

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended **September 30, 2023**, 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
(State or other jurisdiction of
incorporation or organization)

38-0572512
(I.R.S. Employer
Identification No.)

Ally Detroit Center
500 Woodward Avenue, 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:

Title of each class	Trading Symbols	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	ALLY	NYSE

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
Emerging growth company

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 Exchange Act).

Yes No

At October 27, 2023, the number of shares outstanding of the Registrant's common stock was 301,630,395 shares.

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Glossary of Abbreviations and Acronyms

The following is a list of abbreviations and acronyms that are used in this Quarterly Report on Form 10-Q.

Term	Definition
ALCO	Asset-Liability Committee
ALM	Asset Liability Management
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BHF	Better Home & Finance Holding Company (formerly BMC Holdco)
BHC	Bank holding company
BHC Act	Bank Holding Company Act of 1956, as amended
BMC	Better Mortgage Company
BMC Holdco	Parent of BMC
Board	Ally Board of Directors
BTFP	Bank Term Funding Program
CD	Certificate of deposit
CECL	Accounting Standards Update 2016-13 (and related Accounting Standards Updates), or current expected credit loss
COH	Corporate overhead
COVID-19	Coronavirus disease 2019
CRA	Community Reinvestment Act of 1977, as amended
CSG	Commercial Services Group
CVA	Credit valuation adjustment
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended
DVA	Debit valuation adjustment
EGRRCP Act	Economic Growth, Regulatory Relief, and Consumer Protection Act, as amended
ERMC	Enterprise Risk Management Committee
ESG	Environmental, social, and governance
Exchange Act	Securities Exchange Act of 1934, as amended
F&I	Finance and insurance
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991, as amended
FHC	Financial holding company
FHLB	Federal Home Loan Bank
FRB	Federal Reserve Bank, or Board of Governors of the Federal Reserve System, as the context requires
FTP	Funds-transfer pricing
GAP	Guaranteed asset protection
GDP	Gross domestic product of the United States of America
GLB Act	Gramm-Leach-Bliley Act of 1999, as amended
GM	General Motors Company
IB Finance	IB Finance Holding Company, LLC
LCR	Liquidity coverage ratio
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LIBOR Act	Adjustable Interest Rate (LIBOR) Act
LIHTC	Low-income housing tax credit
LMI	Low-to-moderate income
LTV	Loan-to-value

Index of Defined Terms

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Term	Definition
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
NYSE	New York Stock Exchange
OTC	Over-the-counter
P&C	Property and casualty
PCA	Prompt corrective action
RC	Risk Committee of the Ally Board of Directors
ROU	Right-of-use
RV	Recreational vehicle
RWA	Risk-weighted asset
SEC	U.S. Securities and Exchange Commission
Signature	Signature Bank
SOFR	Secured Overnight Financing Rate
SPE	Special-purpose entity
Stellantis	Stellantis N.V.
SVB	Silicon Valley Bank
Tailoring Rules	The rules implementing Title IV of the EGRRCP Act
TDR	Troubled debt restructuring
TLAC	Total loss-absorbing capacity
UPB	Unpaid principal balance
U.S. Basel III	The rules implementing the 2010 Basel III capital framework in the United States as well as related provisions of the Dodd-Frank Act, as amended from time to time
U.S. GAAP	Accounting Principles Generally Accepted in the United States of America
VIE	Variable interest entity
VMC	Vehicle maintenance contract
VSC	Vehicle service contract
WAC	Weighted-average coupon
wSTWF	Weighted short-term wholesale funding

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Statement of Comprehensive Income (unaudited)

Ally Financial Inc. • Form 10-Q

<i>(\$ in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	\$ 2,837	\$ 2,120	\$ 8,133	\$ 5,676
Interest on loans held-for-sale	7	10	29	18
Interest and dividends on investment securities and other earning assets	267	218	752	609
Interest on cash and cash equivalents	99	16	242	23
Operating leases	385	397	1,179	1,196
Total financing revenue and other interest income	3,595	2,761	10,335	7,522
Interest expense				
Interest on deposits	1,563	567	4,198	1,041
Interest on short-term borrowings	13	43	36	67
Interest on long-term debt	274	194	753	563
Interest on other	—	—	2	1
Total interest expense	1,850	804	4,989	1,672
Net depreciation expense on operating lease assets	212	238	638	674
Net financing revenue and other interest income	1,533	1,719	4,708	5,176
Other revenue				
Insurance premiums and service revenue earned	320	289	936	849
Gain on mortgage and automotive loans, net	4	10	13	28
Other (loss) gain on investments, net	(41)	(54)	59	(173)
Other income, net of losses	152	52	431	347
Total other revenue	435	297	1,439	1,051
Total net revenue	1,968	2,016	6,147	6,227
Provision for credit losses	508	438	1,381	909
Noninterest expense				
Compensation and benefits expense	463	467	1,448	1,397
Insurance losses and loss adjustment expenses	107	70	329	217
Other operating expenses	662	624	1,970	1,807
Total noninterest expense	1,232	1,161	3,747	3,421
Income from continuing operations before income tax (benefit) expense	228	417	1,019	1,897
Income tax (benefit) expense from continuing operations	(68)	117	74	460
Net income from continuing operations	296	300	945	1,437
Loss from discontinued operations, net of tax	—	(1)	(1)	(1)
Net income	296	299	944	1,436
Other comprehensive loss, net of tax	(902)	(1,331)	(706)	(4,182)
Comprehensive (loss) income	\$ (606)	\$ (1,032)	\$ 238	\$ (2,746)

Statement continues on the next page.

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

Condensed Consolidated Statement of Comprehensive Income (unaudited)

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	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<i>(\$ in millions, except per share data; shares in thousands) (a)</i>				
Net income from continuing operations attributable to common stockholders	\$ 269	\$ 273	\$ 862	\$ 1,354
Loss from discontinued operations, net of tax	—	(1)	(1)	(1)
Net income attributable to common stockholders	\$ 269	\$ 272	\$ 861	\$ 1,353
Basic weighted-average common shares outstanding (b)	304,134	308,220	303,497	321,884
Diluted weighted-average common shares outstanding (b)	305,693	310,086	304,601	323,875
Basic earnings per common share				
Net income from continuing operations	\$ 0.88	\$ 0.88	\$ 2.84	\$ 4.20
Loss from discontinued operations, net of tax	—	—	(0.01)	—
Net income	\$ 0.88	\$ 0.88	\$ 2.84	\$ 4.20
Diluted earnings per common share				
Net income from continuing operations	\$ 0.88	\$ 0.88	\$ 2.83	\$ 4.18
Loss from discontinued operations, net of tax	—	—	(0.01)	—
Net income	\$ 0.88	\$ 0.88	\$ 2.83	\$ 4.18
Cash dividends declared per common share	\$ 0.30	\$ 0.30	\$ 0.90	\$ 0.90

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

(b) Includes shares related to share-based compensation that vested but were not yet issued.

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

Condensed Consolidated Balance Sheet (unaudited)

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<i>(\$ in millions, except share data)</i>	September 30, 2023	December 31, 2022
Assets		
Cash and cash equivalents		
Noninterest-bearing	\$ 603	\$ 542
Interest-bearing	7,912	5,029
Total cash and cash equivalents	8,515	5,571
Equity securities	725	681
Available-for-sale securities (amortized cost of \$33,265 and \$34,863)	26,794	29,541
Held-to-maturity securities (fair value of \$779 and \$884)	1,013	1,062
Loans held-for-sale, net	289	654
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	140,260	135,748
Allowance for loan losses	(3,837)	(3,711)
Total finance receivables and loans, net	136,423	132,037
Investment in operating leases, net	9,569	10,444
Premiums receivable and other insurance assets	2,775	2,698
Other assets	9,601	9,138
Total assets	\$ 195,704	\$ 191,826
Liabilities		
Deposit liabilities		
Noninterest-bearing	\$ 188	\$ 185
Interest-bearing	152,647	152,112
Total deposit liabilities	152,835	152,297
Short-term borrowings	2,410	2,399
Long-term debt	20,096	17,762
Interest payable	1,437	408
Unearned insurance premiums and service revenue	3,494	3,453
Accrued expenses and other liabilities	2,607	2,648
Total liabilities	182,879	178,967
Contingencies (refer to Note 23)		
Equity		
Common stock and paid-in capital (\$0.01 par value, shares authorized 1,100,000,000; issued 510,887,028 and 507,682,838; and outstanding 301,629,751 and 299,324,357)	21,936	21,816
Preferred stock	2,324	2,324
Retained earnings (accumulated deficit)	197	(384)
Accumulated other comprehensive loss	(4,765)	(4,059)
Treasury stock, at cost (209,257,277 and 208,358,481 shares)	(6,867)	(6,838)
Total equity	12,825	12,859
Total liabilities and equity	\$ 195,704	\$ 191,826

Statement continues on the next page.

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

Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

The assets of consolidated variable interest entities that can be used only to settle obligations of the consolidated variable interest entities and the liabilities of these entities for which creditors (or beneficial interest holders) do not have recourse to our general credit were as follows.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Assets		
Finance receivables and loans, net		
Consumer automotive	\$ 9,594	\$ 9,547
Allowance for loan losses	(352)	(336)
Total finance receivables and loans, net	9,242	9,211
Other assets	584	645
Total assets	\$ 9,826	\$ 9,856
Liabilities		
Long-term debt	\$ 3,118	\$ 2,436
Accrued expenses and other liabilities	7	5
Total liabilities	\$ 3,125	\$ 2,441

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

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(\$ in millions)	Three months ended September 30,					
	Common stock and paid-in capital	Preferred stock	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at July 1, 2022	\$ 21,762	\$ 2,324	\$ (721)	\$ (3,009)	\$ (6,372)	\$ 13,984
Net income			299			299
Preferred stock dividends — Series B			(16)			(16)
Preferred stock dividends — Series C			(11)			(11)
Share-based compensation	19					19
Other comprehensive loss				(1,331)		(1,331)
Common stock repurchases					(415)	(415)
Common stock dividends (\$0.30 per share)			(95)			(95)
Balance at September 30, 2022	\$ 21,781	\$ 2,324	\$ (544)	\$ (4,340)	\$ (6,787)	\$ 12,434
Balance at July 1, 2023	\$ 21,915	\$ 2,324	\$ 23	\$ (3,863)	\$ (6,867)	\$ 13,532
Net income			296			296
Preferred stock dividends — Series B			(16)			(16)
Preferred stock dividends — Series C			(11)			(11)
Share-based compensation	21					21
Other comprehensive loss				(902)		(902)
Common stock dividends (\$0.30 per share)			(95)			(95)
Balance at September 30, 2023	\$ 21,936	\$ 2,324	\$ 197	\$ (4,765)	\$ (6,867)	\$ 12,825

(\$ in millions)	Nine months ended September 30,					
	Common stock and paid-in capital	Preferred stock	Retained earnings (accumulated deficit)	Accumulated other comprehensive loss	Treasury stock	Total equity
Balance at January 1, 2022	\$ 21,671	\$ 2,324	\$ (1,599)	\$ (158)	\$ (5,188)	\$ 17,050
Net income			1,436			1,436
Preferred stock dividends — Series B			(48)			(48)
Preferred stock dividends — Series C			(35)			(35)
Share-based compensation	110					110
Other comprehensive loss				(4,182)		(4,182)
Common stock repurchases					(1,599)	(1,599)
Common stock dividends (\$0.90 per share)			(298)			(298)
Balance at September 30, 2022	\$ 21,781	\$ 2,324	\$ (544)	\$ (4,340)	\$ (6,787)	\$ 12,434
Balance at January 1, 2023	\$ 21,816	\$ 2,324	\$ (384)	\$ (4,059)	\$ (6,838)	\$ 12,859
Net income			944			944
Preferred stock dividends — Series B			(48)			(48)
Preferred stock dividends — Series C			(35)			(35)
Share-based compensation	120					120
Other comprehensive loss				(706)		(706)
Common stock repurchases					(29)	(29)
Common stock dividends (\$0.90 per share)			(280)			(280)
Balance at September 30, 2023	\$ 21,936	\$ 2,324	\$ 197	\$ (4,765)	\$ (6,867)	\$ 12,825

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

Condensed Consolidated Statement of Cash Flows (unaudited)

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Nine months ended September 30, (<i>\$ in millions</i>)	2023	2022
Operating activities		
Net income	\$ 944	\$ 1,436
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	923	1,000
Provision for credit losses	1,381	909
Gain on mortgage and automotive loans, net	(13)	(28)
Other (gain) loss on investments, net	(59)	173
Originations and purchases of loans held-for-sale	(1,913)	(3,394)
Proceeds from sales and repayments of loans held-for-sale	2,283	3,118
Net change in		
Deferred income taxes	(62)	447
Interest payable	1,029	274
Other assets	29	1,120
Other liabilities	52	(88)
Other, net	86	107
Net cash provided by operating activities	4,680	5,074
Investing activities		
Purchases of equity securities	(257)	(515)
Proceeds from sales of equity securities	295	808
Purchases of available-for-sale securities	(388)	(6,346)
Proceeds from sales of available-for-sale securities	337	768
Proceeds from repayments of available-for-sale securities	1,631	3,720
Purchases of held-to-maturity securities	—	(47)
Proceeds from repayments of held-to-maturity securities	49	133
Purchases of finance receivables and loans held-for-investment	(3,201)	(6,360)
Proceeds from sales of finance receivables and loans initially held-for-investment	25	12
Originations and repayments of finance receivables and loans held-for-investment and other, net	(2,452)	(5,050)
Purchases of operating lease assets	(2,174)	(2,840)
Disposals of operating lease assets	2,384	2,449
Net change in nonmarketable equity investments	(45)	(261)
Other, net	(419)	(379)
Net cash used in investing activities	(4,215)	(13,908)

Statement continues on the next page.

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

Condensed Consolidated Statement of Cash Flows (unaudited)

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Nine months ended September 30, (\$ in millions)	2023	2022
Financing activities		
Net change in short-term borrowings	11	7,200
Net increase in deposits	525	4,166
Proceeds from issuance of long-term debt	4,893	4,867
Repayments of long-term debt	(2,609)	(5,314)
Purchases of land and buildings in satisfaction of finance lease liabilities	—	(44)
Repurchases of common stock	(29)	(1,599)
Common stock dividends paid	(277)	(298)
Preferred stock dividends paid	(83)	(83)
Net cash provided by financing activities	2,431	8,895
Effect of exchange-rate changes on cash and cash equivalents and restricted cash	—	(9)
Net increase in cash and cash equivalents and restricted cash	2,896	52
Cash and cash equivalents and restricted cash at beginning of year	6,222	5,670
Cash and cash equivalents and restricted cash at September 30,	\$ 9,118	\$ 5,722
Supplemental disclosures		
Cash paid (received) for		
Interest	\$ 3,895	\$ 1,342
Income taxes	(42)	(427)
Noncash items		
Loans held-for-sale transferred to finance receivables and loans held-for-investment	208	92
Finance receivables and loans held-for-investment transferred to loans held-for-sale	11	4
Transfer of equity-method investments to equity securities	—	40
Transfer of nonmarketable equity investments to equity securities	19	1

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

September 30, (\$ in millions)	2023	2022
Cash and cash equivalents on the Condensed Consolidated Balance Sheet	\$ 8,515	\$ 5,004
Restricted cash included in other assets on the Condensed Consolidated Balance Sheet (a)	603	718
Total cash and cash equivalents and restricted cash in the Condensed Consolidated Statement of Cash Flows	\$ 9,118	\$ 5,722

(a) Restricted cash balances relate primarily to our securitization arrangements. Refer to Note 10 for additional details describing the nature of restricted cash balances.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

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

Ally Financial Inc. (together with its consolidated subsidiaries unless the context otherwise requires, Ally, the Company, we, us, or our) is a financial-services company with the nation's largest all-digital bank and an industry-leading automotive financing and insurance business, driven by a mission to "Do It Right" and be a relentless ally for customers and communities. The Company serves customers through a full range of online banking services (including deposits, mortgage lending, point-of-sale personal lending and credit-card products) and securities brokerage and investment advisory services. The Company also includes a corporate finance business that offers capital for equity sponsors and middle-market companies. Ally is a Delaware corporation and is registered as a BHC under the BHC Act and an FHC under the GLB Act.

