-for-sale, and other investments that do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of leased

vehicles. In addition, we use estimates and assumptions in determining our reserves for legal matters, insurance losses, and loss adjustment expenses (which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements). Refer to section titled Critical Accounting Estimates in the MD&A that follows. Our assumptions and estimates may be inaccurate for many reasons. For example, they often involve matters that are inherently difficult to predict and that are beyond our control (such as macroeconomic conditions and their impact on our dealers) and often involve complex interactions between a number of dependent and independent variables, factors, and other assumptions. Assumptions and estimates are also far more difficult during periods of market dislocation or illiquidity. As a result, our actual experience may differ substantially from these estimates and assumptions. A meaningful difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and business prospects and may increase the volatility of our financial results. In addition, several different judgments associated with assumptions or estimates could be reasonable under the circumstances and yet result in significantly different results being reported.

Significant fluctuations in the valuation of investment securities or market prices could negatively affect our financial results.

Market prices for securities and other financial assets are subject to considerable fluctuation. Fluctuations may result, for example, from perceived changes in the value of the asset, the relative price of alternative investments, shifts in investor sentiment, geopolitical events, actual or expected changes in monetary or fiscal policies, and general market conditions. Due to these kinds of fluctuations, the amount that

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we realize in the subsequent sale of an investment may significantly differ from the last reported value and could negatively affect our financial results. Additionally, negative fluctuations in the value of available-for-sale investment securities could result in unrealized losses recorded in equity.

Changes in accounting standards could adversely affect our reported revenues, expenses, profitability, and financial condition.

Our financial statements are subject to the application of GAAP, which are periodically revised or expanded. The application of GAAP is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the FASB, the SEC, banking agencies, and our independent registered public accounting firm. Those changes are beyond our control but could adversely affect our revenues, expenses, profitability, or financial condition. Refer to Note 1 to the Consolidated Financial Statements for several financial accounting standards recently issued by the FASB with effective dates between January 1, 2018, and January 1, 2020.

The financial system is highly interrelated, and the failure of even a single financial institution could adversely affect us.

The financial system is highly interrelated, including as a result of lending, trading, clearing, counterparty, and other relationships. We have exposure to and routinely execute transactions with a wide variety of financial institutions, including brokers, dealers, commercial banks, and investment banks. If any of these institutions were to become unstable, were to fail in meeting its obligations in full and on time, or were to enter bankruptcy, conservatorship, or receivership, the consequences could ripple throughout the financial system and may adversely affect our business, results of operations, financial condition, or prospects. Because of interrelationships within the financial system, this could occur even if the institution itself were not systemically important or perceived to play a meaningful role in the stable functioning of the financial markets.

Adverse economic conditions or changes in laws in the states where we have loan or lease concentrations may negatively affect our business and financial results.

We are exposed to portfolio concentrations in some states, including California, Texas, and Florida. Factors adversely affecting the economies and applicable laws in these states could have an adverse effect on our business, results of operations, and financial condition.

Negative publicity outside of our control, or our failure to successfully manage issues arising from our conduct or in connection with the financial services industry generally, could damage our reputation and adversely affect our business or financial results.

The performance and value of our business could be negatively impacted by any reputational harm that we may suffer. This harm could arise from negative publicity outside of our control or our failure to adequately address issues arising from our conduct or in connection with the financial services industry generally. Risks to our reputation could arise in any number of contexts—for example, stricter regulatory or supervisory environments, cyber incidents and other security breaches, inability to meet customer expectations, mergers and acquisitions, lending or banking practices, actual or perceived conflicts of interest, failures to prevent money laundering, inappropriate conduct by employees, and inadequate corporate governance.

Risks Related to Ownership of Our Common Stock

Our ability to pay dividends on our common stock or repurchase shares in the future may be limited.

Any future dividends on our common stock or share repurchases will be determined by our Board of Directors in its sole discretion and will depend on our business, financial condition, earnings, capital, liquidity, and other factors at the time. In addition, any plans to continue dividends or share repurchases in the future will be subject to the FRB's review of and non-objection to our capital plan, which is unpredictable. Refer to the section above titled Regulation and Supervision in Part I, Item 1 of this report. There is no assurance that our Board of Directors will approve, or the FRB will permit, future dividends or share repurchases.

It is possible that any indentures or other financing arrangements that we execute in the future could limit our ability to pay dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing arrangements in the future restrict that ability, we may be unable to pay dividends unless and until we can refinance the amounts outstanding under those arrangements. In addition, under Delaware law, our Board of Directors may declare dividends on our capital stock only to the extent of our statutory surplus (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital) or, if no surplus exists, out of our net profits for the then-current or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay dividends on our common stock, we may not have sufficient cash or regulatory approvals to do so.

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The market price of our common stock could be adversely impacted by anti-takeover provisions in our organizational documents and Delaware law that could delay or prevent a takeover attempt or change in control of Ally or by other banking, antitrust, or corporate laws that have or are perceived as having an anti-takeover effect.

Our certificate of incorporation, our bylaws, and Delaware law contain provisions that could have the effect of discouraging, hindering, or preventing an acquisition that our Board of Directors does not find to be in the best interests of us and our stockholders. For example, our organizational documents include provisions: limiting the liability of our directors and providing indemnification to our directors and officers; and limiting the ability of our stockholders to call and bring business before special meetings of stockholders by requiring any requesting stockholders to hold at least 25% of our common stock in the aggregate.

These provisions, alone or together, could delay hostile takeovers and changes in control of Ally or changes in management.

In addition, we are subject to Section 203 of the General Corporation Law of the State of Delaware, which generally prohibits a corporation from engaging in various business combination transactions with any interested stockholder (generally defined as a stockholder who owns 15% or more of a corporation's voting stock) for a period of three years following the time that the stockholder became an interested stockholder, except under specified circumstances such as the receipt of prior board approval.

Banking and antitrust laws, including associated regulatory-approval requirements, also impose significant restrictions on the acquisition of direct or indirect control over any BHC like Ally or any insured depository institution like Ally Bank.

Any provision of our organizational documents or applicable law that deters, hinders, or prevents a non-negotiated takeover or change in control of Ally could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal corporate offices are located in Detroit, Michigan, and Charlotte, North Carolina. In Detroit, we lease approximately 317,000 square feet of office space under a lease that expires in December 2028. In Charlotte, we lease approximately 233,000 square feet of office space under a variety of leases expiring between November 2019 and May 2024. In September 2017, we entered into a new agreement, scheduled to commence in April 2021, to lease approximately 543,000 square feet of office space in Charlotte under a lease that is expected to expire in March 2036. Under the new lease we plan to consolidate our three current Charlotte, North Carolina locations, through a series of phases, as the existing leases expire.

The primary offices for both our Automotive Finance and Insurance operations are located in Detroit, and are included in the totals referenced above. The primary office for our Mortgage Finance operations is located in Charlotte, where, in addition to the totals referenced above, we lease approximately 84,000 square feet of office space under a lease that expires in December 2022. Upon expiration, our Mortgage Finance operations will relocate to the consolidated office space in Charlotte, North Carolina, referenced above. The primary office for our Corporate Finance operations is located in New York, New York, where we lease approximately 55,000 square feet of office space under a lease that expires in June 2023.

In addition to the properties described above, we lease additional space to conduct our operations. We believe our facilities are adequate for us to conduct our present business activities.

Item 3. Legal Proceedings

Refer to Note 30 to the Consolidated Financial Statements for a discussion related to our legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

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Part II

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Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol “ALLY.” At December 31, 2017, we had 437,053,936 shares of common stock outstanding, compared to 467,000,306 shares at December 31, 2016. The following table sets forth, for the periods indicated, the reported high and low sale prices for our common stock on the NYSE, and the cash dividends declared on our common stock.

(\$ per share)	High	Low	Cash dividends declared
Year ended December 31, 2017			
First quarter	\$23.62	\$19.05	\$ 0.08
Second quarter	21.75	18.11	0.08
Third quarter	24.32	20.65	0.12
Fourth quarter	29.50	23.90	0.12
Year ended December 31, 2016			
First quarter	\$18.99	\$14.55	\$ —
Second quarter	18.76	14.84	—
Third quarter	20.14	15.37	0.08
Fourth quarter	20.60	16.68	0.08

Holders

As of February 16, 2018, we had approximately 35 holders of record of our common stock.

Dividends

Our payment of any dividends on our common stock in the future will be determined by our Board of Directors in its sole discretion and will depend on business conditions, our financial condition, earnings and liquidity, and other factors. Any plans to continue payment of dividends on our common stock in the future would be subject to the FRB’s review and absence of objection. Refer to the section above titled Regulation and Supervision — Bank Holding Company and Financial Holding Company Status in Item 1 for additional information.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about the securities authorized for issuance under our equity compensation plans as of December 31, 2017.