Our accounting and reporting policies conform to U.S. GAAP. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. Certain reclassifications may have been made to the prior periods' financial statements and notes to conform to the current period's presentation, which did not have a material impact on our Condensed Consolidated Financial Statements. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period and related disclosures. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes. Our most significant estimates pertain to the allowance for loan losses, valuations of automotive lease assets and residuals, fair value of financial instruments, and the determination of the provision for income taxes.

The Condensed Consolidated Financial Statements at September 30, 2023, and for the three months and nine months ended September 30, 2023, and 2022, are unaudited but reflect all adjustments that are, in management's opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related Notes) included in our Annual Report on Form 10-K for the year ended December 31, 2022, as filed on February 24, 2023, with the SEC.

Significant Accounting Policies

Finance Receivables and Loans

On January 1, 2023, we implemented ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. This guidance eliminates the concept of TDRs and adds new disclosure requirements related to loan modifications to borrowers experiencing financial difficulty and gross charge-offs. We implemented the ASU on a prospective basis, which results in certain aspects of our accounting policies changing for the current year. For significant accounting policy information related to the accounting and reporting of TDRs, for which comparative period information is presented, refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

Modifications of Loans with Borrowers Experiencing Financial Difficulty

We may provide a modification to a borrower who is experiencing financial difficulty if we believe they have the ability and are willing to repay their loan. The type of modification granted will vary depending on our credit risk management practices, as well as the borrower's financial condition and the characteristics of the loan, including the unpaid balance, the underlying collateral, and the number or types of previous modifications granted. Modifications that we make subject to these requirements include payment extensions, principal forgiveness, and/or interest rate concessions. These modifications generally reduce the borrower's periodic payment amount. The following is a description of each of these types of modifications.

- **Payment extensions** — Payment extensions include both payment deferrals and contractual maturity extensions. Deferral arrangements allow borrowers to delay a scheduled loan payment to a later date. Deferred loan payments do not affect the original contractual terms of the loan and the contractual maturity date of the loan remains unchanged. Deferrals also include certain forbearance agreements. Within the commercial loan portfolio, deferrals primarily reflect a deferral of interest payments. Under a contractual maturity extension agreement, the last payment date is extended to a future date, contractually lengthening the remaining term of the original loan.
- **Principal forgiveness** — Under principal forgiveness, the outstanding principal balance of a loan is reduced by a specified amount. Principal forgiveness may occur voluntarily as part of a negotiated agreement with a borrower, or involuntarily through a bankruptcy proceeding. Under these involuntary instances, the bankruptcy court in a Chapter 11 or 13 proceeding may order us to reduce the outstanding principal balance of the loan to a specified amount.
- **Interest rate concessions** — Interest rate concessions adjust the contractual interest rate of the loan to a rate that is not consistent with a market rate for a customer with similar credit risk.
- **Combination** — Combination includes loans that have undergone multiple of the above loan modification types. This primarily includes rewritten loans where we grant an interest rate concession and a contractual maturity extension.

Notes to Condensed Consolidated Financial Statements (unaudited)

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Significant judgment is required to determine if a borrower is experiencing financial difficulty. These considerations vary by portfolio class. In all cases, the cumulative impacts of all modifications made within the 12-month period before the current modification are considered at the time of the most recent modification.

For consumer loans of all classes, various qualitative factors are used for assessing the financial difficulty of the borrower. These factors include, but are not limited to, the borrower's default status on any of its debts, bankruptcy, and recent changes in financial circumstances (for instance, loss of employment). For commercial loans of all classes, similar qualitative factors are considered when assessing the financial difficulty of the borrower. In addition to the previously noted factors, consideration is also given to the borrower's forecasted ability to service the debt in accordance with the contractual terms, possible regulatory actions, and other potential business disruptions (for example, the loss of a significant customer or other revenue stream).

In our consumer automotive portfolio class of loans, we also provide extensions or deferrals of payments to borrowers whom we deem to be experiencing only temporary financial difficulty. In these cases, there are limits within our operational policies to minimize the number of times a loan can be extended, as well as limits to the length of each extension, including a cumulative cap over the life of the loan. If these limits are breached, the modification may require disclosure as noted in the following paragraph. Before offering an extension or deferral, we evaluate the capacity of the customer to make the scheduled payments after the deferral period. During the deferral period, we continue to accrue interest on the loan as part of the deferral agreement. We grant these extensions or deferrals when we expect to collect all amounts due including interest accrued at the original contract rate.

We do not disclose modifications that result in only an insignificant payment delay. In order to assess whether a payment delay is insignificant, we consider the amount of the modified payments subject to delay in conjunction with the unpaid principal balance or the collateral value of the loan, whether or not the delay is significant with respect to the frequency of payments under the original contract, or the loan's original expected duration. In the cases where payment extensions cumulatively extend beyond 90 days and are more than 10% of the original contractual term, or where the cumulative payment extension within the 12-month period immediately preceding the current modification is beyond 180 days, we deem the delay in payment to be more than insignificant.

The financial impacts of modifications that meet the definition of a modification to borrowers experiencing financial difficulty are reported in the period in which they are identified. Additionally, if such a loan defaults within 12 months of the modification, we are required to disclose the instances of redefault. For the purpose of this disclosure, we have determined that a loan is considered to have redefaulted when the loan meets the requirements for evaluation under our charge-off policy, except for commercial loans where redefault is defined as 90 days past due.

Nonaccrual Loans

Generally, we recognize loans of all classes as past due when they are 30 days delinquent on making a contractually required payment, and loans are placed on nonaccrual status when principal or interest has been delinquent for at least 90 days, or when full collection is not expected. Interest income recognition is suspended when finance receivables and loans are placed on nonaccrual status. Additionally, amortization of premiums and discounts and deferred fees and costs ceases when finance receivables and loans are placed on nonaccrual status. Exceptions include commercial real estate loans that are placed on nonaccrual status when delinquent for 60 days or when full collection is not probable, if sooner. Additionally, a loan can be returned to accrual status when the loan has been brought fully current, the collection of contractual principal and interest is reasonably assured, and six consecutive months of repayment performance is achieved. In certain cases, if a borrower has been current up to the time of the modification and repayment of the debt subsequent to the modification is reasonably assured, we may choose to continue to accrue interest on the loan.

Income Taxes

In calculating the provision for interim income taxes, in accordance with ASC 740, *Income Taxes*, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. This method differs from that described in Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K, which describes our annual significant income tax accounting policy and related methodology.

Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K regarding additional significant accounting policies.

Notes to Condensed Consolidated Financial Statements (unaudited)

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Recently Adopted Accounting Standards

Troubled Debt Restructurings and Vintage Disclosures (ASU 2022-02)

In March 2022, the FASB issued ASU 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The purpose of this guidance is twofold. First, the guidance eliminates TDR recognition and measurement guidance that has been deemed no longer necessary under CECL. The guidance also adds a requirement to incorporate current year gross charge-offs by origination year into the vintage tables. With respect to the TDR impacts, under CECL, credit losses for financial assets measured at amortized cost are determined based on the total current expected credit losses over the life of the financial asset or group of financial assets. Therefore, credit losses on financial assets that have been modified as TDRs would have largely been incorporated in the allowance upon initial recognition. Under ASU 2022-02, we will evaluate whether loan modifications previously characterized as TDRs represent a new loan or a continuation of an existing loan in accordance with ASC Topic 310, *Receivables*. The guidance also added new disclosures that require an entity to provide information related to loan modifications that are made to borrowers that are deemed to be in financial difficulty. We adopted the ASU on January 1, 2023, on a prospective basis. The impact of these amendments was not material.

Recently Issued Accounting Standards

Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions (ASU 2022-03)

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The purpose of this guidance is to clarify that a contractual restriction on the ability to sell an equity security is not considered part of the unit of account of the equity security, and therefore should not be considered when measuring the equity security's fair value. Additionally, an entity cannot separately recognize and measure a contractual-sale restriction. This guidance also adds specific disclosures related to equity securities that are subject to contractual-sale restrictions, including (1) the fair value of equity securities subject to contractual sale restrictions reflected in the balance sheet, (2) the nature and remaining duration of the restrictions, and (3) the circumstances that could cause a lapse in the restrictions. The amendments are effective on January 1, 2024, with early adoption permitted. The amendments must be applied using a prospective approach with any adjustments from the adoption of the amendments recognized in earnings and disclosed upon adoption. Management does not expect the impact of these amendments to be material.

Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (ASU 2023-02)

In March 2023, the FASB issued ASU 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. The purpose of this guidance is to expand the use of the proportional amortization method to certain tax equity investments made primarily for the purpose of receiving income tax credits and other income tax benefits. In order to qualify for the proportional amortization method, the following five conditions must be met: (1) it is probable that the income tax credits allocable to the tax equity investor will be available, (2) the tax equity investor does not have the ability to exercise significant influence over the operating and financial policies of the underlying project, (3) substantially all of the projected benefits are from income tax credits and other income tax benefits, (4) the tax equity investor's projected yield is based solely on the cash flows from the income tax credits and other income tax benefits is positive, and (5) the tax equity investor is a limited liability investor in the limited liability entity for both legal and tax purposes, and the tax equity investor's liability is limited to its capital investment. Selecting the proportional amortization method will be an accounting policy election that must be applied on a tax-credit-program-by-tax-credit-program basis rather than at the entity level or to individual investments. Additionally, in order to apply the proportional amortization method to qualifying investments, an entity must use the flow-through method when accounting for the receipt of the investment tax credits. This guidance also adds disclosure requirements related to tax credit programs where the proportional amortization method has been elected. The amendments are effective on January 1, 2024, with early adoption permitted. The amendments must be applied using either a modified retrospective or retrospective approach with any adjustments from the adoption of the amendments recognized in retained earnings and disclosed upon adoption. Management is still assessing the total impact of electing these amendments for qualifying tax credit programs; however, if we elect to apply these amendments, we do not expect the impact to be material.

2. Revenue from Contracts with Customers

Our primary revenue sources, which include financing revenue and other interest income, are addressed by other U.S. GAAP topics and are not in the scope of ASC Topic 606, *Revenue from Contracts with Customers*. As part of our Insurance operations, we recognize revenue from insurance contracts, which are addressed by other U.S. GAAP topics and are not included in the scope of this standard. Certain noninsurance contracts within our Insurance operations, including VSCs, GAP contracts, and VMCs, are included in the scope of this standard. All revenue associated with noninsurance contracts is recognized over the contract term on a basis proportionate to the anticipated cost emergence. Further, commissions and sales expense incurred to obtain these contracts are amortized over the terms of the related policies and service contracts on the same basis as premiums and service revenue are earned, and all advertising costs are recognized as expense when incurred.

Notes to Condensed Consolidated Financial Statements (unaudited)

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The following tables present a disaggregated view of our revenue from contracts with customers. For further information regarding our revenue recognition policies and details about the nature of our respective revenue streams, refer to Note 1 and Note 3 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

Three months ended September 30, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated
2023						
Revenue from contracts with customers						
Noninsurance contracts (a) (b) (c)	\$ —	\$ 173	\$ —	\$ —	\$ —	\$ 173
Remarketing fee income	27	—	—	—	—	27
Brokerage commissions and other revenue	—	—	—	—	23	23
Banking fees and interchange income (d)	—	—	—	—	10	10
Brokered/agent commissions	—	3	—	—	—	3
Other	5	1	—	—	—	6
Total revenue from contracts with customers	32	177	—	—	33	242
All other revenue	47	116	4	24	2	193
Total other revenue (e)	\$ 79	\$ 293	\$ 4	\$ 24	\$ 35	\$ 435
2022						
Revenue from contracts with customers						
Noninsurance contracts (a) (b) (c)	\$ —	\$ 164	\$ —	\$ —	\$ —	\$ 164
Remarketing fee income	26	—	—	—	—	26
Brokerage commissions and other revenue	—	—	—	—	18	18
Banking fees and interchange income (d)	—	—	—	—	11	11
Brokered/agent commissions	—	3	—	—	—	3
Other	5	—	—	—	1	6
Total revenue from contracts with customers	31	167	—	—	30	228
All other revenue	43	69	7	54	(104)	69
Total other revenue (e)	\$ 74	\$ 236	\$ 7	\$ 54	\$ (74)	\$ 297

- (a) We had opening balances of \$3.0 billion in unearned revenue associated with outstanding contracts at both July 1, 2023, and 2022, and \$249 million and \$236 million of these balances were recognized as insurance premiums and service revenue earned in our Condensed Consolidated Statement of Comprehensive Income during the three months ended September 30, 2023, and 2022, respectively.
- (b) At September 30, 2023, we had unearned revenue of \$3.0 billion associated with outstanding contracts, and with respect to this balance we expect to recognize revenue of \$238 million during the remainder of 2023, \$845 million in 2024, \$683 million in 2025, \$513 million in 2026, and \$695 million thereafter. At September 30, 2022, we had unearned revenue of \$3.0 billion associated with outstanding contracts.
- (c) We had deferred insurance assets of \$1.8 billion at both July 1, 2023, and September 30, 2023, and recognized \$148 million of expense during the three months ended September 30, 2023. We had deferred insurance assets of \$1.8 billion at both July 1, 2022, and September 30, 2022, and recognized \$143 million of expense during the three months ended September 30, 2022.
- (d) Interchange income is reported net of customer rewards. Customer rewards expense was \$5 million and \$4 million for the three months ended September 30, 2023, and 2022, respectively.
- (e) Represents a component of total net revenue. Refer to Note 22 for further information on our reportable operating segments.