Plan Category	(1) Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) (in thousands)	(2) Weighted-average exercise price of outstanding options, warrants and rights	(3) Number of securities remaining available for further issuance under equity compensation plans (excluding securities reflected in column (1)) (b) (in thousands)
Equity compensation plans approved by security holders	7,644	—	30,134
Total	7,644	—	30,134

(a) Includes restricted stock units outstanding under the Incentive Compensation Plan and deferred stock units outstanding under the Non-Employee Directors Equity Compensation Plan.

(b)

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Includes 27,178,115 securities available for issuance under the plans identified in (a) above and 2,955,655 securities available for issuance under Ally's Employee Stock Purchase Plan.

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Stock Performance Graph

The following graph compares the cumulative total return to stockholders on our common stock relative to the cumulative total returns of the S&P 500 index and the S&P Financials index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each index on April 10, 2014 (the date our common stock first commenced trading on the NYSE), and its relative performance is tracked through December 31, 2017. The returns shown are based on historical results and are not intended to suggest future performance.

This performance graph shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or incorporated by reference into any filing of Ally under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Recent Sales of Unregistered Securities

Ally did not have any sales of unregistered securities in the last three fiscal years.

Purchases of Equity Securities by the Issuer

The following table presents repurchases of our common stock, by month, for the three months ended December 31, 2017.

Three months ended December 31, 2017	Total number of shares repurchased (a) (in thousands)	Weighted-average price paid per share (a) (b) (in dollars)	Total number of shares repurchased as part of publicly announced program (a) (c) (in thousands)	Maximum approximate dollar value of shares that may yet be repurchased under the program (a) (b) (c) (\$ in millions)
October 2017	1,779	\$ 24.77	1,779	\$ 526
November 2017	2,148	26.33	2,148	470
December 2017	3,106	28.74	3,106	380
Total	7,033	27.00	7,033	

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

(b) Excludes brokerage commissions.

(c) On June 28, 2017, we announced a common stock repurchase program of up to \$760 million. The program commenced in the third quarter of 2017 and will expire on June 30, 2018.

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Item 6. Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) in Part II, Item 7 of this report, and our Consolidated Financial Statements and the notes thereto. The historical financial information presented may not be indicative of our future performance.

The following table presents selected Consolidated Statement of Income, earnings per common share, and market price data.

(\$ in millions, except per share data; shares in thousands)	2017	2016	2015	2014	2013
Total financing revenue and other interest income	\$ 8,322	\$ 8,305	\$ 8,397	\$ 8,391	\$ 8,093
Total interest expense	2,857	2,629	2,429	2,783	3,319
Net depreciation expense on operating lease assets	1,244	1,769	2,249	2,233	1,995
Net financing revenue and other interest income	4,221	3,907	3,719	3,375	2,779
Total other revenue	1,544	1,530	1,142	1,276	1,484
Total net revenue	5,765	5,437	4,861	4,651	4,263
Provision for loan losses	1,148	917	707	457	501
Total noninterest expense	3,110	2,939	2,761	2,948	3,405
Income from continuing operations before income tax expense (benefit)	1,507	1,581	1,393	1,246	357
Income tax expense (benefit) from continuing operations (a)	581	470	496	321	(59)
Net income from continuing operations	926	1,111	897	925	416
Income (loss) from discontinued operations, net of tax	3	(44)	392	225	(55)
Net income	\$ 929	\$ 1,067	\$ 1,289	\$ 1,150	\$ 361
Basic earnings per common share (b) (c):					
Net income (loss) from continuing operations	\$ 2.04	\$ 2.25	\$ (3.47)	\$ 1.36	\$ (1.51)
Net income (loss)	2.05	2.15	(2.66)	1.83	(1.64)
Weighted-average common shares outstanding	453,704	481,105	482,873	481,155	420,166
Diluted earnings per common share (b) (c):					
Net income (loss) from continuing operations	\$ 2.03	\$ 2.24	\$ (3.47)	\$ 1.36	\$ (1.51)
Net income (loss)	2.04	2.15	(2.66)	1.83	(1.64)
Weighted-average common shares outstanding (d)	455,350	482,182	482,873	481,934	420,166
Market price per common share (c):					
High closing	\$ 29.41	\$ 20.40	\$ 23.88	\$ 25.21	
Low closing	18.22	14.90	18.33	20.12	
Period-end closing	29.16	19.02	18.64	23.62	
Cash dividends declared per common share	\$ 0.40	\$ 0.16	—	\$ —	
Period-end common shares outstanding	437,054	467,000	481,980	480,095	

(a) As a result of the Tax Cuts and Jobs Act of 2017 (the Tax Act) an additional \$119 million of tax expense was incurred during 2017 as further described in Note 23 to the Consolidated Financial Statements.

Includes shares related to share-based compensation that vested but were not yet issued for the years ended December 31, 2017, 2016, 2015, and 2014. Preferred stock dividends for the year ended December 31, 2015,

(b) include \$2,364 million recognized in connection with the partial redemption of the Series G Preferred Stock and the repurchase of the Series A Preferred Stock. These dividends represent an additional return to preferred stockholders calculated as the excess consideration paid over the carrying amount derecognized.

In April 2014, we completed an initial public offering (IPO) of 95 million shares of common stock at \$25 per share.

(c) 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, these references 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.

(d)

Due to antidilutive effect of the net loss from continuing operations attributable to common stockholders for the year ended December 31, 2015, and 2013, basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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The following table presents selected Consolidated Balance Sheet and ratio data.

December 31, (\$ in millions)	2017	2016	2015	2014	2013	
Selected period-end balance sheet data:						
Total assets	\$ 167,148	\$ 163,728	\$ 158,581	\$ 151,631	\$ 150,908	
Total deposit liabilities	\$ 93,256	\$ 79,022	\$ 66,478	\$ 58,203	\$ 53,326	
Long-term debt	\$ 44,226	\$ 54,128	\$ 66,234	\$ 66,380	\$ 69,230	
Preferred stock	\$—	\$—	\$ 696	\$ 1,255	\$ 1,255	
Total equity	\$ 13,494	\$ 13,317	\$ 13,439	\$ 15,399	\$ 14,208	
Financial ratios:						
Return on average assets (a)	0.57	% 0.68	% 0.84	% 0.77	% 0.23	%
Return on average equity (a)	6.89	% 7.80	% 8.69	% 7.77	% 1.92	%
Equity to assets (a)	8.28	% 8.69	% 9.65	% 9.86	% 12.02	%
Common dividend payout ratio (b)	19.51	% 7.44	% —	% —	% —	%
Net interest spread (a) (c) (d)	2.58	% 2.49	% 2.44	% 2.26	% 1.73	%
Net yield on interest-earning assets (a) (d) (e)	2.71	% 2.63	% 2.57	% 2.41	% 2.03	%

(a) The ratios were based on average assets and average equity using a combination of monthly and daily average methodologies.

(b) Common dividend payout ratio was calculated using basic earnings per common share.

(c) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities, excluding discontinued operations for the periods shown.

Amounts for the years ended December 31, 2015, 2014, and 2013, were adjusted to include previously excluded (d) equity investments and related income on equity investments. Refer to the section titled Statistical Tables within MD&A for additional information.

(e) Net yield on interest-earning assets represents net financing revenue and other interest income as a percentage of total interest-earning assets.

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As of January 1, 2015, Ally became subject to the rules implementing the 2010 Basel III capital framework in the United States (U.S. Basel III), which reflect new and higher capital requirements, capital buffers, and new regulatory capital definitions, deductions and adjustments. Certain aspects of U.S. Basel III, including the new capital buffers and regulatory capital deductions, are subject to a phase-in period through December 31, 2018. To assess our capital adequacy against the full impact of U.S. Basel III, we also present “fully phased-in” information that reflects regulatory capital rules that will take effect as of January 1, 2019. Refer to Note 21 to the Consolidated Financial Statements for further information. The following table presents selected regulatory capital data.