Notes to Condensed Consolidated Financial Statements (unaudited)

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Nine months ended September 30, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated
2023						
Revenue from contracts with customers						
Noninsurance contracts (a) (b)	\$ —	\$ 513	\$ —	\$ —	\$ —	\$ 513
Remarketing fee income	91	—	—	—	—	91
Brokerage commissions and other revenue	—	—	—	—	69	69
Banking fees and interchange income (c)	—	—	—	—	31	31
Brokered/agent commissions	—	10	—	—	—	10
Other	15	1	—	—	—	16
Total revenue from contracts with customers	106	524	—	—	100	730
All other revenue	133	487	13	81	(5)	709
Total other revenue (d)	\$ 239	\$ 1,011	\$ 13	\$ 81	\$ 95	\$ 1,439
2022						
Revenue from contracts with customers						
Noninsurance contracts (a) (b)	\$ —	\$ 489	\$ —	\$ —	\$ —	\$ 489
Remarketing fee income	82	—	—	—	—	82
Brokerage commissions and other revenue	—	—	—	—	42	42
Banking fees and interchange income (c)	—	—	—	—	32	32
Brokered/agent commissions	—	11	—	—	—	11
Other	16	—	—	—	3	19
Total revenue from contracts with customers	98	500	—	—	77	675
All other revenue	116	164	25	97	(26)	376
Total other revenue (d)	\$ 214	\$ 664	\$ 25	\$ 97	\$ 51	\$ 1,051

- (a) We had opening balances of \$3.0 billion and \$3.1 billion in unearned revenue associated with outstanding contracts at January 1, 2023, and 2022, respectively, and \$733 million and \$701 million of these balances were recognized as insurance premiums and service revenue earned in our Condensed Consolidated Statement of Comprehensive Income during the nine months ended September 30, 2023, and 2022, respectively.
- (b) We had deferred insurance assets of \$1.8 billion at both January 1, 2023, and September 30, 2023, and recognized \$436 million of expense during the nine months ended September 30, 2023. We had deferred insurance assets of \$1.9 billion and \$1.8 billion at January 1, 2022, and September 30, 2022, respectively, and recognized \$420 million of expense during the nine months ended September 30, 2022.
- (c) Interchange income is reported net of customer rewards. Customer rewards expense was \$14 million and \$10 million for the nine months ended September 30, 2023, and 2022, respectively.
- (d) Represents a component of total net revenue. Refer to Note 22 for further information on our reportable operating segments.

In addition to the components of other revenue presented above, as part of our Automotive Finance operations, we recognized net remarketing gains of \$57 million and \$174 million for the three months and nine months ended September 30, 2023, respectively, compared to \$39 million and \$139 million for the same periods in 2022, on the sale of off-lease vehicles. These gains are included in depreciation expense on operating lease assets in our Condensed Consolidated Statement of Comprehensive Income.

3. Other Income, Net of Losses

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

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Late charges and other administrative fees	\$ 50	\$ 42	\$ 145	\$ 117
Remarketing fees	27	26	91	82
Income from equity-method investments (a)	8	51	5	96
Loss on nonmarketable equity investments, net (a)	—	(135)	(11)	(133)
Other, net	67	68	201	185
Total other income, net of losses	\$ 152	\$ 52	\$ 431	\$ 347

- (a) Refer to Note 10 for further information on our equity-method investments and nonmarketable equity investments.

Notes to Condensed Consolidated Financial Statements (unaudited)

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4. Reserves for Insurance Losses and Loss Adjustment Expenses

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

<i>(\$ in millions)</i>	2023	2022
Total gross reserves for insurance losses and loss adjustment expenses at January 1,	\$ 119	\$ 122
Less: Reinsurance recoverable	72	81
Net reserves for insurance losses and loss adjustment expenses at January 1,	47	41
Net insurance losses and loss adjustment expenses incurred related to:		
Current year	326	220
Prior years (a)	3	(3)
Total net insurance losses and loss adjustment expenses incurred	329	217
Net insurance losses and loss adjustment expenses paid or payable related to:		
Current year	(270)	(183)
Prior years	(38)	(26)
Total net insurance losses and loss adjustment expenses paid or payable	(308)	(209)
Net reserves for insurance losses and loss adjustment expenses at September 30,	68	49
Plus: Reinsurance recoverable	77	73
Total gross reserves for insurance losses and loss adjustment expenses at September 30,	\$ 145	\$ 122

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

5. Other Operating Expenses

Details of other operating expenses were as follows.

<i>(\$ in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Insurance commissions	\$ 160	\$ 152	\$ 475	\$ 452
Technology and communications	109	100	328	297
Advertising and marketing	74	89	231	238
Lease and loan administration	57	45	158	150
Property and equipment depreciation	51	42	146	122
Regulatory and licensing fees	45	33	119	81
Professional services	35	42	103	132
Vehicle remarketing and repossession	30	23	85	65
Amortization of intangible assets (a)	6	9	19	25
Other	95	89	306	245
Total other operating expenses	\$ 662	\$ 624	\$ 1,970	\$ 1,807

(a) Refer to Note 10 for further information on our intangible assets.

Notes to Condensed Consolidated Financial Statements (unaudited)

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6. Investment Securities

Our investment portfolio includes various debt and equity securities. Our debt securities, which are classified as available-for-sale or held-to-maturity, include government securities, corporate bonds, asset-backed securities, and mortgage-backed securities. The cost, fair value, and gross unrealized gains and losses on available-for-sale and held-to-maturity securities were as follows.

(\$ in millions)	September 30, 2023				December 31, 2022			
	Amortized cost	Gross unrealized		Fair value	Amortized cost	Gross unrealized		Fair value
		gains	losses			gains	losses	
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	\$ 2,280	\$ —	\$ (289)	\$ 1,991	\$ 2,272	\$ —	\$ (256)	\$ 2,016
U.S. States and political subdivisions	729	—	(117)	612	841	1	(82)	760
Foreign government	175	—	(16)	159	158	—	(12)	146
Agency mortgage-backed residential (a)	18,434	—	(3,798)	14,636	19,668	3	(3,038)	16,633
Mortgage-backed residential	4,858	—	(985)	3,873	5,154	—	(855)	4,299
Agency mortgage-backed commercial (a)	4,497	—	(1,031)	3,466	4,380	—	(845)	3,535
Asset-backed	370	—	(16)	354	459	—	(26)	433
Corporate debt	1,922	—	(219)	1,703	1,931	1	(213)	1,719
Total available-for-sale securities (b) (c) (d) (e) (f)	\$ 33,265	\$ —	\$ (6,471)	\$ 26,794	\$ 34,863	\$ 5	\$ (5,327)	\$ 29,541
Held-to-maturity securities								
Debt securities								
Agency mortgage-backed residential	\$ 1,013	\$ —	\$ (234)	\$ 779	\$ 1,062	\$ —	\$ (178)	\$ 884
Total held-to-maturity securities (f) (g)	\$ 1,013	\$ —	\$ (234)	\$ 779	\$ 1,062	\$ —	\$ (178)	\$ 884

- (a) Fair value includes a \$148 million liability and a \$12 million liability for agency mortgage-backed residential securities and an \$86 million liability and \$15 million asset for agency mortgage-backed commercial securities related to basis adjustments for securities in closed portfolios with active hedges under the portfolio layer method at September 30, 2023, and December 31, 2022, respectively. These basis adjustments would be allocated to the amortized cost of specific securities within the pool if the hedge was de-designated. Refer to Note 18 for additional information.
- (b) Certain available-for-sale securities are included in fair value hedging relationships. Refer to Note 18 for additional information.
- (c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$12 million at both September 30, 2023, and December 31, 2022.
- (d) Available-for-sale securities with a fair value of \$4.4 billion and \$3.9 billion were pledged as collateral at September 30, 2023, and December 31, 2022, respectively. This primarily included \$3.1 billion and \$3.0 billion pledged to secure advances from the FHLB at September 30, 2023, and December 31, 2022, respectively. This also included securities pledged for other purposes as required by contractual obligations or law, under which agreements we granted the counterparty the right to sell or pledge \$1.3 billion and \$899 million of the underlying available-for-sale securities at September 30, 2023, and December 31, 2022, respectively.
- (e) Totals do not include accrued interest receivable, which was \$86 million and \$91 million at September 30, 2023, and December 31, 2022, respectively. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet.
- (f) There was no allowance for credit losses recorded at both September 30, 2023, or December 31, 2022, as management determined that there were no expected credit losses in our portfolio of available-for-sale and held-to-maturity securities.
- (g) Totals do not include accrued interest receivable, which was \$2 million at both September 30, 2023, and December 31, 2022. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet.

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

(\$ in millions)	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
September 30, 2023										
Fair value of available-for-sale securities (a)										
U.S. Treasury and federal agencies	\$ 1,991	1.6 %	\$ 23	2.0 %	\$ 1,270	1.4 %	\$ 698	1.9 %	\$ —	— %
U.S. States and political subdivisions	612	3.2	5	2.2	44	2.4	112	3.6	451	3.2
Foreign government	159	2.0	19	1.4	72	2.1	68	2.2	—	—
Agency mortgage-backed residential (b)	14,636	2.6	—	—	11	1.9	33	2.5	14,592	2.6
Mortgage-backed residential	3,873	2.8	—	—	—	—	12	2.9	3,861	2.8
Agency mortgage-backed commercial (b)	3,466	2.3	—	—	116	3.3	1,474	2.3	1,876	2.1
Asset-backed	354	1.8	—	—	349	1.7	5	3.9	—	—
Corporate debt	1,703	2.6	172	2.3	908	2.6	614	2.7	9	5.8
Total available-for-sale securities	\$ 26,794	2.5	\$ 219	2.2	\$ 2,770	1.9	\$ 3,016	2.4	\$ 20,789	2.6
Amortized cost of available-for-sale securities	\$ 33,265		\$ 224		\$ 3,033		\$ 3,662		\$ 26,346	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	\$ 1,013	2.8 %	\$ —	— %	\$ —	— %	\$ —	— %	\$ 1,013	2.8 %
Total held-to-maturity securities	\$ 1,013	2.8	\$ —	—	\$ —	—	\$ —	—	\$ 1,013	2.8
December 31, 2022										
Fair value of available-for-sale securities (a)										
U.S. Treasury and federal agencies	\$ 2,016	1.6 %	\$ —	— %	\$ 716	1.3 %	\$ 1,300	1.7 %	\$ —	— %
U.S. States and political subdivisions	760	3.2	26	2.7	60	2.7	112	3.3	562	3.2
Foreign government	146	1.8	13	0.8	74	1.8	59	1.9	—	—
Agency mortgage-backed residential (b)	16,633	2.6	—	—	—	—	27	2.0	16,606	2.6
Mortgage-backed residential	4,299	2.8	—	—	—	—	14	2.9	4,285	2.8
Agency mortgage-backed commercial (b)	3,535	2.2	—	—	66	3.1	1,234	2.1	2,235	2.1
Asset-backed	433	1.7	—	—	401	1.7	25	1.8	7	3.5
Corporate debt	1,719	2.4	86	2.4	912	2.3	705	2.6	16	4.9
Total available-for-sale securities	\$ 29,541	2.5	\$ 125	2.3	\$ 2,229	1.9	\$ 3,476	2.1	\$ 23,711	2.6
Amortized cost of available-for-sale securities	\$ 34,863		\$ 126		\$ 2,403		\$ 4,048		\$ 28,286	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	\$ 1,062	2.8 %	\$ —	— %	\$ —	— %	\$ —	— %	\$ 1,062	2.8 %
Total held-to-maturity securities	\$ 1,062	2.8	\$ —	—	\$ —	—	\$ —	—	\$ 1,062	2.8

- (a) Yield is calculated using the effective yield of each security at the end of the period, weighted based on the market value. The effective yield considers the contractual coupon and amortized cost, and excludes expected capital gains and losses.
- (b) Fair value includes a \$148 million liability and a \$12 million liability for agency mortgage-backed residential securities and an \$86 million liability and \$15 million asset for agency mortgage-backed commercial securities related to basis adjustments for securities in closed portfolios with active hedges under the portfolio layer method at September 30, 2023, and December 31, 2022, respectively. These basis adjustments would be allocated to the amortized cost of specific securities within the pool if the hedge was redesignated. Refer to Note 18 for additional information.

The balances of cash equivalents were \$58 million and \$18 million at September 30, 2023, and December 31, 2022, respectively, and were composed primarily of money-market funds and short-term securities.

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The following table presents interest and dividends on investment securities.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Taxable interest	\$ 246	\$ 196	\$ 692	\$ 556
Taxable dividends	5	4	12	12
Interest and dividends exempt from U.S. federal income tax	5	6	16	16
Interest and dividends on investment securities	\$ 256	\$ 206	\$ 720	\$ 584

The following table presents gross gains and losses realized upon the sales of available-for-sale securities, and net gains or losses on equity securities held during the period.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Available-for-sale securities				
Gross realized gains	\$ —	\$ 2	\$ 5	\$ 23
Net realized gain on available-for-sale securities	—	2	5	23
Net realized gain on equity securities	15	5	21	67
Net unrealized (loss) gain on equity securities	(56)	(61)	33	(263)
Other (loss) gain on investments, net	\$ (41)	\$ (54)	\$ 59	\$ (173)

The following table presents the credit quality of our held-to-maturity securities, based on the latest available information as of September 30, 2023, and December 31, 2022. The credit ratings are sourced from nationally recognized statistical rating organizations, which include S&P, Moody's, and Fitch. The ratings presented are a composite of the ratings sourced from the agencies or, if the ratings cannot be sourced from the agencies, are based on the asset type of the particular security. All our held-to-maturity securities were current in their payment of principal and interest as of both September 30, 2023, and December 31, 2022. We have not recorded any interest income reversals on our held-to-maturity securities during the nine months ended September 30, 2023, or 2022.

(\$ in millions)	September 30, 2023		December 31, 2022	
	AA	Total (a)	AA	Total (a)
Debt securities				
Agency mortgage-backed residential	\$ 1,013	\$ 1,013	\$ 1,062	\$ 1,062
Total held-to-maturity securities	\$ 1,013	\$ 1,013	\$ 1,062	\$ 1,062

- (a) Rating agencies indicate that they base their ratings on many quantitative and qualitative factors, which may include capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current operating, legislative, and regulatory environment. A credit rating is not a recommendation to buy, sell, or hold securities, and the ratings are subject to revision or withdrawal at any time by the assigning rating agency.

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The following table summarizes available-for-sale securities in an unrealized loss position, which we evaluated to determine if a credit loss exists requiring the recognition of an allowance for credit losses. For additional information on our methodology, refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K. As of September 30, 2023, and December 31, 2022, we did not have the intent to sell the available-for-sale securities with an unrealized loss position and we do not believe it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. We have not recorded any interest income reversals on our available-for-sale securities during the nine months ended September 30, 2023, or 2022.

(\$ in millions)	September 30, 2023				December 31, 2022				
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer		
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	
Available-for-sale securities									
Debt securities									
U.S. Treasury and federal agencies	\$ —	\$ —	\$ 1,991	\$ (289)	\$ 529	\$ (68)	\$ 1,487	\$ (188)	
U.S. States and political subdivisions	139	(6)	465	(111)	547	(55)	135	(27)	
Foreign government	25	(2)	135	(14)	75	(4)	71	(8)	
Agency mortgage-backed residential (a)	356	(23)	14,280	(3,775)	7,472	(892)	8,978	(2,146)	
Mortgage-backed residential	151	(6)	3,716	(979)	1,985	(289)	2,287	(566)	
Agency mortgage-backed commercial (a)	172	(10)	3,247	(1,021)	996	(124)	2,535	(721)	
Asset-backed	18	—	322	(16)	162	(4)	272	(22)	
Corporate debt	147	(6)	1,550	(213)	782	(67)	895	(146)	
Total available-for-sale securities	\$ 1,008	\$ (53)	\$ 25,706	\$ (6,418)	\$ 12,548	\$ (1,503)	\$ 16,660	\$ (3,824)	

(a) Includes basis adjustments for certain securities that are included in closed portfolios with active hedges under the portfolio layer method at September 30, 2023, and December 31, 2022. The basis adjustments would be allocated to the amortized cost of specific securities within the pool if the hedge was dedesignated. Refer to Note 18 for additional information.