	Under Basel III (a)			Fully phased-in (b)			Under Basel I (c)		
	Transitional								
December 31, (\$ in millions)	2017	2016	2015	2017	2016	2015	2014	2013	
Common Equity Tier 1 capital ratio	9.53	% 9.37	% 9.21	% 9.46	% 9.13	% 8.74	% 9.64	% 8.84	%
Tier 1 capital ratio	11.25	% 10.93	% 11.10	% 11.22	% 10.88	% 11.06	% 12.55	% 11.79	%
Total capital ratio	12.94	% 12.57	% 12.52	% 12.91	% 12.52	% 12.47	% 13.24	% 12.76	%
Tier 1 leverage ratio (to adjusted quarterly average assets) (d)	9.53	% 9.54	% 9.73	% 9.53	% 9.53	% 9.73	% 10.94	% 10.23	%
Total equity	\$13,494	\$13,317	\$13,439	\$13,494	\$13,317	\$13,439	\$15,399	\$14,208	
Preferred stock	—	—	(696)	—	—	(696)	(1,255)	(1,255)	
Goodwill and certain other intangibles	(283)	(272)	(27)	(294)	(293)	(27)	(27)	(27)	
Deferred tax assets arising from net operating loss and tax credit carryforwards (e)	(224)	(410)	(392)	(280)	(683)	(980)	(1,310)	(1,639)	
Other adjustments	250	343	183	250	343	183	(219)	79	
Common Equity Tier 1 capital	13,237	12,978	12,507	13,170	12,684	11,919	12,588	11,366	
Preferred stock	—	—	696	—	—	696	1,255	1,255	
Trust preferred securities	2,491	2,489	2,520	2,491	2,489	2,520	2,546	2,544	
Deferred tax assets arising from net operating loss and tax credit carryforwards	(56)	(273)	(588)	—	—	—	—	—	
Other adjustments	(44)	(47)	(58)	(44)	(47)	(58)	—	—	
Tier 1 capital	15,628	15,147	15,077	15,617	15,126	15,077	16,389	15,165	
Qualifying subordinated debt and other instruments qualifying as Tier	1,113	1,174	932	1,113	1,174	932	237	271	

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Qualifying allowance for credit losses and other adjustments	1,233	1,098	996	1,233	1,098	996	668	969
Total capital	\$17,974	\$17,419	\$17,005	\$17,963	\$17,398	\$17,005	\$17,294	\$16,405
Risk-weighted assets (f)	\$138,933	\$138,539	\$135,844	\$139,185	\$138,987	\$136,354	\$130,590	\$128,575

U.S. Basel III became effective for us on January 1, 2015, subject to transitional provisions primarily related to deductions and adjustments impacting Common Equity Tier 1 capital and Tier 1 capital. On November 21, 2017, the FRB and other U.S. banking agencies finalized a rule that extends the period for applying existing capital requirements to a targeted set of items that are subject to transition provisions under U.S. Basel III. Specifically, the rule indefinitely postpones certain remaining phase-in requirements for capital deductions and adjustments for investments in unconsolidated financial institutions, mortgage servicing assets, and certain deferred tax assets, none of which have a material impact on our regulatory capital position.

Our fully phased-in capital ratios are non-GAAP financial measures that management believes are important to the reader of the Consolidated Financial Statements but should be supplemental to, and not a substitute for, primary GAAP measures. The fully phased-in capital ratios are compared to the transitional capital ratios above. We believe these capital ratios are important because we believe investors, analysts, and banking regulators may assess our capital utilization and adequacy using these ratios. Additionally, presentation of these ratios allows readers to compare certain aspects of our capital utilization and adequacy on the same basis to other companies in the industry.

(c) Capital ratios as of and prior to December 31, 2014, are presented under the U.S. Basel I capital framework.

(d) Tier 1 leverage ratio equals Tier 1 capital divided by adjusted quarterly average total assets (which reflects adjustments for disallowed goodwill, certain intangible assets, and disallowed deferred tax assets).

(e) Contains deferred tax assets required to be deducted from capital under U.S. Basel III.

(f) Risk-weighted assets are defined by regulation and are generally determined by allocating assets and specified off-balance sheet exposures into various risk categories.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Notice About Forward-Looking Statements and Other Terms

From time to time we have made, and in the future will make, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "believe," "expect," "anticipate," "intend," "pursue," "seek," "continue," "estimate," "project," "outlook," "forecast," "potential," "target," "objective," "trend," "initiative," "priorities," or other words of comparable meaning or future-tense or conditional verbs such as "may," "will," "should," "would," or "could." Forward-looking statements convey our expectations, intentions, or forecasts about future events, circumstances, or results.

This report, including any information incorporated by reference in this report, contains forward-looking statements. We also may make forward-looking statements in other documents that are filed or furnished with the SEC. In addition, we may make forward-looking statements orally or in writing to investors, analysts, members of the media, or others.

All forward-looking statements, by their nature, are subject to assumptions, risks, and uncertainties, which may change over time and many of which are beyond our control. You should not rely on any forward-looking statement as a prediction or guarantee about the future. Actual future objectives, strategies, plans, prospects, performance, conditions, or results may differ materially from those set forth in any forward-looking statement. While no list of assumptions, risks, or uncertainties could be complete, some of the factors that may cause actual results or other future events or circumstances to differ from those in forward-looking statements include:

- evolving local, regional, national, or international business, economic, or political conditions;
- changes in laws or the regulatory or supervisory environment, including as a result of recent financial services legislation, regulation, or policies or changes in government officials or other personnel;
- changes in monetary, fiscal, or trade laws or policies, including as a result of actions by government agencies, central banks, or supranational authorities;
- changes in accounting standards or policies, including CECL;
- changes in the automotive industry or the markets for new or used vehicles, including the rise of vehicle sharing and ride hailing, the development of autonomous and alternative-energy vehicles, and the impact of demographic shifts on attitudes and behaviors toward vehicle ownership and use;
- disruptions or shifts in investor sentiment or behavior in the securities, capital, or other financial markets, including financial or systemic shocks and volatility or changes in market liquidity, interest or currency rates, or valuations;
- changes in business or consumer sentiment, preferences, or behavior, including spending, borrowing, or saving by businesses or households;
- changes in our corporate or business strategies, the composition of our assets, or the way in which we fund those assets;
- our ability to execute our business strategy for Ally Bank, including its digital focus;
- our ability to optimize our automotive finance and insurance businesses and to continue diversifying into and growing other consumer and commercial lines of business, including mortgage finance, corporate finance, brokerage, and wealth management;
- our ability to develop capital plans that will be approved by the FRB and our ability to implement them, including any payment of dividends or share repurchases;
- our ability to effectively manage capital or liquidity consistent with evolving business or operational needs, risk management standards, and regulatory or supervisory requirements;
- our ability to cost-effectively fund our business and operations, including through deposits and the capital markets;
- changes in any credit rating assigned to Ally, including Ally Bank;
- adverse publicity or other reputational harm to us or our senior officers;
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our ability to develop, maintain, or market our products or services or to absorb unanticipated costs or liabilities associated with those products or services;
our ability to innovate, to anticipate the needs of current or future customers, to successfully compete, to increase or hold market share in changing competitive environments, or to deal with pricing or other competitive pressures;
the continuing profitability and viability of our dealer-centric automotive finance and insurance businesses, especially in the face of competition from captive finance companies and their automotive manufacturing sponsors and challenges to the dealer's role as intermediary between manufacturers and purchasers;

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our ability to appropriately underwrite loans that we originate or purchase and to otherwise manage credit risk; changes in the credit, liquidity, or other financial condition of our customers, counterparties, service providers, or competitors;

our ability to effectively deal with economic, business, or market slowdowns or disruptions;

judicial, regulatory, or administrative investigations, proceedings, disputes, or rulings that create uncertainty for, or are adverse to, us or the financial services industry;

our ability to address stricter or heightened regulatory or supervisory requirements and expectations;

the performance and availability of third-party service providers on whom we rely in delivering products and services to our customers and otherwise conducting our business and operations;

our ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or infrastructure, including our capacity to withstand cyberattacks;

the adequacy of our corporate governance, risk management framework, compliance programs, or internal controls over financial reporting, including our ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;

the efficacy of our methods or models in assessing business strategies or opportunities or in valuing, measuring, estimating, monitoring, or managing positions or risk;

our ability to keep pace with changes in technology that affect us or our customers, counterparties, service providers, or competitors;

our ability to successfully make and integrate acquisitions;

the adequacy of our succession planning for key executives or other personnel and our ability to attract or retain qualified employees;

natural or man-made disasters, calamities, or conflicts, including terrorist events and pandemics; or other assumptions, risks, or uncertainties described in the Risk Factors (Item 1A), Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7), or the Notes to the Consolidated Financial Statements (Item 8) in this Annual Report on Form 10-K or described in any of the Company's annual, quarterly or current reports.

Any forward-looking statement made by us or on our behalf speaks only as of the date that it was made. We do not undertake to update any forward-looking statement to reflect the impact of events, circumstances, or results that arise after the date that the statement was made, except as required by applicable securities laws. You, however, should consult further disclosures (including disclosures of a forward-looking nature) that we may make in any subsequent Annual Report on Form 10-K, Quarterly Report on Form 10-Q, or Current Report on Form 8-K.

Our use of the term "loans" describes all of the products associated with our direct and indirect lending activities. The specific products include loans, retail installment sales contracts, lines of credit, leases, and other financing products. The term "lend" or "originate" refers to our direct origination of loans or our purchase or acquisition of loans.

Overview

Ally Financial Inc. (together with its consolidated subsidiaries unless the context requires otherwise, Ally, the Company, or we, us, or our) is a leading digital financial services company and top 25 U.S. financial holding company (FHC) offering diversified financial products and services for consumers, businesses, automotive dealers, and corporate clients. Ally operates with a distinctive brand, an innovative approach, and a relentless focus on our customers. We are a Delaware corporation and are registered as a bank holding company (BHC) under the Bank Holding Company Act of 1956 as amended and an FHC under the Gramm-Leach-Bliley Act of 1999 as amended. We are one of the largest full service automotive finance operations in the country with a legacy that dates back to 1919, a deep expertise in automotive lending, and a complementary automotive-focused insurance business. Our wholly-owned banking subsidiary, Ally Bank, has received numerous industry awards for its services and capabilities and is one of the largest and most respected online banks, uniquely positioned for the observed shifting trends in consumer banking preferences for digital banking. Ally Bank's assets and operating results are included within our

Automotive Finance, Mortgage Finance, and Corporate Finance segments, as well as Corporate and Other, based on its underlying business activities.

We offer mortgage lending services and a variety of deposit and other banking products, including CDs, online savings, money market and checking accounts, and IRA products. We also promote a cash back credit card. We have recently integrated a growing digital wealth management and online brokerage platform to enable consumers to have a variety of options in managing their savings and wealth. Additionally, through our corporate finance business, we primarily offer senior secured leveraged cash flow and asset-based loans to middle-market companies.

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Our Business

Dealer Financial Services

Dealer Financial Services includes our Automotive Finance and Insurance segments. Our primary customers are automotive dealers, which are typically independently owned businesses. As part of the process of selling a vehicle, automotive dealers typically enter into retail installment sales contracts and leases with their retail customers. Dealers then select Ally or another automotive finance provider to which they sell those retail installment sales contracts and leases.

Our Dealer Financial Services is one of the largest full service automotive finance operations in the country and offers a wide range of financial services and insurance products to approximately 18,500 automotive dealerships and approximately 4.3 million customers. We have deep dealer relationships that have been built throughout our history of nearly 100 years, and we are leveraging competitive strengths to expand our dealer footprint. Our dealer-centric business model encourages dealers to use our broad range of products through incentive programs like our Ally Dealer Rewards program, which rewards individual dealers based on the depth and breadth of our relationship. Our automotive finance services include providing retail installment sales contracts, loans and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, warehouse lines to companies, fleet financing, providing financing to companies and municipalities for the purchase or lease of vehicles and equipment, and vehicle remarketing services. We also offer retail VSCs and commercial insurance primarily covering dealers' wholesale vehicle inventories. We are a leading provider of VSCs, GAP, and vehicle maintenance contracts (VMCs).

Automotive Finance

Our Automotive Finance operations provide U.S.-based automotive financing services to consumers and automotive dealers, and automotive and equipment financing services to companies and municipalities. Our dealer-focused business model, value added products and services, full spectrum lending, and business expertise proven over many credit cycles make us a premier automotive finance company. For consumers, we provide retail financing and leasing for new and used vehicles, including recreational vehicles (RVs). In addition, our Commercial Services Group (CSG) provides automotive financing for small businesses and automotive and equipment financing for companies and municipalities. At December 31, 2017, our CSG and RV channels had \$7.3 billion and \$1.8 billion, respectively, of retail loans outstanding. Through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale floorplan financing. At December 31, 2017, our Automotive Finance operations had \$114.1 billion of assets and generated \$4.1 billion of total net revenue in 2017. We manage commercial account servicing for approximately 3,800 dealers that utilize our floorplan inventory lending or other commercial loans. We provide consumer asset servicing for a \$79.7 billion portfolio at December 31, 2017. The extensive infrastructure, technology, and analytics of our servicing operations as well as the experience of our servicing personnel enhance our ability to minimize our loan losses and enable us to deliver a favorable customer experience to both our dealers and their retail customers. During 2017, we continued to reposition our origination profile to focus on capital optimization and risk-adjusted returns. In 2017, total retail and lease originations were \$34.7 billion, a decline of \$1.3 billion compared to 2016.

Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers that originate loans and leases for their retail customers to acquire new and used vehicles. Ally and other automotive finance providers purchase these loans and leases from automotive dealers, which are independently owned businesses and are the primary customers of our automotive finance business. As the marketplace evolves, our growth strategy continues to focus on diversifying our operations by expanding into different products, responding to the growing trends for a more streamlined and digital automotive financing process to serve both dealers and consumers, and continuing to strengthen and expand our network of dealer relationships. To enhance our automotive finance offerings, relationships, and digital capabilities, in 2017 we built upon the platform acquired from the 2016 purchase of Blue Yield and introduced Clearlane, an online automotive lender exchange, expanding our direct-to-consumer capabilities and providing an end-to-end digital platform for consumers seeking financing and

dealers looking to drive online sales. In addition to providing a digital direct-to-consumer channel for Ally to acquire automotive loans, Clearlane is a fee-based business that generates revenue by successfully referring leads to automotive lenders and insurance providers, and enhances our ability to partner with other direct lending institutions and digital automotive distributors. Additionally, we expanded our relationship with Carvana, a leading eCommerce platform for buying used cars, to provide up to approximately \$2.0 billion in purchases of retail installment sales contracts and warehouse financing for Carvana. We believe these actions will enable us to respond to the growing trends for a more streamlined and digital automotive financing process to serve both dealers and consumers.

The Growth channel was established as a formal channel in 2012 to focus on developing dealer relationships beyond our existing relationships that primarily were developed through our role as a captive finance company historically for the GM and Chrysler brands, and was recently expanded to include our direct-to-consumer lending offering, and other online automotive retailers. We have established relationships with thousands of Growth channel dealers through our customer-centric approach and specialized incentive programs designed to drive loyalty amongst dealers to Ally products and services. The success of the Growth channel has been a key enabler to converting our business model from a focused captive finance company to a leading market competitor. In this channel, we currently have approximately 12,000 dealer relationships, of which nearly 11,000 are franchised dealers (from brands such as Ford, Nissan, Kia, Hyundai, Toyota, Honda, and others), RV dealers, or used vehicle only retailers that have a national presence.

Over the past several years, we have continued to focus on the used vehicle segment primarily through franchised dealers, which has resulted in used vehicle financing volume growth. The highly-fragmented used vehicle financing market, with a total financing opportunity represented by over 270 million vehicles in operation, provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our risk-adjusted return on retail loan originations. In January 2018, we expanded our relationship with

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DriveTime, the nation's second largest vehicle retailer focused solely on used vehicles, to provide up to \$750 million for the purchase of retail installment sales contracts.

For consumers, we provide retail automotive financing and leasing for new and used vehicles. Retail financing for the purchase of vehicles generally takes the form of installment sales financing. During both 2017 and 2016, we originated a total of approximately 1.3 million automotive loans and leases, totaling approximately \$34.7 billion and \$36.0 billion, respectively. Since the end of 2014, we have experienced growth in our consumer retail automotive loan portfolio and a significant reduction in lease assets. This shift in our portfolio mix has contributed to an increase in provision expense for loan losses. Consumer lease residuals are not included in the allowance for loan losses as changes in the expected residual values on consumer leases are included in depreciation expense over the remaining life of the lease. Our risk to future fluctuations in used vehicle values has diminished in recent years as our lease assets have declined materially. As of December 31, 2017, operating lease assets, net of accumulated depreciation, decreased 55%, to \$8.7 billion, since December 31, 2014. While all leases are exposed to potential reductions in used vehicle values, only loans where we take possession of the vehicle are affected by potential reductions in used vehicle values. Our consumer automotive financing operations generate revenue through finance charges or lease payments and fees paid by customers on retail contracts and leases. When the lease contract is originated, we estimate the residual value of the leased vehicle at lease termination. Periodically we revise the projected residual value of the leased vehicle at lease termination and adjust depreciation expense over the remaining life of the lease if appropriate. Given the fluctuations in used vehicle values, our actual sales proceeds from remarketing the vehicle may be higher or lower than the projected residual value which results in gains or losses on lease termination. During 2017, we recognized \$124 million of gains on lease terminations, compared to \$213 million of gains in 2016. Remarketing gains decreased in 2017 due to lower used vehicle prices and a decline in lease termination volume.