During the nine months ended September 30, 2023, and 2022, management determined that there were no expected credit losses for securities in an unrealized loss position. This analysis considered a variety of factors including, but not limited to, performance indicators of the issuer, default rates, industry analyst reports, credit ratings, and other relevant information, which indicated that contractual cash flows are expected to occur. As a result of this evaluation, management determined that no credit reserves were required at September 30, 2023, or December 31, 2022.

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7. Finance Receivables and Loans, Net

The composition of finance receivables and loans reported at amortized cost basis was as follows.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Consumer automotive (a)	\$ 85,370	\$ 83,286
Consumer mortgage		
Mortgage Finance (b)	18,657	19,445
Mortgage — Legacy (c)	238	290
Total consumer mortgage	18,895	19,735
Consumer other		
Personal Lending (d)	2,206	1,990
Credit Card	1,872	1,599
Total consumer other	4,078	3,589
Total consumer	108,343	106,610
Commercial		
Commercial and industrial		
Automotive	16,605	14,595
Other	9,376	9,154
Commercial real estate	5,936	5,389
Total commercial	31,917	29,138
Total finance receivables and loans (e) (f)	\$ 140,260	\$ 135,748

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

(b) Includes loans originated as interest-only mortgage loans of \$2 million and \$3 million at September 30, 2023, and December 31, 2022, respectively, of which all have exited the interest-only period.

(c) Includes loans originated as interest-only mortgage loans of \$13 million and \$17 million at September 30, 2023, and December 31, 2022, respectively, of which all have exited the interest-only period.

(d) Includes \$3 million of finance receivables at December 31, 2022, for which we have elected the fair value option.

(e) Totals include net unearned income, unamortized premiums and discounts, and deferred fees and costs of \$2.3 billion at both September 30, 2023, and December 31, 2022.

(f) Totals do not include accrued interest receivable, which was \$813 million and \$707 million at September 30, 2023, and December 31, 2022, respectively. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet. Billed interest on our credit card loans is included within finance receivables and loans, net.

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans for the three months and nine months ended September 30, 2023, and 2022, respectively.

Three months ended September 30, 2023 <i>(\$ in millions)</i>	Consumer automotive	Consumer mortgage	Consumer other	Commercial	Total
Allowance at July 1, 2023	\$ 3,064	\$ 23	\$ 476	\$ 218	\$ 3,781
Charge-offs (a)	(602)	—	(74)	(1)	(677)
Recoveries	209	2	6	4	221
Net charge-offs	(393)	2	(68)	3	(456)
Provision for credit losses (b)	433	(4)	68	15	512
Other	—	1	(2)	1	—
Allowance at September 30, 2023	\$ 3,104	\$ 22	\$ 474	\$ 237	\$ 3,837

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for information regarding our charge-off policies.

(b) Excludes \$4 million of benefit for credit losses related to our reserve for unfunded commitments. The liability related to the reserve for unfunded commitments is included in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet.

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Nine months ended September 30, 2023 (\$ in millions)	Consumer automotive	Consumer mortgage	Consumer other (a)	Commercial	Total
Allowance at January 1, 2023	\$ 3,020	\$ 27	\$ 426	\$ 238	\$ 3,711
Charge-offs (b)	(1,634)	(3)	(208)	(62)	(1,907)
Recoveries	613	7	18	5	643
Net charge-offs	(1,021)	4	(190)	(57)	(1,264)
Provision for credit losses (c)	1,106	(9)	239	54	1,390
Other	(1)	—	(1)	2	—
Allowance at September 30, 2023	\$ 3,104	\$ 22	\$ 474	\$ 237	\$ 3,837

- (a) Excludes \$3 million of finance receivables and loans at January 1, 2023, for which we have elected the fair value option and incorporate no allowance for loan losses.
(b) Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for information regarding our charge-off policies.
(c) Excludes \$9 million of benefit for credit losses related to our reserve for unfunded commitments. The liability related to the reserve for unfunded commitments is included in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet.

Three months ended September 30, 2022 (\$ in millions)	Consumer automotive	Consumer mortgage	Consumer other (a)	Commercial	Total
Allowance at July 1, 2022	\$ 2,885	\$ 26	\$ 303	\$ 236	\$ 3,450
Charge-offs (b)	(381)	(1)	(33)	(32)	(447)
Recoveries	164	2	4	1	171
Net charge-offs	(217)	1	(29)	(31)	(276)
Provision for credit losses	326	(1)	99	14	438
Other	(1)	1	(1)	—	(1)
Allowance at September 30, 2022	\$ 2,993	\$ 27	\$ 372	\$ 219	\$ 3,611

- (a) Excludes \$7 million and \$6 million of finance receivables and loans at July 1, 2022, and September 30, 2022, respectively, for which we have elected the fair value option and incorporate no allowance for loan losses.
(b) Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for information regarding our charge-off policies.

Nine months ended September 30, 2022 (\$ in millions)	Consumer automotive	Consumer mortgage	Consumer other (a)	Commercial	Total
Allowance at January 1, 2022	\$ 2,769	\$ 27	\$ 221	\$ 250	\$ 3,267
Charge-offs (b)	(934)	(3)	(84)	(58)	(1,079)
Recoveries	496	10	8	3	517
Net charge-offs	(438)	7	(76)	(55)	(562)
Provision for credit losses (c)	663	(7)	228	23	907
Other	(1)	—	(1)	1	(1)
Allowance at September 30, 2022	\$ 2,993	\$ 27	\$ 372	\$ 219	\$ 3,611

- (a) Excludes \$7 million and \$6 million of finance receivables and loans at January 1, 2022, and September 30, 2022, respectively, for which we have elected the fair value option and incorporate no allowance for loan losses.
(b) Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for information regarding our charge-off policies.
(c) Excludes \$2 million of provision for credit losses related to our reserve for unfunded commitments. The liability related to the reserve for unfunded commitments is included in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet.

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

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Consumer automotive	\$ —	\$ 4	\$ —	\$ 4
Consumer mortgage	—	1	1	3
Commercial	11	—	11	—
Total sales and transfers	\$ 11	\$ 5	\$ 12	\$ 7

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

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Consumer automotive	\$ 1,064	\$ 1,346	\$ 2,902	\$ 3,397
Consumer mortgage	7	1,127	14	2,760
Commercial	3	2	10	3
Total purchases of finance receivables and loans	\$ 1,074	\$ 2,475	\$ 2,926	\$ 6,160

Nonaccrual Loans

The following tables present the amortized cost of our finance receivables and loans on nonaccrual status. All consumer or commercial finance receivables and loans that were 90 days or more past due were on nonaccrual status as of September 30, 2023, and December 31, 2022. Refer to Note 1 for additional information on our accounting policy for finance receivables and loans on nonaccrual status.

(\$ in millions)	Nonaccrual status at Jan. 1, 2023	Nonaccrual status at Jul. 1, 2023	September 30, 2023	
			Nonaccrual status	Nonaccrual with no allowance (a)
Consumer automotive	\$ 1,187	\$ 1,098	\$ 1,110	\$ 519
Consumer mortgage				
Mortgage Finance	34	38	33	17
Mortgage — Legacy	15	14	13	12
Total consumer mortgage	49	52	46	29
Consumer other				
Personal Lending	13	11	14	—
Credit Card	43	55	72	—
Total consumer other	56	66	86	—
Total consumer	1,292	1,216	1,242	548
Commercial				
Commercial and industrial				
Automotive	5	24	97	16
Other	157	161	159	6
Commercial real estate	—	3	3	—
Total commercial	162	188	259	22
Total finance receivables and loans (b)	\$ 1,454	\$ 1,404	\$ 1,501	\$ 570

(a) Represents a component of nonaccrual status at end of period.

(b) We recorded interest income from cash payments associated with finance receivables and loans on nonaccrual status of \$4 million and \$11 million for the three months and nine months ended September 30, 2023, respectively.

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(\$ in millions)	Nonaccrual status at Jan. 1, 2022	Nonaccrual status at Jul. 1, 2022	December 31, 2022	
			Nonaccrual status	Nonaccrual with no allowance (a)
Consumer automotive	\$ 1,078	\$ 1,073	\$ 1,187	\$ 445
Consumer mortgage				
Mortgage Finance	59	42	34	25
Mortgage — Legacy	26	22	15	14
Total consumer mortgage	85	64	49	39
Consumer other				
Personal Lending	5	5	13	—
Credit Card	11	18	43	—
Total consumer other	16	23	56	—
Total consumer	1,179	1,160	1,292	484
Commercial				
Commercial and industrial				
Automotive	33	4	5	2
Other	221	214	157	33
Commercial real estate	3	1	—	—
Total commercial	257	219	162	35
Total finance receivables and loans (b)	\$ 1,436	\$ 1,379	\$ 1,454	\$ 519

(a) Represents a component of nonaccrual status at end of period.

(b) We recorded interest income from cash payments associated with finance receivables and loans on nonaccrual status of \$3 million and \$9 million for the three months and nine months ended September 30, 2022, respectively.

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Credit Quality Indicators

We evaluate the credit quality of our consumer loan portfolio based on the aging status of the loan and by payment activity. Loan delinquency reporting is generally based upon borrower payment activity, relative to the contractual terms of the loan.

The following tables present the amortized cost basis of our consumer finance receivables and loans by credit quality indicator based on delinquency status and origination year.

September 30, 2023 (\$ in millions)	Origination year						Revolving loans	Revolving loans converted to term	Total
	2023	2022	2021	2020	2019	2018 and prior			
Consumer automotive									
Current	\$ 24,518	\$ 27,587	\$ 16,045	\$ 7,084	\$ 3,995	\$ 2,460	\$ —	\$ —	81,689
30–59 days past due	324	948	734	282	194	146	—	—	2,628
60–89 days past due	88	371	295	105	71	52	—	—	982
90 or more days past due	34	146	113	43	32	31	—	—	399
Total consumer automotive (a)	24,964	29,052	17,187	7,514	4,292	2,689	—	—	85,698
Consumer mortgage									
Mortgage Finance									
Current	112	2,204	10,498	1,857	754	3,142	—	—	18,567
30–59 days past due	—	5	16	9	6	16	—	—	52
60–89 days past due	—	1	4	1	—	9	—	—	15
90 or more days past due	—	2	3	—	2	16	—	—	23
Total Mortgage Finance	112	2,212	10,521	1,867	762	3,183	—	—	18,657
Mortgage — Legacy									
Current	—	—	—	—	—	53	152	17	222
30–59 days past due	—	—	—	—	—	3	1	—	4
60–89 days past due	—	—	—	—	—	2	—	—	2
90 or more days past due	—	—	—	—	—	6	2	2	10
Total Mortgage — Legacy	—	—	—	—	—	64	155	19	238
Total consumer mortgage	112	2,212	10,521	1,867	762	3,247	155	19	18,895
Consumer other									
Personal Lending									
Current	948	934	239	27	1	—	—	—	2,149
30–59 days past due	7	14	4	—	—	—	—	—	25
60–89 days past due	3	11	4	—	—	—	—	—	18
90 or more days past due	3	9	2	—	—	—	—	—	14
Total Personal Lending	961	968	249	27	1	—	—	—	2,206
Credit Card									
Current	—	—	—	—	—	—	1,737	—	1,737
30–59 days past due	—	—	—	—	—	—	36	—	36
60–89 days past due	—	—	—	—	—	—	30	—	30
90 or more days past due	—	—	—	—	—	—	69	—	69
Total Credit Card	—	—	—	—	—	—	1,872	—	1,872
Total consumer other	961	968	249	27	1	—	1,872	—	4,078
Total consumer	\$ 26,037	\$ 32,232	\$ 27,957	\$ 9,408	\$ 5,055	\$ 5,936	\$ 2,027	\$ 19	\$ 108,671

(a) Certain consumer automotive loans are included in fair value hedging relationships. The amortized cost excludes a liability of \$328 million related to basis adjustments for loans in closed portfolios with active hedges under the portfolio layer method at September 30, 2023. These basis adjustments would be allocated to the amortized cost of specific loans within the pool if the hedge was redesignated. Refer to Note 18 for additional information.

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December 31, 2022 (\$ in millions)	Origination year						2017 and prior	Revolving loans	Revolving loans converted to term	Total
	2022	2021	2020	2019	2018					
Consumer automotive										
Current	\$ 36,127	\$ 22,102	\$ 10,341	\$ 6,451	\$ 3,237	\$ 1,890	\$ —	\$ —	\$ —	80,148
30–59 days past due	707	878	370	284	165	120	—	—	—	2,524
60–89 days past due	207	324	135	99	55	38	—	—	—	858
90 or more days past due	73	111	47	38	23	24	—	—	—	316
Total consumer automotive (a)	37,114	23,415	10,893	6,872	3,480	2,072	—	—	—	83,846
Consumer mortgage										
Mortgage Finance										
Current	2,292	10,893	1,946	815	577	2,805	—	—	—	19,328
30–59 days past due	15	29	4	3	4	26	—	—	—	81
60–89 days past due	2	4	—	1	1	3	—	—	—	11
90 or more days past due	—	1	—	2	8	14	—	—	—	25
Total Mortgage Finance	2,309	10,927	1,950	821	590	2,848	—	—	—	19,445
Mortgage — Legacy										
Current	—	—	—	—	—	62	191	18	—	271
30–59 days past due	—	—	—	—	—	4	1	—	—	5
60–89 days past due	—	—	—	—	—	—	—	1	—	1
90 or more days past due	—	—	—	—	—	8	3	2	—	13
Total Mortgage — Legacy	—	—	—	—	—	74	195	21	—	290
Total consumer mortgage	2,309	10,927	1,950	821	590	2,922	195	21	—	19,735
Consumer other										
Personal Lending										
Current	1,492	392	48	5	1	—	—	—	—	1,938
30–59 days past due	14	6	1	—	—	—	—	—	—	21
60–89 days past due	9	5	1	—	—	—	—	—	—	15
90 or more days past due	8	5	—	—	—	—	—	—	—	13
Total Personal Lending (b)	1,523	408	50	5	1	—	—	—	—	1,987
Credit Card										
Current	—	—	—	—	—	—	1,518	—	—	1,518
30–59 days past due	—	—	—	—	—	—	22	—	—	22
60–89 days past due	—	—	—	—	—	—	18	—	—	18
90 or more days past due	—	—	—	—	—	—	41	—	—	41
Total Credit Card	—	—	—	—	—	—	1,599	—	—	1,599
Total consumer other	1,523	408	50	5	1	—	1,599	—	—	3,586
Total consumer	\$ 40,946	\$ 34,750	\$ 12,893	\$ 7,698	\$ 4,071	\$ 4,994	\$ 1,794	\$ 21	\$ —	107,167

(a) Certain consumer automotive loans are included in fair value hedging relationships. The amortized cost excludes a liability of \$560 million related to basis adjustments for loans in closed portfolios with active hedges under the portfolio layer method at December 31, 2022. These basis adjustments would be allocated to the amortized cost of specific loans within the pool if the hedge was dedesignated. Refer to Note 18 for additional information.