We continue to maintain a diverse mix of product offerings across a broad risk spectrum, subject to underwriting policies that reflect our risk appetite. Our current operating results continue to increasingly reflect our ongoing strategy. The strategy to grow used vehicle financing—the market opportunity for which has increased year over year with continued growth in used vehicle sales—has provided volume at lower credit tiers, which to date has provided higher-yielding loans and an increase in provision expense in line with our expectations for credit performance of the portfolio. While we predominately focus on prime-lending markets, we seek to be a meaningful lender to a wide spectrum of borrowers and continue to carefully measure risk versus return. We place great emphasis on our risk management and risk-based pricing policies and practices.

Our commercial automotive financing operations primarily fund dealer inventory purchases of new and used vehicles, commonly referred to as wholesale floorplan financing. This represents the largest portion of our commercial automotive financing business. Wholesale floorplan loans are secured by vehicles financed (and all other vehicle inventory), which provide strong collateral protection in the event of dealership default. Additional collateral and/or other credit enhancements (e.g., personal guarantees from dealership owners) are typically obtained to further mitigate credit risk. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles. Interest on wholesale automotive financing is generally payable monthly and is indexed to a floating rate benchmark. The rate for a particular dealer is based on, among other considerations, competitive factors and the dealer's creditworthiness. During 2017, we financed an average of \$31.6 billion of dealer vehicle inventory through wholesale floorplan financings. Other commercial automotive lending products, which averaged \$5.8 billion during 2017, consist of automotive dealer term loans, including those to finance dealership land and buildings, dealer fleet financing, and other equipment financing. We also provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale vehicle transactions. In 2017, Ally and other parties, including dealers, fleet rental companies, and financial institutions, utilized SmartAuction to sell approximately 356,000 vehicles to dealers and other commercial customers. SmartAuction served as the remarketing channel for 56% of Ally's off-lease vehicles.

Insurance

Our Insurance operations offer both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer financial and insurance products, we provide VSCs, VMCs, GAP products, and other ancillary products desired by consumers. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory. In the third quarter of 2017, we completed the national roll-out of ClearGuard, a new protection product designed to minimize the risk to dealers, on the SmartAuction platform, of arbitration claims for eligible vehicles sold at auction. Additionally, during the third quarter of 2017, we were awarded a long-term commitment to continue as the preferred VSC and protection plan provider for GM Canada. Our Insurance operations had \$7.5 billion of assets at December 31, 2017, and generated \$1.1 billion of total net revenue in 2017.

In addition to our product offerings, we provide consultative services and training to assist dealers in optimizing Finance and Insurance results, achieving high levels of customer satisfaction, and achieving regulatory compliance. Our services also include an advisory role to the dealer relative to the necessary liability and physical damage coverages for a dealership.

Our VSCs for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle warranty. These VSCs are marketed to the public through automotive dealerships and on a direct response basis. The VSCs cover virtually all vehicle makes and models. We also offer GAP products, which allow the recovery of a specified economic loss beyond the covered vehicle's value in the event the vehicle is damaged or stolen and declared a total loss. We continue to

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evolve our product suite and digital capabilities to position our business for future opportunities through growing third-party relationships and sales through our online automotive lending exchange Clearlane.

Ally Premier Protection is our flagship vehicle service contract offering which was launched nationwide in June 2015, and provides coverage for new and used vehicles of virtually all makes and models. As we broadened our business beyond GM, Ally Premier Protection replaced the General Motors Protection Plan nameplate, which was discontinued in 2016.

Wholesale vehicle inventory insurance for dealers provides physical damage protection for dealers' floorplan vehicles. Among dealers to whom we provide wholesale financing, our wholesale insurance product penetration rate is approximately 79%. Dealers who receive wholesale financing from Ally are eligible for wholesale insurance incentives, such as automatic eligibility in our preferred insurance programs. In April 2017, we entered into a one-year reinsurance agreement to obtain excess of loss coverage for our vehicle inventory insurance product, including catastrophe coverage for weather-related events, to help manage our level of risk.

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

Mortgage Finance

Our Mortgage Finance operations consist of held-for-investment and held-for-sale consumer mortgage finance loan portfolios. We acquire mortgage loans through two primary channels including bulk purchases of high-quality jumbo and low-to-moderate income (LMI) mortgage loans originated by third parties, as well as direct-to-consumer mortgage offerings through Ally Home. The combination of our bulk portfolio purchase program and our direct-to-consumer strategy provides the capacity to expand revenue sources and further grow and diversify our finance receivable portfolio with an attractive asset class while also deepening relationships with existing Ally customers.

Our bulk loan purchase program acquires loans beyond our current customer base and seeks to purchase only from sellers with the financial capacity to support strong representations and warranties and who have the industry knowledge and experience to originate high-quality assets. Our bulk loan purchases are held-for-investment. During the year ended December 31, 2017, we purchased \$4.5 billion of mortgage loans that were originated by third parties. Through our direct-to-consumer channel, introduced late in 2016, we offer a variety of competitively-priced jumbo and conforming fixed- and adjustable-rate mortgage products through a third-party fulfillment partner. In March 2017, we broadened our product suite with the addition of the HomeReady® mortgage loan, a Fannie Mae product designed to serve creditworthy, low- to moderate-income borrowers. Under our current arrangement, our direct-to-consumer conforming mortgages are originated as held-for-sale and sold, while jumbo mortgages are originated as held-for-investment.

Currently, all servicing for our portfolios of mortgage loans is performed by a third party and no mortgage servicing rights are created. Our Mortgage Finance operations had \$11.7 billion of assets at December 31, 2017, and generated \$136 million of total net revenue in 2017.

Corporate Finance

Our Corporate Finance operations primarily provide senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle market companies. We believe our attractive deposit-based funding model coupled with our expanded product offerings and deep industry relationships provide an advantage over our competition, which includes other banks as well as publicly and privately held finance companies. Our Corporate Finance lending portfolio is almost entirely composed of first lien, first out loans. Our primary focus is on businesses owned by private equity sponsors with loans typically used for leveraged buyouts, mergers and acquisitions, debt refinancing, restructurings, and working capital. The portfolio is well diversified across multiple industries including retail,

manufacturing, distribution, service companies, and other specialty sectors. These specialty sectors include our Healthcare and Technology Finance verticals. The Healthcare vertical provides financing across the healthcare spectrum including services, pharmaceuticals, manufacturing, and medical devices and supplies. Our Technology Finance vertical, which was launched in the fourth quarter of 2015, provides financing solutions to venture capital-backed, technology-based companies. Additionally, in 2017 we launched a commercial real estate product focused on lending to skilled nursing facilities, senior housing, medical office buildings, and hospitals. Our target commitment hold level for individual exposures ranges from \$20 million to \$100 million for individual borrowers, depending on product type. We also selectively arrange larger transactions that we may retain on-balance sheet or syndicate to other lenders. By syndicating loans to other lenders, we are able to provide larger financing commitments to our customers and generate loan syndication fee income while limiting our risk exposure to individual borrowers. Loan facilities typically include both a revolver and term loan component. All of our loans are floating rate facilities with maturities ranging from two to seven years. In certain instances, we may be offered the opportunity to make small investments in our borrowers, where we could benefit from potential appreciation in the company's value. Another smaller complementary product offering that helps strengthen our reputation as a full spectrum provider of financing solutions for borrowers includes selectively offering second out loans on certain transactions and issuing letters of credit through Ally Bank.

As we continue to strengthen our origination platform and expand into additional product offerings, we have prudently grown our lending portfolio while maintaining credit discipline as we believe this asset class offers attractive returns and diversification benefits to our broader lending portfolio. Our Corporate Finance operations had \$4.0 billion of assets at December 31, 2017, and generated \$212 million of total net revenue in 2017.

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Corporate and Other

Corporate and Other primarily consists of centralized corporate treasury activities such as management of the cash and corporate investment securities and loan portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, original issue discount, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes activity related to the Ally CashBack credit card, certain equity investments, which primarily consist of Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock, the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, and reclassifications and eliminations between the reportable operating segments.

In May 2017, we launched Ally Invest, our digital brokerage and wealth management offering that combines the platform we acquired from the acquisition of TradeKing Group, Inc. (TradeKing) in June 2016 with our award-winning online banking products in a single, convenient customer experience that provides low-cost investing with competitive deposit products. Through Ally Invest, we are able to offer a broader array of personal finance products through a fully-integrated digital consumer platform centered around self-directed products and digital advisory services. Our value proposition is based on the combination of attractive pricing, a broad product offering for active and passive investors, and outstanding client-focused and user-friendly customer service that is accessible 24 hours a day, seven days a week, via the phone, web or email—consistent with the Ally brand.

Ally Invest provides clients with services including self-directed trading for a variety of securities including stocks, options, ETFs, mutual funds, and fixed-income products through Ally Invest Securities. Ally Invest Securities also offers margin lending, which allows customers to borrow money by using securities and cash currently held in their accounts as collateral. Through Ally Invest Forex, we offer self-directed investors and traders the ability to trade over fifty currency pairs through a state-of-the-art forex trading platform. Through Ally Invest Futures, we provide investors and traders with access to futures markets and the ability to trade a variety of futures contracts including metals, commodities, agriculture, global indices, bonds, and currencies.

Ally Invest also provides digital advisory services to clients through web-based solutions, informational resources, and virtual interaction through Ally Invest Advisors, an SEC-registered investment advisor. These services have emerged as a fast-growing segment within the financial services industry over the past several years. The program provides clients the opportunity to obtain professional portfolio management services in return for a fee that is based upon the client's assets under management (AUM). Ally Advisors consists of a number of core managed portfolios that hold ETFs diversified across asset class, industry sector, and geography, which are customized for each client based on risk tolerance, investment time horizon and wealth ratio.

Financial results related to our online brokerage operations are currently included within Corporate and Other. The net financing revenue and other interest income of our Automotive Finance, Mortgage Finance, and Corporate Finance operations includes the results of an FTP process that insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity and maturity characteristics. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Automotive Finance, Mortgage Finance, and Corporate Finance operations, based on anticipated maturity and a benchmark rate curve plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise, including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology is used to allocate equity to these operations.

Ally Bank Deposits

Ally Bank—our direct banking platform, is focused on growing a stable deposit base and deepening relationships with our 1.4 million primary deposit customers driven by our compelling brand and strong value proposition. We obtain retail deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. We have grown our direct banking activities and established a strong brand that is based on a promise of being straightforward, easy to use, and offering high-quality customer service. Ally has consistently increased its share of

the direct banking deposit market and remains one of the largest direct banks in terms of retail deposit balances. Our segment results include cost of funds associated with product offerings. Noninterest costs associated with deposit gathering activities were \$263 million for the year ended December 31, 2017, and are allocated to each segment based on their relative balance sheets.

Our products and services are designed to develop long-term customer relationships and capitalize on the shift in consumer preference for direct banking. Our direct online bank offers a full spectrum of deposit product offerings, such as savings and money market accounts, interest-bearing checking accounts, certificates of deposit (CDs), including several raise-your-rate CD terms, individual retirement account (IRA) deposit products, accounts for trust, Zelle® person-to-person payments services, eCheck remote deposit capture, and mobile banking. In addition, brokered deposits are obtained through third-party intermediaries. At December 31, 2017, Ally Bank had \$93.2 billion of deposits, including \$77.9 billion of retail deposits. Over the past several years, the continued growth of our retail base has contributed to a more favorable mix of lower cost deposit-based funding. The recent growth in total deposits has been primarily attributable to our retail deposit portfolio—particularly within retail CDs, as we capitalized on a shift in consumer preference from savings accounts to CDs. Our savings and money market accounts also continued to grow in 2017. Strong retention rates and customer acquisition, reflecting the strength of the brand, continue to drive growth in retail deposits. Moreover, our brokered deposit portfolio continued to grow, driven by the addition of Ally Invest customer cash and an increase in brokered CDs. During 2017, the deposit base at Ally Bank grew \$14.4 billion, an increase of approximately 18% from December 31, 2016.

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We believe we are well-positioned to continue to benefit from the consumer driven-shift from branch banking to direct banking as demonstrated by the growth we have experienced. Our 1.4 million deposit customers and 2.7 million retail bank accounts as of December 31, 2017, reflects an increase from 1.2 million and 2.3 million, respectively as compared to the same period in 2016. According to a 2017 American Bankers Association survey, 72% of customers prefer to do their banking most often via digital and other direct channels (internet, mobile, telephone, and mail). Furthermore, over the past five years, estimated direct banking deposits as a percentage of the broader retail deposits market increased by approximately 1.8 percentage points, from 6.3% to 8.1%. We have received a positive response to innovative savings and other deposit products and have been recognized as a “best online bank” by industry and consumer publications. Ally Bank’s competitive direct banking includes online and mobile banking features such as electronic bill pay, remote deposit, and electronic funds transfer nationwide, with innovative interfaces such as banking through Alexa-enabled devices, and no minimum balance requirements.

In the future, we intend to continue to grow and invest in our direct online bank and further capitalize on the shift in consumer preference for direct banking with expanded digital capabilities and customer-centric products that utilize advanced analytics for personalized interactions and other technologies that improve efficiency, security, and the customer’s emotional connection to the brand. We are focused on growing, deepening, and further leveraging the customer relationships and brand loyalty that exist with Ally Bank and its customers as a catalyst for future loan and deposit growth, as well as revenue opportunities that arise from introducing Ally Bank deposit customers to our digital wealth management offering, Ally Invest.

Funding and Liquidity

Our funding strategy largely focuses on maintaining a diversified mix of retail and brokered deposits, public and private asset-backed securitizations, committed credit facilities, and public unsecured debt. These funding sources are managed across products, markets, and investors to enhance funding flexibility and limit dependence on any one source, resulting in a more cost-effective long-term funding strategy.

Prudent expansion of asset originations at Ally Bank and continued growth of a stable deposit base continues to be the cornerstone of our long-term liquidity strategy. Retail deposits provide a low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in our credit ratings than other funding sources. At December 31, 2017, deposit liabilities totaled \$93.3 billion, which reflects an increase of \$14.2 billion. During the year, deposits as a percentage of total liability-based funding increased nine percentage points to 63% at December 31, 2017.

In addition to building a larger deposit base, we continue to remain active in the securitization markets to finance our automotive loan portfolios. During 2017, we issued \$7.3 billion in secured funding backed by retail automotive loans, leases, and dealer floorplan automotive assets. Secured funding transactions continue to be an attractive source of funding due to continued securitization structural efficiencies and the established market. Additionally, for retail loans and leases, the term structure of the transaction locks in funding for a specified pool of loans and leases. Once a pool of retail automotive loans is selected and placed into a securitization, the underlying assets and corresponding debt amortize simultaneously resulting in committed and matched funding for the life of the asset. We manage the execution risk arising from secured funding by maintaining a diverse investor base and maintaining committed secured facilities.

As we continue to migrate assets to Ally Bank and grow our bank funding capabilities, our reliance on parent company liquidity has been reduced. At December 31, 2017, 82% of Ally’s total assets were within Ally Bank. This compares to approximately 75% as of December 31, 2016. Funding sources at the parent company generally consist of longer-term unsecured debt, asset-backed securitizations, and private committed credit facilities. At December 31, 2017, we had \$3.6 billion and \$1.7 billion of unsecured long-term debt principal maturing in 2018 and 2019, respectively. We plan to reduce our reliance on market-based funding and continue to replace a significant portion of our unsecured term debt with lower cost deposit funding.

The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at December 31, 2017, was \$18.1 billion. Absolute levels of liquidity decreased during 2017 as a result of liability and equity management transactions.

Credit Strategy

Within our Automotive Finance operations, we are a full spectrum automotive finance lender with the majority of our loan originations underwritten within the prime-lending markets. During 2017, our strategy for originations was to optimize the deployment of stockholder capital by focusing on our risk-adjusted returns against available origination opportunities. Our loan originations resulting from our current underwriting strategy continue to impact the composition of our overall portfolio by shifting the credit mix to reflect more used, higher loan-to-value (LTV), extended term, Growth channel, nonprime, and nonsubvented business. Our Mortgage Finance operations acquire mortgage loans through two primary channels including bulk purchases of high-quality jumbo and low-to-moderate income (LMI) mortgage loans originated by third parties, as well as direct-to-consumer mortgage offerings through Ally Home. Our bulk loan purchase program acquires loans beyond our current customer base and seeks to purchase only from sellers with the financial capacity to support strong representations and warranties and who have the industry knowledge and experience to originate high-quality assets. Under our current arrangement, our direct-to-consumer conforming mortgages are originated as held-for-sale and sold, while jumbo mortgages are originated as held-for-investment. Currently, all servicing for our portfolios of mortgage loans is performed by a third party and no mortgage servicing rights are created.