(b) Excludes \$3 million of finance receivables at December 31, 2022, for which we have elected the fair value option.

We evaluate the credit quality of our commercial loan portfolio using regulatory risk ratings, which are based on relevant information about the borrower's financial condition, including current financial information, historical payment experience, credit documentation, and current economic trends, among other factors. We use the following definitions for risk rankings below Pass.

- Special mention — Loans that have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the institution's credit position at some future date.

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- **Substandard** — Loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. These loans have a well-defined weakness or weakness that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
- **Doubtful** — Loans that have all the weaknesses inherent in those classified as substandard, with the additional characteristic that the weaknesses make collection or liquidation in full, based on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- **Loss** — Loans that are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be effected in the future.

The regulatory risk classification utilized is influenced by internal credit risk ratings, which are based on a variety of factors. A borrower's internal credit risk rating is updated at least annually, and more frequently when a borrower's credit profile changes, including when we become aware of potential credit deterioration. The following tables present the amortized cost basis of our commercial finance receivables and loans by credit quality indicator based on risk rating and origination year.

September 30, 2023 (\$ in millions)	Origination year						Revolving loans	Revolving loans converted to term	Total
	2023	2022	2021	2020	2019	2018 and prior			
Commercial									
Commercial and industrial									
Automotive									
Pass	\$ 394	\$ 522	\$ 174	\$ 103	\$ 63	\$ 26	\$ 14,511	\$ —	\$ 15,793
Special mention	4	8	31	—	—	15	640	—	698
Substandard	—	1	—	—	—	—	39	—	40
Doubtful	—	—	—	—	—	6	68	—	74
Total automotive	398	531	205	103	63	47	15,258	—	16,605
Other									
Pass	356	530	359	269	337	179	5,869	144	8,043
Special mention	—	214	179	208	51	145	239	26	1,062
Substandard	—	—	51	3	26	83	24	18	205
Doubtful	—	—	—	—	—	57	9	—	66
Total other	356	744	589	480	414	464	6,141	188	9,376
Commercial real estate									
Pass	748	1,533	1,141	901	653	863	—	36	5,875
Special mention	2	7	28	2	18	1	—	—	58
Substandard	—	3	—	—	—	—	—	—	3
Total commercial real estate	750	1,543	1,169	903	671	864	—	36	5,936
Total commercial	\$ 1,504	\$ 2,818	\$ 1,963	\$ 1,486	\$ 1,148	\$ 1,375	\$ 21,399	\$ 224	\$ 31,917

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December 31, 2022 (\$ in millions)	Origination year					2017 and prior	Revolving loans	Revolving loans converted to term	Total
	2022	2021	2020	2019	2018				
Commercial									
Commercial and industrial									
Automotive									
Pass	\$ 640	\$ 211	\$ 132	\$ 78	\$ 28	\$ 34	\$ 12,327	\$ —	\$ 13,450
Special mention	23	47	—	—	10	21	1,016	—	1,117
Substandard	—	—	—	1	—	—	27	—	28
Total automotive	663	258	132	79	38	55	13,370	—	14,595
Other									
Pass	594	469	607	419	54	133	5,344	89	7,709
Special mention	177	158	175	95	47	128	278	35	1,093
Substandard	—	—	4	51	—	139	55	13	262
Doubtful	—	—	—	64	—	25	—	—	89
Loss	—	—	—	—	—	—	1	—	1
Total other	771	627	786	629	101	425	5,678	137	9,154
Commercial real estate									
Pass	1,481	1,118	951	679	369	716	9	13	5,336
Special mention	—	32	2	19	—	—	—	—	53
Total commercial real estate	1,481	1,150	953	698	369	716	9	13	5,389
Total commercial	\$ 2,915	\$ 2,035	\$ 1,871	\$ 1,406	\$ 508	\$ 1,196	\$ 19,057	\$ 150	\$ 29,138

The following table presents an analysis of our past-due commercial finance receivables and loans recorded at amortized cost basis.

(\$ in millions)	30–59 days past due	60–89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
September 30, 2023						
Commercial						
Commercial and industrial						
Automotive	\$ 5	\$ —	\$ 12	\$ 17	\$ 16,588	\$ 16,605
Other	1	2	3	6	9,370	9,376
Commercial real estate	—	—	—	—	5,936	5,936
Total commercial	\$ 6	\$ 2	\$ 15	\$ 23	\$ 31,894	\$ 31,917
December 31, 2022						
Commercial						
Commercial and industrial						
Automotive	\$ —	\$ —	\$ —	\$ —	\$ 14,595	\$ 14,595
Other	—	1	2	3	9,151	9,154
Commercial real estate	—	—	—	—	5,389	5,389
Total commercial	\$ —	\$ 1	\$ 2	\$ 3	\$ 29,135	\$ 29,138

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The following table presents gross charge-offs of our finance receivables and loans for each portfolio class by origination year that occurred during the nine months ended September 30, 2023. Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for additional information on our charge-off policy.

Nine months ended September 30, 2023 (\$ in millions)	Origination year						Revolving loans converted to term	Total
	2023	2022	2021	2020	2019	2018 and prior		
Consumer automotive	\$ 97	\$ 693	\$ 492	\$ 149	\$ 109	\$ 94	\$ —	\$ 1,634
Consumer mortgage								
Mortgage Finance	—	—	—	—	—	1	—	1
Mortgage — Legacy	—	—	—	—	—	2	—	2
Total consumer mortgage	—	—	—	—	—	3	—	3
Consumer other								
Personal Lending	5	59	23	3	—	—	—	90
Credit Card	—	—	—	—	—	—	111	118
Total consumer other	5	59	23	3	—	—	111	208
Total consumer	102	752	515	152	109	97	111	1,845
Commercial								
Commercial and industrial								
Automotive	—	—	—	—	—	—	5	5
Other	—	—	—	—	57	—	—	57
Total commercial	—	—	—	—	57	—	5	62
Total finance receivables and loans	\$ 102	\$ 752	\$ 515	\$ 152	\$ 166	\$ 97	\$ 116	\$ 1,907

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Loan Modifications

The following tables present the amortized cost basis of loans that were modified subsequent to origination during the three months and nine months ended September 30, 2023, for each portfolio segment, by modification type. For additional information on loan modification types in scope of this disclosure, refer to Note 1. The below tables exclude consumer mortgage finance receivables and loans currently enrolled in a trial modification program. Trial modifications generally represent a three-month period during which the borrower makes monthly payments under the anticipated modified payment terms. If the borrower successfully completes the trial loan modification program, the contractual terms of the loan are updated and the modification is considered permanent. As of September 30, 2023, there were \$4 million of consumer mortgage finance receivables and loans in a trial modification program.

Three months ended September 30, 2023 (\$ in millions)	Payment extensions					Combination	Total
	Payment deferrals (a)	Contractual maturity extensions	Principal forgiveness	Interest rate concessions			
Consumer automotive	\$ —	\$ 62	\$ 1	\$ —	\$ —	\$ —	\$ 63
Consumer mortgage							
Mortgage Finance	—	1	—	—	—	—	1
Mortgage — Legacy	—	—	—	—	—	1	1
Total consumer mortgage	—	1	—	—	—	1	2
Consumer other							
Credit Card	—	—	—	4	—	—	4
Total consumer other	—	—	—	4	—	—	4
Total consumer	—	63	1	4	—	1	69
Commercial							
Commercial and industrial							
Other	37	—	—	—	—	—	37
Total commercial	37	—	—	—	—	—	37
Total finance receivables and loans	\$ 37	\$ 63	\$ 1	\$ 4	\$ —	\$ 1	\$ 106

(a) Includes a commercial and industrial loan within our Corporate Finance operations that was also granted a three-month contractual maturity extension during the three months ended September 30, 2023.

Nine months ended September 30, 2023 (\$ in millions)	Payment extensions					Combination	Total (b)
	Payment deferrals (a)	Contractual maturity extensions	Principal forgiveness	Interest rate concessions			
Consumer automotive	\$ —	\$ 99	\$ 13	\$ —	\$ —	\$ 30	\$ 142
Consumer mortgage							
Mortgage Finance	—	2	—	—	—	2	4
Mortgage — Legacy	—	1	—	—	—	1	2
Total consumer mortgage	—	3	—	—	—	3	6
Consumer other							
Credit Card	—	—	—	9	—	—	9
Total consumer other	—	—	—	9	—	—	9
Total consumer	—	102	13	9	—	33	157
Commercial							
Commercial and industrial							
Other	65	47	—	—	—	—	112
Total commercial	65	47	—	—	—	—	112
Total finance receivables and loans	\$ 65	\$ 149	\$ 13	\$ 9	\$ —	\$ 33	\$ 269

(a) Includes a commercial and industrial loan within our Corporate Finance operations that was also granted a three-month contractual maturity extension during the nine months ended September 30, 2023.

(b) Represents 0.2% of total finance receivables and loans outstanding as of September 30, 2023.

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The following tables present the financial effect of loan modifications that occurred during the three months and nine months ended September 30, 2023.

Three months ended September 30, 2023 (\$ in millions)	Payment extensions (a)	Principal forgiveness	Interest rate concessions (a)		Combination (a) (b)			
	Number of months extended/deferred	Amount forgiven	Initial rate	Revised rate	Remaining term	Revised remaining term	Initial rate	Revised rate
Consumer automotive	28	\$ —	— %	— %	—	—	— %	— %
Consumer mortgage								
Mortgage Finance	210	—	—	—	—	—	—	—
Mortgage — Legacy	—	—	—	—	180	280	2.5	2.0
Total consumer mortgage	210	—	—	—	180	280	2.5	2.0
Consumer other								
Credit Card	—	—	30.0	11.0	—	—	—	—
Total consumer other	—	\$ —	30.0	11.0	—	—	—	—
Commercial								
Commercial and industrial								
Other (c)	3	\$ —	— %	— %	—	—	— %	— %
Total commercial	3	\$ —	—	—	—	—	—	—

(a) Calculated using a weighted-average balance for each portfolio class.

(b) Term is presented in number of months.

(c) Includes a commercial and industrial loan within our Corporate Finance operations that was also granted a three-month contractual maturity extension during the three months ended September 30, 2023.

Nine months ended September 30, 2023 (\$ in millions)	Payment extensions (a)	Principal forgiveness	Interest rate concessions (a)		Combination (a) (b) (c)			
	Number of months extended/deferred	Amount forgiven	Initial rate	Revised rate	Remaining term	Revised remaining term	Initial rate	Revised rate
Consumer automotive	27	\$ 2	— %	— %	75	85	10.4 %	9.7 %
Consumer mortgage								
Mortgage Finance	186	—	—	—	309	470	4.6	3.4
Mortgage — Legacy	76	—	—	—	174	283	2.7	2.0
Total consumer mortgage	149	—	—	—	284	435	4.3	3.1
Consumer other								
Credit Card	—	—	30.0	8.0	—	—	—	—
Total consumer other	—	\$ —	30.0	8.0	—	—	—	—
Commercial								
Commercial and industrial								
Other (d)	13	\$ —	— %	— %	—	—	— %	— %
Total commercial	13	\$ —	—	—	—	—	—	—

(a) Calculated using a weighted-average balance for each portfolio class.

(b) Term is presented in number of months.

(c) Some consumer mortgage combination loan modifications include deferrals of principal. The weighted average number of months deferred for these loans was 210 months.

(d) Includes a commercial and industrial loan within our Corporate Finance operations that was also granted a three-month contractual maturity extension during the nine months ended September 30, 2023.

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The following tables present the subsequent performance of loans recorded at amortized cost, by portfolio segment and credit quality indicator, that have been modified during the three months and nine months ended September 30, 2023.

Three months ended September 30, 2023 (\$ in millions)	Current	30–59 days past due	60–89 days past due	90 or more days past due (a)	Total
Consumer automotive					
Contractual maturity extensions	\$ 60	\$ 2	\$ —	\$ —	\$ 62
Principal forgiveness	—	—	—	1	1
Total consumer automotive	60	2	—	1	63
Consumer mortgage					
Mortgage Finance					
Contractual maturity extensions	1	—	—	—	1
Total Mortgage Finance	1	—	—	—	1
Mortgage — Legacy					
Combination	1	—	—	—	1
Total Mortgage — Legacy	1	—	—	—	1
Total consumer mortgage	2	—	—	—	2
Consumer other					
Credit Card					
Interest rate concessions	2	1	—	1	4
Total consumer other	2	1	—	1	4
Total consumer	\$ 64	\$ 3	\$ —	\$ 2	\$ 69

(a) Includes 67 consumer automotive loans with a total amortized cost of \$1 million that have redefaulted during the three months ended September 30, 2023.

Three months ended September 30, 2023 (\$ in millions)	Pass	Special mention	Substandard	Doubtful	Total
Commercial and industrial					
Other					
Payment deferrals (a)	\$ —	\$ —	\$ —	\$ 37	\$ 37
Total commercial	\$ —	\$ —	\$ —	\$ 37	\$ 37

(a) Includes a commercial and industrial loan within our Corporate Finance operations that was also granted a three-month contractual maturity extension during the three months ended September 30, 2023.

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Nine months ended September 30, 2023 (\$ in millions)	Current	30–59 days past due	60–89 days past due	90 or more days past due (a)	Total
Consumer automotive					
Contractual maturity extensions	\$ 89	\$ 7	\$ 2	\$ 1	\$ 99
Principal forgiveness	8	1	—	4	13
Combination	28	1	1	—	30
Total consumer automotive	125	9	3	5	142
Consumer mortgage					
Mortgage Finance					
Contractual maturity extensions	2	—	—	—	2
Combination	—	—	—	2	2
Total Mortgage Finance	2	—	—	2	4
Mortgage — Legacy					
Contractual maturity extensions	1	—	—	—	1
Combination	1	—	—	—	1
Total Mortgage — Legacy	2	—	—	—	2
Total consumer mortgage	4	—	—	2	6
Consumer other					
Credit Card					
Interest rate concessions	5	1	1	2	9
Total consumer other	5	1	1	2	9
Total consumer	\$ 134	\$ 10	\$ 4	\$ 9	\$ 157

(a) Includes 108 consumer automotive loans with a total amortized cost of \$3 million and 1 consumer mortgage loan with a total amortized cost of \$2 million that redefaulted during the nine months ended September 30, 2023.

Nine months ended September 30, 2023 (\$ in millions)	Pass	Special mention	Substandard	Doubtful	Total
Commercial and industrial					
Other					
Payment deferrals (a)	\$ —	\$ —	\$ —	\$ 65	\$ 65
Contractual maturity extensions	34	7	6	—	47
Total commercial	\$ 34	\$ 7	\$ 6	\$ 65	\$ 112

(a) Includes a commercial and industrial loan within our Corporate Finance operations that was also granted a three-month contractual maturity extension during the nine months ended September 30, 2023.

Troubled Debt Restructuring Disclosures Prior to the Adoption of ASU 2022-02

The adoption of ASU 2022-02 eliminated TDR recognition and measurement guidance, as well as all TDR-related disclosures. Refer to Note 1 for additional information. TDRs were loan modifications where concessions were granted to borrowers experiencing financial difficulties. Total TDRs recorded at amortized cost were \$2.4 billion at December 31, 2022.

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The following tables present information related to finance receivables and loans recorded at amortized cost modified in connection with a TDR during the period.

Three months ended September 30, 2022 (\$ in millions)	Number of loans	Pre-modification amortized cost basis	Post-modification amortized cost basis
Consumer automotive	11,733	\$ 193	\$ 187
Consumer mortgage			
Mortgage Finance	4	3	3
Mortgage — Legacy	2	—	—
Total consumer mortgage	6	3	3
Consumer other			
Credit Card	749	1	1
Total consumer other	749	1	1
Total consumer	12,488	197	191
Commercial			
Commercial and industrial			
Other	1	51	55
Total commercial	1	51	55
Total finance receivables and loans	12,489	\$ 248	\$ 246

Nine months ended September 30, 2022 (\$ in millions)	Number of loans	Pre-modification amortized cost basis	Post-modification amortized cost basis
Consumer automotive	38,112	\$ 637	\$ 620
Consumer mortgage			
Mortgage Finance	13	10	10
Mortgage — Legacy	9	1	1
Total consumer mortgage	22	11	11
Consumer other			
Credit Card	1,843	3	3
Total consumer other	1,843	3	3
Total consumer	39,977	651	634
Commercial			
Commercial and industrial			
Other	5	462	466
Total commercial	5	462	466
Total finance receivables and loans	39,982	\$ 1,113	\$ 1,100

Notes to Condensed Consolidated Financial Statements (unaudited)

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The following tables present information about finance receivables and loans recorded at amortized cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

Three months ended September 30, 2022 (\$ in millions)	Number of loans	Amortized cost	Charge-off amount
Consumer automotive	2,473	\$ 37	\$ 16
Consumer mortgage			
Mortgage Finance	1	1	—
Total consumer mortgage	1	1	—
Consumer other			
Credit Card	146	—	—
Total consumer other	146	—	—
Total consumer	2,620	\$ 38	\$ 16
Commercial			
Commercial and industrial			
Other	1	1	31
Total commercial	1	1	31
Total finance receivables and loans	2,621	\$ 39	\$ 47

Nine months ended September 30, 2022 (\$ in millions)	Number of loans	Amortized cost	Charge-off amount
Consumer automotive	6,722	\$ 103	\$ 43
Consumer mortgage			
Mortgage Finance	4	3	—
Total consumer mortgage	4	3	—
Consumer Other			
Credit Card	225	—	—
Total consumer other	225	—	—
Total consumer	6,951	106	43
Commercial			
Commercial and industrial			
Other	1	1	31
Total commercial	1	1	31
Total finance receivables and loans	6,952	\$ 107	\$ 74

8. Leasing

Ally as the Lessee

We have operating leases for certain of our corporate facilities, which have remaining lease terms of 3 months to 7 years. Most of the property leases have fixed payment terms with annual fixed-escalation clauses and include options to extend or terminate the lease. We do not include these term extensions or termination provisions in our estimates of the lease term if we do not consider it reasonably certain that the options will be exercised.

We also have operating leases for a fleet of vehicles that is used by our sales force for business purposes, with noncancelable lease terms of 367 days. Thereafter, the leases are month-to-month, up to a maximum of 48 months from inception.

During the three months and nine months ended September 30, 2023, we paid \$7 million and \$23 million, respectively, in cash for amounts included in the measurement of lease liabilities at September 30, 2023, compared to \$10 million and \$29 million for the three months and nine months ended September 30, 2022, in cash for amounts included in the measurement of lease liabilities at September 30, 2022. These amounts are included in net cash provided by operating activities in the Condensed Consolidated Statement of Cash Flows. During the nine months ended September 30, 2023, and September 30, 2022, we obtained \$10 million and \$36 million, respectively, of ROU assets in exchange for new lease liabilities. As of September 30, 2023, the weighted-average remaining lease term of our operating lease portfolio was 4 years, and the weighted-average discount rate was 2.87%, compared to 5 years and 2.57% as of December 31, 2022.

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The following table presents future minimum rental payments we are required to make under operating leases that have commenced as of September 30, 2023, and that have noncancelable lease terms expiring after September 30, 2023.

(\$ in millions)

2023	\$	9
2024		35
2025		30
2026		23
2027		17
2028 and thereafter		17
Total undiscounted cash flows		131
Difference between undiscounted cash flows and discounted cash flows		(8)
Total lease liability	\$	123

The following table details the components of total net operating lease expense.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Operating lease expense	\$ 7	\$ 8	\$ 21	\$ 25
Variable lease expense	1	1	3	3
Total lease expense, net (a)	\$ 8	\$ 9	\$ 24	\$ 28

(a) Included in other operating expenses in our Condensed Consolidated Statement of Comprehensive Income.

Ally as the Lessor

Investment in Operating Leases

We purchase consumer operating lease contracts and the associated vehicles from dealerships after those contracts are executed by the dealers and the consumers. The amount we pay a dealer for an operating lease contract is based on the negotiated price for the vehicle less vehicle trade-in, down payment from the consumer, and available automotive manufacturer incentives. Under the operating lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value, down payment, or available manufacturer incentives) exceeds the contract residual value (including residual support) of the vehicle at lease termination, plus operating lease rental charges. The customer can terminate the lease at any point after commencement, subject to additional charges and fees. Both the consumer and the dealership have the option to purchase the vehicle at the end of the lease term, which generally range from 24 to 60 months, at the residual value of the vehicle, however it is not reasonably certain this option will be exercised and accordingly our consumer leases are classified as operating leases. In addition to the charges described above, the consumer is generally responsible for certain charges related to excess mileage or excessive wear and tear on the vehicle. These charges are deemed variable lease payments and, as these payments are not based on a rate or index, they are recognized as net depreciation expense on operating lease assets in our Condensed Consolidated Statement of Comprehensive Income as incurred.

When we acquire a consumer operating lease, we assume ownership of the vehicle from the dealer. We require that property damage, bodily injury, collision, and comprehensive insurance be obtained by the lessee on all consumer operating leases. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. When vehicles are not purchased by customers or the receiving dealer at scheduled lease termination, the vehicle is returned to us for remarketing. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the expected residual value. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing, which is included in net depreciation expense on operating lease assets in our Condensed Consolidated Statement of Comprehensive Income. Excessive mileage or excessive wear and tear on the vehicle during the lease may impact the sales proceeds received upon remarketing. As of September 30, 2023, and December 31, 2022, consumer operating leases with a carrying value, net of accumulated depreciation, of \$19 million and \$56 million, respectively, were covered by a residual value guarantee of 15% of the manufacturer's suggested retail price.

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The following table details our investment in operating leases.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Vehicles	\$ 11,496	\$ 12,304
Accumulated depreciation	(1,927)	(1,860)
Investment in operating leases, net	\$ 9,569	\$ 10,444

The following table presents future minimum rental payments we have the right to receive under operating leases with noncancelable lease terms expiring after September 30, 2023.

<i>(\$ in millions)</i>	
2023	\$ 408
2024	1,240
2025	733
2026	302
2027	50
2028 and thereafter	3
Total lease payments from operating leases	\$ 2,736

We recognized operating lease revenue of \$385 million and \$1.2 billion for the three months and nine months ended September 30, 2023, respectively, and \$397 million and \$1.2 billion for the three months and nine months ended September 30, 2022. Depreciation expense on operating lease assets includes net remarketing gains recognized on the sale of operating lease assets. The following table summarizes the components of depreciation expense on operating lease assets.

<i>(\$ in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Depreciation expense on operating lease assets (excluding remarketing gains) (a)	\$ 269	\$ 277	\$ 812	\$ 813
Remarketing gains, net	(57)	(39)	(174)	(139)
Net depreciation expense on operating lease assets	\$ 212	\$ 238	\$ 638	\$ 674

(a) Includes variable lease payments related to excess mileage and excessive wear and tear on vehicles of \$3 million and \$7 million for the three months and nine months ended September 30, 2023, respectively, and \$2 million and \$5 million during the three months and nine months ended September 30, 2022.

Finance Leases

In our Automotive Finance operations, we also hold automotive leases that require finance lease treatment as prescribed by ASC Topic 842, *Leases*. Our total gross investment in finance leases, which is included in finance receivables and loans, net, on our Condensed Consolidated Balance Sheet was \$525 million and \$481 million as of September 30, 2023, and December 31, 2022, respectively. This includes lease payment receivables of \$519 million and \$468 million at September 30, 2023, and December 31, 2022, respectively, and unguaranteed residual assets of \$6 million at September 30, 2023, and \$13 million at December 31, 2022. Interest income on finance lease receivables was \$10 million and \$28 million for the three months and nine months ended September 30, 2023, respectively, and \$8 million and \$22 million for the three months and nine months ended September 30, 2022, and is included in interest and fees on finance receivables and loans in our Condensed Consolidated Statement of Comprehensive Income.

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The following table presents future minimum rental payments we have the right to receive under finance leases with noncancelable lease terms expiring after September 30, 2023.

(\$ in millions)

2023	\$	53
2024		172
2025		149
2026		119
2027		59
2028 and thereafter		33
Total undiscounted cash flows		585
Difference between undiscounted cash flows and discounted cash flows		(66)
Present value of lease payments recorded as lease receivable	\$	519

9. Securitizations and Variable Interest Entities

We securitize, transfer, and service consumer automotive loans. We often securitize these loans (also referred to as financial assets) using SPEs. An SPE is a legal entity that is designed to fulfill a specified limited need of the sponsor. Our principal use of SPEs is to obtain liquidity by securitizing certain of our financial assets. SPEs are often VIEs and may or may not be included on our Condensed Consolidated Balance Sheet. Additionally, we opportunistically sell consumer automotive and credit card whole-loans to SPEs where we have a continuing involvement.

VIEs are legal entities that either have an insufficient amount of equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack the ability to control the entity's activities that most significantly impact economic performance through voting or similar rights, or do not have the obligation to absorb the expected losses or the right to receive expected residual returns of the entity.

The VIEs included on the Condensed Consolidated Balance Sheet represent SPEs where we are deemed to be the primary beneficiary, primarily due to our servicing activities and our beneficial interests in the VIE that could be potentially significant.

The nature, purpose, and activities of nonconsolidated SPEs are similar to those of our consolidated SPEs with the primary difference being the nature and extent of our continuing involvement. For nonconsolidated SPEs, the transferred financial assets are removed from our balance sheet provided the conditions for sale accounting are met. The financial assets obtained from the sale are primarily reported as cash or retained interests (if applicable). Liabilities incurred as part of these sales, are recorded at fair value at the time of sale and are reported as accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet. Upon the sale of the loans, we recognize a gain or loss on sale for the difference between the assets recognized, the assets derecognized, and the liabilities recognized as part of the transaction. With respect to our ongoing right to service the assets we sell, the servicing fee we receive represents adequate compensation, and consequently, we do not recognize a servicing asset or liability.

The pretax gain on sales of financial assets into nonconsolidated VIEs was \$1 million for the nine months ended September 30, 2023. We had no pretax gains or losses on sales of financial assets into nonconsolidated VIEs during the three months ended September 30, 2023, and during both the three months and nine months ended September 30, 2022.

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

We are involved with various other nonconsolidated equity investments, including affordable housing entities and venture capital funds and loan funds. We do not consolidate these entities and our involvement is limited to our outstanding investment, additional capital committed to these funds plus any previously recognized low-income housing tax credits that are subject to recapture.

Refer to Note 1 and Note 11 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for further description of our securitization activities and our involvement with VIEs.

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The following table presents our involvement in consolidated and nonconsolidated VIEs in which we hold variable interests. We have excluded certain transactions with nonconsolidated entities from the balances presented in the table below, where our only continuing involvement relates to financial interests obtained through the ordinary course of business, primarily from lending and investing arrangements. For additional detail related to the assets and liabilities of consolidated variable interest entities refer to the Condensed Consolidated Balance Sheet.

<i>(\$ in millions)</i>	Carrying value of total assets	Carrying value of total liabilities	Assets sold to nonconsolidated VIEs (a)	Maximum exposure to loss in nonconsolidated VIEs
September 30, 2023				
On-balance sheet variable interest entities				
Consumer automotive	\$ 19,532 (b)	\$ 3,230 (c)	\$ —	\$ —
Off-balance sheet variable interest entities				
Consumer automotive	—	—	835	835 (d)
Consumer other (e)	—	—	131	131
Commercial other	2,278 (f)	822 (g)	—	2,860 (h)
Total	\$ 21,810	\$ 4,052	\$ 966	\$ 3,826
December 31, 2022				
On-balance sheet variable interest entities				
Consumer automotive	\$ 20,415 (b)	\$ 2,553 (c)	\$ —	\$ —
Off-balance sheet variable interest entities				
Consumer automotive	—	—	227	227 (d)
Consumer other (e)	—	—	103	103
Commercial other	2,199 (f)	873 (g)	—	2,767 (h)
Total	\$ 22,614	\$ 3,426	\$ 330	\$ 3,097

- (a) Asset values represent the current unpaid principal balance of outstanding consumer automotive and credit card finance receivables and loans within the VIEs.
- (b) Includes \$9.7 billion and \$10.6 billion of assets that were not encumbered by VIE beneficial interests held by third parties at September 30, 2023, and December 31, 2022, respectively. Ally or consolidated affiliates hold the interests in these assets.
- (c) Includes \$105 million and \$113 million of liabilities that were not obligations to third-party beneficial interest holders at September 30, 2023, and December 31, 2022, respectively.
- (d) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.
- (e) Represents balances from Ally Credit Card.
- (f) Amounts are classified as other assets except for \$44 million and \$38 million classified as equity securities at September 30, 2023, and December 31, 2022, respectively.
- (g) Amounts are classified as accrued expenses and other liabilities.
- (h) For certain nonconsolidated affordable housing entities, maximum exposure to loss represents the yield we guaranteed investors through long-term guarantee contracts. The amount disclosed is based on the unlikely event that the yield delivered to investors in the form of low-income tax housing credits is recaptured. For nonconsolidated equity investments, maximum exposure to loss represents our outstanding investment, additional committed capital, and low-income housing tax credits subject to recapture. The amount disclosed is based on the unlikely event that our committed capital is funded, our investments become worthless, and the tax credits previously delivered to us are recaptured. This required disclosure is not an indication of our expected loss.

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Cash Flows with Nonconsolidated Special-Purpose Entities

The following table summarizes cash flows received and paid related to SPEs and asset-backed financings where the transfer is accounted for as a sale and we have a continuing involvement with the transferred consumer automotive and credit card assets (for example, servicing) that were outstanding during the nine months ended September 30, 2023, and 2022. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated SPEs that existed during each period.