During the year ended December 31, 2017, the credit performance of our portfolios reflected our diversification through our underwriting strategy. Total nonperforming consumer automotive loans increased slightly due to portfolio growth, but remained relatively stable as compared to our outstanding consumer automotive finance receivables and loans. Net charge-offs of our consumer automotive assets

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increased due to the seasoning of recent vintages entering their peak loss periods, reflecting our underwriting strategy to originate loans across a broad credit spectrum and expand our risk-adjusted returns, as well as lower average sales proceeds on repossessed vehicles as compared to 2016. Total nonperforming commercial loans decreased primarily due to reductions within our Corporate Finance portfolio as a result of the payoff of a larger loan and the recognition of a partial charge-off on a loan that was restructured during the year, as well as lower dealer inventory levels in our commercial automotive portfolio year over year. While we experienced a small increase in our net charge-offs within our Corporate Finance portfolio, commercial credit continues to perform favorably. We have completed our sixth consecutive year with the net charge-off rate of our commercial automotive portfolio less than or equal to one basis point. The increase in total nonperforming consumer mortgage loans was primarily due to the impact of the hurricanes that occurred during the third quarter of 2017, portfolio seasoning, and growth of the portfolio. Our provision for loan losses increased to \$1.1 billion in 2017 from \$917 million in 2016. The increase was primarily due to our consumer automotive portfolio and reflects higher net charge-offs realized as a result of our strategy to achieve higher risk-adjusted returns by originating assets across a broad credit spectrum, and retail asset growth. Additionally, provision expense increased due to estimated impacts of hurricanes that occurred during the third quarter of 2017, which most notably impacted our consumer automotive portfolio.

During 2017, the U.S. economy continued to modestly expand and consumer confidence remained strong. The labor market remained healthy during the year, with the unemployment rate falling to 4.1% as of December 31, 2017. Our credit portfolios will continue to be impacted by the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. We experienced downward pressure on used vehicle values in 2017 and expect that may continue throughout 2018.

Discontinued Operations

During 2013 and 2012, certain disposal groups met the criteria to be presented as discontinued operations. The remaining activity relates to previous discontinued operations for which we continue to have wind-down, legal, and minimal operational costs. For all periods presented, the operating results for these operations have been removed from continuing operations. Refer to Note 3 to the Consolidated Financial Statements for more details. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

Primary Lines of Business

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, Mortgage Finance, and Corporate Finance are our primary lines of business. The following table summarizes the operating results excluding discontinued operations of each line of business. Operating results for each of the lines of business are more fully described in the MD&A sections that follow.

Year ended December 31, (\$ in millions)	2017	2016	2015	Favorable/(unfavorable) 2017–2016 % change	Favorable/(unfavorable) 2016–2015 % change
Total net revenue (loss)					
Dealer Financial Services					
Automotive Finance	\$4,068	\$3,971	\$3,664	2	8
Insurance	1,118	1,097	1,090	2	1
Mortgage Finance	136	97	57	40	70
Corporate Finance	212	147	114	44	29
Corporate and Other	231	125	(64)	85	n/m
Total	\$5,765	\$5,437	\$4,861	6	12
Income (loss) from continuing operations before income tax expense					
Dealer Financial Services					
Automotive Finance	\$1,220	\$1,380	\$1,335	(12)	3

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Insurance	168	157	211	7	(26)
Mortgage Finance	20	34	11	(41)	n/m
Corporate Finance	114	71	50	61	42
Corporate and Other	(15)	(61)	(214)	75	71
Total	\$1,507	\$1,581	\$1,393	(5)	13

n/m = not meaningful

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Consolidated Results of Operations

The following table summarizes our consolidated operating results excluding discontinued operations for the periods shown. Refer to the operating segment sections of the MD&A that follows for a more complete discussion of operating results by line of business.

Year ended December 31, (\$ in millions)	2017	2016	2015	Favorable/(unfavorable) 2017–2016	% change	Favorable/(unfavorable) 2016–2015	% change
Net financing revenue and other interest income							
Total financing revenue and other interest income	\$8,322	\$8,305	\$8,397	—		(1)	
Total interest expense	2,857	2,629	2,429	(9)		(8)	
Net depreciation expense on operating lease assets	1,244	1,769	2,249	30		21	
Net financing revenue and other interest income	4,221	3,907	3,719	8		5	
Other revenue							
Insurance premiums and service revenue earned	973	945	940	3		1	
Gain on mortgage and automotive loans, net	68	11	45	n/m		(76)	
Loss on extinguishment of debt	(7)	(5)	(357)	(40)		99	
Other gain on investments, net	102	185	155	(45)		19	
Other income, net of losses	408	394	359	4		10	
Total other revenue	1,544	1,530	1,142	1		34	
Total net revenue	5,765	5,437	4,861	6		12	
Provision for loan losses	1,148	917	707	(25)		(30)	
Noninterest expense							
Compensation and benefits expense	1,095	992	963	(10)		(3)	
Insurance losses and loss adjustment expenses	332	342	293	3		(17)	
Other operating expenses	1,683	1,605	1,505	(5)		(7)	
Total noninterest expense	3,110	2,939	2,761	(6)		(6)	
Income from continuing operations before income tax expense	1,507	1,581	1,393	(5)		13	
Income tax expense from continuing operations	581	470	496	(24)		5	
Net income from continuing operations	\$926	\$1,111	\$897	(17)		24	

n/m = not meaningful

2017 Compared to 2016

We earned net income from continuing operations of \$926 million for the year ended December 31, 2017, compared to \$1.1 billion for the year ended December 31, 2016. During the year ended December 31, 2017, results were

favorably impacted by higher net financing revenue across all lending operations resulting from a continued focus on optimizing portfolio growth through pricing actions and originating loans across a broader credit spectrum within our Automotive Finance operations, and growth within our Mortgage Finance and Corporate Finance operations. Higher investment securities balances and a more favorable interest rate environment also contributed to higher yields on our earnings assets. Results were also favorably impacted by higher gains on the sale of automotive loans and higher insurance premiums and service revenue earned. These items were more than offset by runoff in our legacy GM operating lease portfolio, higher provision expense related to our focus on originating across a broader credit spectrum with appropriate risk-adjusted returns, and estimated impacts from hurricane related activity during the third quarter of 2017. Results were also unfavorably impacted by higher noninterest expense to support the launch and growth of our consumer and commercial product offerings, technology and digital investments, and lower realized gains on investments. Additionally, net income was unfavorably impacted by \$119 million of income tax expense driven primarily by a one-time impact of the passage of tax reform legislation during the fourth quarter of 2017 as further described in Note 23 to the Consolidated Financial Statements, and a nonrecurring tax benefit in the second quarter of 2016 due to a U.S. tax reserve release related to a prior-year federal return that reduced our liability for unrecognized tax benefits by \$175 million, both of which were partially offset by changes to our valuation allowance relating to capital-in-nature deferred tax assets and foreign tax credit carryforwards.

Net financing revenue and other interest income increased \$314 million for the year ended December 31, 2017, compared to the year ended December 31, 2016. Income from our portfolio of investment securities and other earning assets, including cash and cash equivalents, increased \$204 million for the year ended December 31, 2017, due primarily to growth of investment securities balances as we continue to utilize this portfolio to manage liquidity and generate a stable source of income. Net financing revenue and other interest income from our Automotive Finance operations increased, despite continued runoff of our legacy GM lease portfolio, which we expect to be substantially wound-down by the second quarter of 2018. Retail automotive financing revenue continued to benefit from our pricing actions and efforts to

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reposition our origination profile to focus on capital optimization and risk-adjusted returns, as well as higher average retail asset levels. Commercial automotive financing revenue also increased during the period due to higher benchmark interest rates and an increase in average outstanding floorplan assets. Net financing revenue and other interest income within our Mortgage Finance operations was favorably impacted in 2017 by increased portfolio loan balances as a result of bulk purchases of high-quality jumbo and LMI mortgage loans and direct-to-consumer originations. Net financing revenue and other interest income within our Corporate Finance operations was favorably impacted in 2017 by our strategy to responsibly grow assets and our product suite within existing verticals while selectively pursuing opportunities to broaden industry and product diversification. Total interest expense increased 9% for the year ended December 31, 2017, compared to the year ended December 31, 2016. While we continue to shift borrowings toward more cost-effective deposit funding and to reduce our dependence on market-based funding through reductions in higher-cost secured and unsecured debt, interest expense increased as a result of higher borrowing levels to support the business and due to higher market rates across funding sources. Our total deposit liabilities increased to \$93.3 billion as of December 31, 2017, as compared to \$79.0 billion as of December 31, 2016. Insurance premiums and service revenue earned increased to \$973 million for the year ended December 31, 2017, as compared to \$945 million for the year ended December 31, 2016, primarily due to higher vehicle inventory insurance rates and growth in our consumer finance protection and insurance products, partially offset by ceding of premiums under a one-year reinsurance agreement we entered into in April 2017.