(\$ in millions)	Nine months ended September 30,	
	2023	2022
Consumer automotive		
Cash proceeds from transfers completed during the period	\$ 707	\$ 60
Servicing fees	11	—
Other cash flows	1	—
Consumer other (a)		
Cash proceeds from transfers completed during the period	100	93
Servicing fees	7	9
Total	\$ 826	\$ 162

(a) Represents activity from Ally Credit Card.

Delinquencies and Net Credit Losses

The following tables present quantitative information about off-balance sheet whole-loan sales where we have continuing involvement.

(\$ in millions)	Total amount		Amount 60 days or more past due	
	September 30,	December 31, 2022	September 30,	December 31, 2022
	2023		2023	
Whole-loan sales (a)				
Consumer automotive	\$ 835	\$ 227	\$ 27	\$ 2
Consumer other	131	103	16	8
Total	\$ 966	\$ 330	\$ 43	\$ 10

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

(\$ in millions)	Net credit losses			
	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Whole-loan sales (a)				
Consumer automotive	\$ 10	\$ —	\$ 14	\$ —
Consumer other	8	—	21	—
Total	\$ 18	\$ —	\$ 35	\$ —

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

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10. Other Assets

The components of other assets were as follows.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Property and equipment at cost	\$ 2,425	\$ 2,352
Accumulated depreciation	(1,142)	(1,076)
Net property and equipment	1,283	1,276
Investment in qualified affordable housing projects (a)	1,630	1,596
Net deferred tax assets	1,514	1,087
Accrued interest, fees, and rent receivables	898	786
Nonmarketable equity investments	857	842
Goodwill	822	822
Equity-method investments (b)	650	608
Restricted cash held for securitization trusts (c)	522	585
Other accounts receivable	181	164
Operating lease right-of-use assets	99	111
Restricted cash and cash equivalents (d)	81	66
Net intangible assets	79	98
Other assets	985	1,097
Total other assets	\$ 9,601	\$ 9,138

(a) Presented gross of the associated unfunded commitment. Refer to Note 13 for further information.

(b) Primarily relates to investments made in connection with our CRA program.

(c) Includes restricted cash collected from customer payments on securitized receivables, which are distributed by us to investors as payments on the related secured debt, and cash reserve deposits utilized as a form of credit enhancement for various securitization transactions.

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

The total carrying value of the nonmarketable equity investments held at September 30, 2023, and December 31, 2022, including cumulative unrealized gains and losses, was as follows.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
FRB stock	\$ 419	\$ 401
FHLB stock	338	318
Equity investments without a readily determinable fair value		
Cost basis at acquisition	73	89
Adjustments		
Upward adjustments	50	177
Downward adjustments (including impairment)	(23)	(143)
Carrying amount, equity investments without a readily determinable fair value	100	123
Nonmarketable equity investments	\$ 857	\$ 842

During the three months and nine months ended September 30, 2023, and September 30, 2022, respectively, unrealized gains and losses included in the carrying value of the nonmarketable equity investments still held as of September 30, 2023, and September 30, 2022, were as follows.

<i>(\$ in millions)</i>	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Upward adjustments	\$ —	\$ —	\$ 7	\$ 1
Downward adjustments (including impairment) (a)	\$ —	\$ (137)	\$ (17)	\$ (140)

(a) No impairment on FHLB and FRB stock was recognized during both the three months and nine months ended September 30, 2023, and 2022.

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The downward adjustments (including impairment) during the three months and nine months ended September 30, 2022, were primarily driven by an impairment in our investment in BMC Holdco. During the three months ended September 30, 2023, this investment was transferred from nonmarketable equity investments to equity securities on the Condensed Consolidated Balance Sheet as our investment converted into publicly traded common stock in BHF.

Total loss on nonmarketable equity investments, net, which includes both realized and unrealized gains and losses, was a loss of \$11 million for the nine months ended September 30, 2023, compared to losses of \$135 million and \$133 million for the three months and nine months ended September 30, 2022, respectively.

The carrying balance of goodwill by reportable operating segment was as follows.

<i>(\$ in millions)</i>	Automotive Finance operations	Insurance operations	Corporate and Other (a)	Total
Goodwill at December 31, 2021	\$ 20	\$ 27	\$ 775	\$ 822
Goodwill acquired	—	—	—	—
Goodwill at December 31, 2022	\$ 20	\$ 27	\$ 775	\$ 822
Goodwill acquired	—	—	—	—
Goodwill at September 30, 2023	\$ 20	\$ 27	\$ 775	\$ 822

(a) Includes \$479 million of goodwill associated with Ally Credit Card at both September 30, 2023, and December 31, 2022, \$153 million of goodwill associated with Ally Lending at both September 30, 2023, and December 31, 2022, and \$143 million of goodwill associated with Ally Invest at both September 30, 2023, and December 31, 2022.

The net carrying value of intangible assets by class was as follows.

<i>(\$ in millions)</i>	September 30, 2023 (a)			December 31, 2022		
	Gross intangible assets	Accumulated amortization	Net carrying value	Gross intangible assets	Accumulated amortization	Net carrying value
Technology	\$ 122	\$ (65)	\$ 57	\$ 122	\$ (53)	\$ 69
Customer lists	58	(55)	3	58	(51)	7
Purchased credit card relationships	25	(6)	19	25	(4)	21
Trademarks	2	(2)	—	2	(1)	1
Total intangible assets	\$ 207	\$ (128)	\$ 79	\$ 207	\$ (109)	\$ 98

(a) We expect to recognize amortization expense of \$7 million during the remainder of 2023, \$19 million in 2024, and \$14 million per year for 2025, 2026, and 2027.

11. Deposit Liabilities

Deposit liabilities consisted of the following.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Noninterest-bearing deposits	\$ 188	\$ 185
Interest-bearing deposits		
Savings, money market, and spending accounts	99,161	110,776
Certificates of deposit	53,486	41,336
Total deposit liabilities	\$ 152,835	\$ 152,297

At September 30, 2023, and December 31, 2022, certificates of deposit included \$6.8 billion and \$5.6 billion, respectively, of those in denominations in excess of \$250 thousand.

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12. Debt

Short-Term Borrowings

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

(\$ in millions)	September 30, 2023			December 31, 2022		
	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Federal Home Loan Bank	\$ —	\$ 1,675	\$ 1,675	\$ —	\$ 1,900	\$ 1,900
Securities sold under agreements to repurchase	—	735	735	—	499	499
Total short-term borrowings	\$ —	\$ 2,410	\$ 2,410	\$ —	\$ 2,399	\$ 2,399

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

We periodically enter into term repurchase agreements—short-term borrowing agreements in which we sell securities to one or more investors while simultaneously committing to repurchase them at a specified future date, at the stated price plus accrued interest. As of September 30, 2023, the securities sold under agreements to repurchase consisted of \$483 million of agency mortgage-backed residential debt securities and \$252 million of U.S. Treasury and federal agency securities. The repurchase agreements are set to mature within 30 days. Refer to Note 6 and Note 21 for further details.

The primary risk associated with these repurchase agreements is that the counterparty will be unable to perform under the terms of the contract. As the borrower, we are exposed to the excess market value of the securities pledged over the amount borrowed. Daily mark-to-market collateral management is designed to limit this risk to the initial margin. However, should a counterparty declare bankruptcy or become insolvent, we may incur additional delays and costs. In some instances, we may place or receive cash collateral with counterparties under collateral arrangements associated with our repurchase agreements. At September 30, 2023, we placed cash collateral of \$15 million subsequent to the execution of the repurchase agreements, and we did not receive any collateral. At December 31, 2022, we placed cash collateral of \$1 million subsequent to the execution of the repurchase agreements, and we did not receive any collateral.

Long-Term Debt

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

(\$ in millions)	September 30, 2023			December 31, 2022		
	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt (a)						
Due within one year	\$ 2,622	\$ 3,349	\$ 5,971	\$ 2,023	\$ 2,395	\$ 4,418
Due after one year	8,194	5,931	14,125	8,014	5,330	13,344
Total long-term debt (b)	\$ 10,816	\$ 9,280	\$ 20,096	\$ 10,037	\$ 7,725	\$ 17,762

(a) Includes basis adjustments related to the application of hedge accounting. Refer to Note 18 for additional information.

(b) Includes advances, net of hedge basis adjustments, from the FHLB of Pittsburgh of \$6.2 billion and \$5.3 billion at September 30, 2023, and December 31, 2022, respectively.

The following table presents the scheduled remaining maturity of long-term debt at September 30, 2023, assuming no early redemptions will occur. The amounts below include adjustments to the carrying value resulting from the application of hedge accounting. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

(\$ in millions)	2023	2024	2025	2026	2027	2028 and thereafter	Total
Unsecured							
Long-term debt	\$ 1,219	\$ 1,478	\$ 2,485	\$ 154	\$ 1,537	\$ 4,790	\$ 11,663
Original issue discount	(16)	(68)	(74)	(82)	(94)	(513)	(847)
Total unsecured	1,203	1,410	2,411	72	1,443	4,277	10,816
Secured							
Long-term debt	807	3,388	2,293	1,991	526	275	9,280
Total long-term debt	\$ 2,010	\$ 4,798	\$ 4,704	\$ 2,063	\$ 1,969	\$ 4,552	\$ 20,096

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The following summarizes assets restricted as collateral for the payment of the related debt obligation.

(\$ in millions)	September 30, 2023	December 31, 2022
Consumer automotive finance receivables	\$ 43,426	\$ 11,759
Consumer mortgage finance receivables	18,931	19,771
Commercial finance receivables	5,837	4,210
Investment securities (amortized cost of \$4,818 and \$4,288) (a)	3,865	3,525
Total assets restricted as collateral (b) (c) (d)	\$ 72,059	\$ 39,265
Secured debt (e)	\$ 11,690	\$ 10,124

- (a) A portion of the restricted investment securities at September 30, 2023, and December 31, 2022, was restricted under repurchase agreements. Refer to the section above titled *Short-Term Borrowings* for information on the repurchase agreements.
- (b) All restricted assets are those of Ally Bank.
- (c) Ally Bank has an advance agreement with the FHLB, and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling \$27.9 billion and \$27.0 billion at September 30, 2023, and December 31, 2022, respectively. These assets were primarily composed of consumer mortgage finance receivables and loans, as well as real-estate-backed loans within our Automotive Finance and Corporate Finance businesses, and non-agency mortgage-backed securities. Ally Bank has access to the FRB Discount Window and had assets pledged and restricted as collateral to the FRB totaling \$34.0 billion and \$2.4 billion at September 30, 2023, and December 31, 2022, respectively. These assets were composed of consumer automotive finance receivables and loans. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its other subsidiaries.
- (d) Excludes restricted cash and cash reserves for securitization trusts recorded within other assets on the Condensed Consolidated Balance Sheet. Refer to Note 10 for additional information.
- (e) Includes \$2.4 billion of short-term borrowings at both September 30, 2023, and December 31, 2022.

13. Accrued Expenses and Other Liabilities

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

(\$ in millions)	September 30, 2023	December 31, 2022
Unfunded commitments for investment in qualified affordable housing projects	\$ 818	\$ 869
Accounts payable	482	435
Employee compensation and benefits	344	424
Deferred revenue	161	169
Reserves for insurance losses and loss adjustment expenses (a)	145	119
Operating lease liabilities	123	137
Other liabilities	534	495
Total accrued expenses and other liabilities	\$ 2,607	\$ 2,648

- (a) Refer to Note 4 for further information.

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14. Preferred Stock

The following table summarizes information about our preferred stock. For additional information regarding our preferred stock, refer to Note 17 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

	September 30, 2023	December 31, 2022
Series B preferred stock (a)		
Issuance date	April 22, 2021	April 22, 2021
Carrying value (\$ in millions)	\$ 1,335	\$ 1,335
Par value (per share)	\$ 0.01	\$ 0.01
Liquidation preference (per share)	\$ 1,000	\$ 1,000
Number of shares authorized	1,350,000	1,350,000
Number of shares issued and outstanding	1,350,000	1,350,000
Dividend/coupon		
Prior to May 15, 2026	4.700%	4.700%
On and after May 15, 2026	Five Year Treasury + 3.868%	Five Year Treasury + 3.868%
Series C preferred stock (a)		
Issuance date	June 2, 2021	June 2, 2021
Carrying value (\$ in millions)	\$ 989	\$ 989
Par value (per share)	\$ 0.01	\$ 0.01
Liquidation preference (per share)	\$ 1,000	\$ 1,000
Number of shares authorized	1,000,000	1,000,000
Number of shares issued and outstanding	1,000,000	1,000,000
Dividend/coupon		
Prior to May 15, 2028	4.700%	4.700%
On and after May 15, 2028	Seven Year Treasury + 3.481%	Seven Year Treasury + 3.481%

(a) We may, at our option, redeem the Series B and Series C shares on any dividend payment date on or after May 15, 2026, or May 15, 2028, respectively, or at any time within 90 days following a regulatory event that precludes the instruments from being included in additional Tier 1 capital.

15. Accumulated Other Comprehensive Loss

The following tables present changes, net of tax, in each component of accumulated other comprehensive loss.

(\$ in millions)	Three months ended September 30,				
	Unrealized losses on investment securities (a)	Translation adjustments and net investment hedges (b)	Cash flow hedges (b)	Defined benefit pension plans (c)	Accumulated other comprehensive loss
Balance at July 1, 2022	\$ (2,940)	\$ 19	\$ 27	\$ (115)	\$ (3,009)
Net change	(1,343)	(1)	(3)	16	(1,331)
Balance at September 30, 2022	\$ (4,283)	\$ 18	\$ 24	\$ (99)	\$ (4,340)
Balance at July 1, 2023	\$ (3,881)	\$ 21	\$ (3)	\$ —	\$ (3,863)
Net change	(886)	(1)	(15)	—	(902)
Balance at September 30, 2023	\$ (4,767)	\$ 20	\$ (18)	\$ —	\$ (4,765)

(a) Represents the after-tax difference between the fair value and amortized cost of our available-for-sale securities portfolio. Refer to Note 6 for additional information.

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

(c) During 2022, we settled our qualified defined benefit pension plan. Refer to Note 18 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for additional information.

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(\$ in millions)	Nine months ended September 30,				
	Unrealized losses on investment securities (a)	Translation adjustments and net investment hedges (b)	Cash flow hedges (b)	Defined benefit pension plans (c)	Accumulated other comprehensive loss
Balance at January 1, 2022	\$ (95)	\$ 19	\$ 35	\$ (117)	\$ (158)
Net change	(4,188)	(1)	(11)	18	(4,182)
Balance at September 30, 2022	\$ (4,283)	\$ 18	\$ 24	\$ (99)	\$ (4,340)
Balance at January 1, 2023	\$ (4,095)	\$ 18	\$ 18	\$ —	\$ (4,059)
Net change	(672)	2	(36)	—	(706)
Balance at September 30, 2023	\$ (4,767)	\$ 20	\$ (18)	\$ —	\$ (4,765)

(a) Represents the after-tax difference between the fair value and amortized cost of our available-for-sale securities portfolio. Refer to Note 6 for additional information.