Gain on mortgage and automotive loans increased to \$68 million for the year ended December 31, 2017, as compared to \$11 million for the year ended December 31, 2016. The increase was primarily driven by sales of certain previously written-down retail automotive loans related to consumers in Chapter 13 bankruptcy where borrowers continue to make payments to proactively manage our overall credit exposure, asset levels, and capital utilization.

Other gain on investments was \$102 million for the year ended December 31, 2017, compared to \$185 million for the year ended December 31, 2016. The decrease was due primarily to higher levels of sales of investment securities in 2016 that did not recur in 2017.

Other income increased to \$408 million for the year ended December 31, 2017, as compared to \$394 million for the year ended December 31, 2016. The increase for the year ended December 31, 2017, was primarily due to contributions from our Corporate Finance operations, which included an \$11 million equity investment gain in the first quarter of 2017 and an increase in loan syndication income, as well as contributions from operations of Ally Invest included in our results subsequent to acquisition in the second quarter of 2016. This was partially offset by a decrease in servicing fee income at our Automotive Finance operations resulting from lower levels of off-balance sheet retail serviced assets.

The provision for loan losses was \$1.1 billion for the year ended December 31, 2017, compared to \$917 million for the year ended December 31, 2016. The increase in provision for loan losses was primarily driven by our consumer automotive portfolio, where we experienced higher net charge-offs as a result of our focus on originating across a broader credit spectrum by focusing on risk-adjusted returns. Additionally, provision expense increased in 2017 due to retail asset growth and the estimated impacts of hurricane activity that occurred during the third quarter of 2017, which most notably impacted our retail automotive loan portfolio. Refer to the Risk Management section of this MD&A for further discussion.

Noninterest expense was \$3.1 billion for the year ended December 31, 2017, compared to \$2.9 billion for the year ended December 31, 2016. The increase was primarily driven by expenses related to the growth of our consumer and commercial products, including the addition and integration of Ally Invest and Clearlane, as well as the expansion of our direct-to-consumer mortgage offering as we continue to enhance our digital wealth management offering, expand our product suite, and grow digital platforms for consumers and dealers. This increase was partially offset by lower insurance losses and loss adjustment expenses during the year ended December 31, 2017, compared to the year ended December 31, 2016, primarily due to the ceding of weather-related losses subject to a reinsurance agreement.

We recognized total income tax expense from continuing operations of \$581 million for the year ended December 31, 2017, compared to \$470 million for the year ended December 31, 2016. The increase in income tax expense for the year ended December 31, 2017, compared to the year ended December 31, 2016, was primarily driven by \$119 million of tax expense attributable to tax reform enacted on December 22, 2017, as further described in Note 23 to the Consolidated Financial Statements, and a nonrecurring tax benefit in the second quarter of 2016 due to a U.S. tax reserve release related to a prior-year federal return that reduced our liability for unrecognized tax benefits by \$175 million. The increase in tax expense was partially offset by changes to our valuation allowance relating to capital-in-nature deferred tax assets and foreign tax credit carryforwards.

2016 Compared to 2015

We earned net income from continuing operations of \$1.1 billion for the year ended December 31, 2016, compared to \$897 million for the year ended December 31, 2015. The increase was primarily due to an increase in net financing revenue and other interest income and lower losses on the extinguishment of debt. Results for the year ended December 31, 2016, were also favorably impacted by increases in other gain on investments and other income, and a decrease in income tax expense. This was partially offset by a decrease in gain on mortgage and automotive loans, an increase in the provision for loan losses primarily due to a deliberate shift to originate loans across a broader credit spectrum, an increase in insurance losses and loss adjustment expenses as a result of higher weather-related losses in 2016, and an increase in other operating expenses.

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Net financing revenue and other interest income increased \$188 million for the year ended December 31, 2016, compared to the year ended December 31, 2015. Net financing revenue and other interest income at our Automotive Finance operations was favorably impacted by higher consumer financing revenue primarily due to the execution of our continued strategic focus on expanding risk-adjusted returns and an increase in retail assets, as well as higher commercial financing revenue primarily resulting from an increase in dealer floorplan assets. The increase was offset by a decrease in operating lease revenue, net of depreciation, primarily resulting from substantially lower lease remarketing gains, and the runoff of our GM lease portfolio. Net financing revenue and other interest income at our Mortgage Finance operations was favorably impacted by increased loan balances as a result of bulk purchases of high-quality jumbo and LMI mortgage loans. Net financing revenue and other interest income at our Corporate Finance operations was favorably impacted by asset growth across all business segments in line with our growth strategy. Total interest expense increased 8% for the year ended December 31, 2016, compared to 2015. Interest on deposits increased \$112 million for the year ended December 31, 2016, compared to 2015, due to continued deposit growth. Interest on debt increased \$88 million for the year ended December 31, 2016, compared to 2015. The increase was primarily the result of increased LIBOR rates and nonrecurring favorable debt hedging activity in 2015. The increases in interest expense for the year ended December 31, 2016, were partially offset by the repayment of higher-cost legacy debt.

Gain on mortgage and automotive loans decreased \$34 million for the year ended December 31, 2016, compared to the year ended December 31, 2015. The change was primarily due to nonrecurring sales of legacy troubled debt restructuring (TDR) mortgage loans in 2015.

Loss on extinguishment of debt decreased \$352 million for the year ended December 31, 2016, compared to the year ended December 31, 2015. The decrease was primarily due to the execution of tender offers for legacy, high-cost debt in 2015.

Other gain on investments was \$185 million for the year ended December 31, 2016, compared to \$155 million for the year ended December 31, 2015. The increase was due primarily to an increase in sales of securities compared to the year ended December 31, 2015.

Other income increased \$35 million for the year ended December 31, 2016, compared to 2015, primarily due to an increase in servicing fee income at our Automotive Finance operations resulting from higher levels of off-balance sheet retail serviced assets.

The provision for loan losses was \$917 million for the year ended December 31, 2016, compared to \$707 million for the year ended December 31, 2015. The increase in provision for loan losses was primarily due to higher net charge-offs and higher reserve requirements in our consumer automotive portfolio as a result of our strategy to originate loans across a broader credit spectrum, and reserve releases within the commercial automotive portfolio in the prior year due to strong portfolio performance in 2015. This was partially offset by lower reserve requirements within our Mortgage Finance operations and lower loan growth in our consumer automotive portfolio. Refer to the Risk Management section of this MD&A for further discussion.

Insurance losses and loss adjustment expenses increased \$49 million for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increases were primarily due to severe hailstorms, which drove higher weather-related losses.

Other operating expenses increased \$100 million for the year ended December 31, 2016, compared to the year ended December 31, 2015. The increase was primarily due to increased expenses from the integration of TradeKing, which was acquired on June 1, 2016, higher FDIC deposit fees, and an increase in automotive collection and repossession expenses.

We recognized total income tax expense from continuing operations of \$470 million for the year ended December 31, 2016, compared to \$496 million for the year ended December 31, 2015. The decrease in income tax expense for the year ended December 31, 2016, was driven primarily by a tax benefit that resulted from a U.S. tax reserve release related to a prior year federal return that was settled in 2016 and reduced our liability for unrecognized tax benefits.

This tax benefit was partially offset by increases in tax expense attributable to higher pretax earnings and the establishment of a valuation allowance against our capital loss carryforwards. The U.S. tax reserve release and establishment of a valuation allowance caused significant differences in the usual relationship of income tax expense to pretax earnings.

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Dealer Financial Services

Results for Dealer Financial Services are presented by reportable segment, which includes our Automotive Finance and Insurance operations.

Automotive Finance

Results of Operations

The following table summarizes the operating results of our Automotive Finance operations. The amounts presented are before the elimination of balances and transactions with our other reportable segments.

Year ended December 31, (\$ in millions)	2017	2016	2015	Favorable/(unfavorable) 2017–2016 % change	Favorable/(unfavorable) 2016–2015 % change
Net financing revenue and other interest income					
Consumer	\$3,882	\$3,587	\$3,230	8	11
Commercial	1,306	1,068	939	22	14
Loans held-for-sale	—	—	34	—	(100)
Operating leases	1,867	2,711	3,398	(31)	(20)
Other interest income	6	11	8	(45)	38
Total financing revenue and other interest income	7,061	7,377	7,609	(4)	(3)
Interest expense	2,104	1,943	1,931	(8)	(1)
Net depreciation expense on operating lease assets	1,244	1,769	2,249	30	21
Net financing revenue and other interest income	3,713	3,665	3,429	1	7
Other revenue					
Gain (loss) on automotive loans, net	76	17	(23)	n/m	174
Other income	279	289	258	(3)	12
Total other revenue	355	306	235	16	30
Total net revenue	4,068	3,971	3,664	2	8
Provision for loan losses					