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

(c) During 2022, we settled our qualified defined benefit pension plan. Refer to Note 18 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for additional information.

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

Three months ended September 30, 2023 (\$ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized losses arising during the period	\$ (1,163)	\$ 277	\$ (886)
Translation adjustments			
Net unrealized losses arising during the period	(5)	1	(4)
Net investment hedges (a)			
Net unrealized gains arising during the period	4	(1)	3
Cash flow hedges (a)			
Net unrealized losses arising during the period	(15)	4	(11)
Less: Net realized gains reclassified to income from continuing operations	5 (b)	(1) (c)	4
Net change	(20)	5	(15)
Other comprehensive loss	\$ (1,184)	\$ 282	\$ (902)

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

(b) Includes gains reclassified to interest and fees on finance receivables and loans in our Condensed Consolidated Statement of Comprehensive Income.

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

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Three months ended September 30, 2022 (\$ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized losses arising during the period	\$ (1,757)	\$ 416	\$ (1,341)
Less: Net realized gains reclassified to income from continuing operations	2 (a)	— (b)	2
Net change	(1,759)	416	(1,343)
Translation adjustments			
Net unrealized losses arising during the period	(11)	2	(9)
Net investment hedges (c)			
Net unrealized gains arising during the period	10	(2)	8
Cash flow hedges (c)			
Less: Net realized gains reclassified to income from continuing operations	4 (d)	(1) (b)	3
Defined benefit pension plans			
Less: Net realized losses reclassified to income from continuing operations	(21) (e)	5 (b)	(16)
Other comprehensive loss	\$ (1,743)	\$ 412	\$ (1,331)

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

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

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

(d) Includes gains reclassified to interest and fees on finance receivables and loans in our Condensed Consolidated Statement of Comprehensive Income.

(e) Includes losses reclassified to compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income as a result of actions taken toward the settlement of our qualified defined benefit pension plan. Refer to Note 18 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for additional information.

Nine months ended September 30, 2023 (\$ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized losses arising during the period	\$ (877)	\$ 209	\$ (668)
Less: Net realized gains reclassified to income from continuing operations	5 (a)	(1) (b)	4
Net change	(882)	210	(672)
Translation adjustments			
Net unrealized gains arising during the period	1	—	1
Net investment hedges (c)			
Net unrealized gains arising during the period	1	—	1
Cash flow hedges (c)			
Net unrealized losses arising during the period	(33)	9	(24)
Less: Net realized gains reclassified to income from continuing operations	15 (d)	(3) (b)	12
Net change	(48)	12	(36)
Other comprehensive loss	\$ (928)	\$ 222	\$ (706)

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

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

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

(d) Includes gains reclassified to interest and fees on finance receivables and loans in our Condensed Consolidated Statement of Comprehensive Income.

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Nine months ended September 30, 2022 (\$ in millions)	Before tax	Tax effect	After tax
Investment securities			
Net unrealized losses arising during the period	\$ (5,465)	\$ 1,295	\$ (4,170)
Less: Net realized gains reclassified to income from continuing operations	23 (a)	(5) (b)	18
Net change	(5,488)	1,300	(4,188)
Translation adjustments			
Net unrealized losses arising during the period	(13)	3	(10)
Net investment hedges (c)			
Net unrealized gains arising during the period	11	(2)	9
Cash flow hedges (c)			
Less: Net realized gains reclassified to income from continuing operations	15 (d)	(4) (b)	11
Defined benefit pension plans			
Net unrealized gains arising during the period	2	—	2
Less: Net realized losses reclassified to income from continuing operations	(21) (e)	5 (b)	(16)
Net change	23	(5)	18
Other comprehensive loss	\$ (5,482)	\$ 1,300	\$ (4,182)

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

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

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

(d) Includes gains reclassified to interest and fees on finance receivables and loans in our Condensed Consolidated Statement of Comprehensive Income.

(e) Includes losses reclassified to compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income as a result of actions taken toward the settlement of our qualified defined benefit pension plan. Refer to Note 18 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for additional information.

16. Earnings per Common Share

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

(\$ in millions, except per share data; shares in thousands) (a)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income from continuing operations	\$ 296	\$ 300	\$ 945	\$ 1,437
Preferred stock dividends — Series B	(16)	(16)	(48)	(48)
Preferred stock dividends — Series C	(11)	(11)	(35)	(35)
Net income from continuing operations attributable to common stockholders	\$ 269	\$ 273	\$ 862	\$ 1,354
Loss from discontinued operations, net of tax	—	(1)	(1)	(1)
Net income attributable to common stockholders	\$ 269	\$ 272	\$ 861	\$ 1,353
Basic weighted-average common shares outstanding (b)	304,134	308,220	303,497	321,884
Diluted weighted-average common shares outstanding (b)	305,693	310,086	304,601	323,875
Basic earnings per common share				
Net income from continuing operations	\$ 0.88	\$ 0.88	\$ 2.84	\$ 4.20
Loss from discontinued operations, net of tax	—	—	(0.01)	—
Net income	\$ 0.88	\$ 0.88	\$ 2.84	\$ 4.20
Diluted earnings per common share				
Net income from continuing operations	\$ 0.88	\$ 0.88	\$ 2.83	\$ 4.18
Loss from discontinued operations, net of tax	—	—	(0.01)	—
Net income	\$ 0.88	\$ 0.88	\$ 2.83	\$ 4.18

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

(b) Includes shares related to share-based compensation that vested but were not yet issued.

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17. Regulatory Capital and Other Regulatory Matters

Ally is subject to enhanced prudential standards that have been established by the FRB under the Dodd-Frank Act, as amended by the EGRRCP Act and as applied to Category IV firms under the Tailoring Rules. Refer to the discussion below, however, about rules proposed by the U.S. banking agencies in 2023 that would significantly alter the Tailoring Rules. Currently, as a Category IV firm, Ally is (1) subject to supervisory stress testing on a two-year cycle, (2) required to submit an annual capital plan to the FRB, (3) exempted from company-run capital stress testing requirements, (4) required to maintain a buffer of unencumbered highly liquid assets to meet projected net stressed cash outflows over a 30-day planning horizon, (5) exempted from the requirements of the LCR and the net stable funding ratio (provided that our average wSTWF continues to remain under \$50 billion), and (6) exempted from the requirements of the supplementary leverage ratio, the countercyclical capital buffer, and single-counterparty credit limits. Even so, we are subject to rules enabling the FRB to conduct supervisory stress testing on a more or less frequent basis based on our financial condition, size, complexity, risk profile, scope of operations, or activities or based on risks to the U.S. economy. Further, we are subject to rules requiring the resubmission of our capital plan if we determine that there has been or will be a material change in our risk profile, financial condition, or corporate structure since we last submitted the capital plan or if the FRB determines that (a) our capital plan is incomplete or our capital plan or internal capital adequacy process contains material weaknesses, (b) there has been, or will likely be, a material change in our risk profile (including a material change in our business strategy or any risk exposure), financial condition, or corporate structure, or (c) the BHC stress scenario(s) are not appropriate for our business model and portfolios, or changes in the financial markets or the macroeconomic outlook that could have a material impact on our risk profile and financial condition require the use of updated scenarios. While a resubmission is pending, without prior approval of the FRB, we would generally be prohibited from paying dividends, repurchasing our common stock, or making other capital distributions. In addition, to satisfy the FRB in its review of our capital plan, we may be required to further cease or limit these capital distributions or to issue capital instruments that could be dilutive to stockholders. The FRB also may prevent us from maintaining or expanding lending or other business activities.

Basel Capital Framework

The FRB and other U.S. banking agencies have adopted risk-based and leverage capital rules 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 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.

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%. On top of the minimum risk-based capital ratios, Ally and Ally Bank are subject to a capital conservation buffer requirement, which must be satisfied entirely with capital that qualifies as Common Equity Tier 1 capital. Failure to maintain more than the full amount of the capital conservation buffer requirement would result in automatic 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%. While the capital conservation buffer requirement for Ally Bank is fixed at 2.5% of RWAs, the capital conservation buffer requirement for a Category IV firm like Ally is equal to its stress capital buffer requirement. The stress capital buffer requirement for Ally, in turn, is the greater of 2.5% and the result of the following calculation: (1) the difference between Ally's starting and minimum projected Common Equity Tier 1 capital ratios under the severely adverse scenario in the supervisory stress test, plus (2) the sum of the dollar amount of Ally's planned common stock dividends for each of the fourth through seventh quarters of its nine-quarter capital planning horizon, as a percentage of RWAs. As of September 30, 2023, the stress capital buffer requirement for Ally was 2.5%.

Ally and Ally Bank are currently 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 currently subject to the U.S. market-risk capital rule, which applies only to banking organizations with significant trading assets and liabilities. Since Ally and Ally Bank are currently not subject to the advanced approaches risk-based capital rules, we elected to apply a one-time option to exclude most components of accumulated other comprehensive income and loss from regulatory capital. As of September 30, 2023, and December 31, 2022, Ally had \$4.8 billion and \$4.1 billion, respectively, of accumulated other comprehensive losses, net of applicable income taxes, that were excluded from Common Equity Tier 1 capital. Refer to the discussion below, however, about rules proposed by the U.S. banking agencies in 2023 that would require us to recognize all components of accumulated other comprehensive income and loss in regulatory capital, except gains and losses on cash-flow hedges where the hedged items are not recognized on our balance sheet at fair value. Refer also to Note 15 for additional details about our accumulated other comprehensive loss.

Failure to satisfy regulatory-capital requirements could result in significant sanctions—such as bars or other limits on capital distributions and discretionary bonuses to executive officers, limitations on acquisitions and new activities, restrictions on our acceptance of brokered deposits, a loss of our status as an FHC, or informal or formal enforcement and other supervisory actions—and could have a significant adverse effect on the Consolidated Financial Statements or the business, results of operations, financial condition, or prospects of Ally and Ally Bank.

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The risk-based capital ratios and the Tier 1 leverage ratio play a central role in 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 Tier 1 leverage ratio: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. 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. Although 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. At both September 30, 2023, and December 31, 2022, Ally Bank met the capital ratios required to be well capitalized under the PCA framework.

Under FDICIA and the PCA framework, insured depository institutions such as Ally Bank must be well capitalized or, with a waiver from the FDIC, adequately capitalized in order to accept brokered deposits, and even adequately capitalized institutions are subject to some restrictions on the rates they may offer for brokered deposits. Brokered deposits totaled \$11.3 billion at September 30, 2023, which represented 7.4% of Ally Bank's total deposits.

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

(\$ in millions)	September 30, 2023		December 31, 2022		Required minimum (a)	Well-capitalized minimum
	Amount	Ratio	Amount	Ratio		
Capital ratios						
Common Equity Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 14,994	9.31 %	\$ 14,592	9.27 %	4.50 %	(b)
Ally Bank	17,215	11.27	17,011	11.38	4.50	6.50 %
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	\$ 17,257	10.71 %	\$ 16,867	10.72 %	6.00 %	6.00 %
Ally Bank	17,215	11.27	17,011	11.38	6.00	8.00
Total (to risk-weighted assets)						
Ally Financial Inc.	\$ 20,126	12.49 %	\$ 19,209	12.21 %	8.00 %	10.00 %
Ally Bank	19,140	12.53	18,888	12.64	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (c)						
Ally Financial Inc.	\$ 17,257	8.60 %	\$ 16,867	8.65 %	4.00 %	(b)
Ally Bank	17,215	9.04	17,011	9.23	4.00	5.00 %

(a) In addition to the minimum risk-based capital requirements for the Common Equity Tier 1 capital, Tier 1 capital, and total capital ratios, Ally and Ally Bank were required to maintain a minimum capital conservation buffer of 2.5% at both September 30, 2023, and December 31, 2022.

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

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

On January 1, 2020, we adopted CECL. Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for additional information about our allowance for loan losses accounting policy. Under a rule finalized by the FRB and other U.S. banking agencies in 2020, we delayed recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extended through December 31, 2021. Beginning on January 1, 2022, we were required to phase in 25% of the previously deferred estimated capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025. The estimated impact of CECL on regulatory capital that we deferred and began phasing in on January 1, 2022, is generally calculated as the entire day-one impact at adoption plus 25% of the subsequent change in allowance during the two-year deferral period. As of September 30, 2023, the total deferred impact on Common Equity Tier 1 capital related to our adoption of CECL was \$591 million.

In April 2023, in a statement accompanying the review of the FRB's supervision and regulation of SVB, FRB Vice Chair for Supervision Barr highlighted a plan to revisit the Tailoring Rules and develop stronger capital, liquidity, stress-testing, and other standards for Category IV firms like Ally. In July 2023, the U.S. banking agencies issued a proposed rule to customize and implement revisions to the global Basel III capital framework that had been approved by the Basel Committee in December 2017 (commonly known as the Basel III endgame or as Basel IV). For regulatory capital, the proposed rule would eliminate the effect of the Tailoring Rules by requiring the recognition of most elements of accumulated other comprehensive income and loss and the application of deductions, limitations, and criteria for specified capital investments, minority interests, and TLAC holdings. For each of the risk-based capital ratios, a large banking organization like Ally would calculate and be bound by the lower of two alternatives: one version of the ratio based on an expanded risk-based approach prescribed in the proposed rule and one version of the ratio based on the standardized approach as modified by the proposed rule. All capital buffer requirements, including the stress capital buffer requirement, would apply regardless of whether the expanded risk-based approach or the

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standardized approach produces the lower ratio. Under the expanded risk-based approach, total RWAs would equal the sum of the RWAs for credit risk, equity risk, operational risk, market risk, and CVA risk as set forth in the proposed rule minus any amount of the banking organization's adjusted allowance for credit losses that is not included in Tier 2 capital and any amount of allocated transfer risk reserves. Under the standardized approach, total RWAs would be calculated using the existing rules with a revised methodology for determining market risk-weighted assets and a required application of the standardized approach for counterparty credit risk for derivative exposures. Category IV firms would be further required under the proposed rule to project their risk-based capital ratios under baseline conditions in their capital plans and related reports using the RWA-calculation approach that results in their binding risk-based capital ratios as of the start of the projection horizon. The proposed rule also would roll back additional elements of the Tailoring Rules by applying to Category IV firms the supplementary leverage ratio, the countercyclical capital buffer, and enhanced public disclosure and reporting requirements. Under the proposed rule, a three-year transition period from July 1, 2025, to June 30, 2028, would apply to the recognition of accumulated other comprehensive income and loss in regulatory capital and the use of the expanded risk-based approach. The phase-in of accumulated other comprehensive income and loss is expected to significantly affect our levels of regulatory capital. While we believe that this would be manageable, we also anticipate that our levels of regulatory capital would need to be gradually increased in advance of and during the proposed transition period. As for the proposed changes to RWAs, while we continue to evaluate the effects of individual provisions and the interplay among them as well as potential management actions in response, the impact is not currently expected to be significant in the aggregate if the proposed rule were adopted in its existing form. We are actively engaged with research and advocacy groups to inform the rulemaking process and better understand the impacts of the proposed rule on banking organizations of various sizes and complexities—as well as the competitive environment more broadly—and likewise encourage the U.S. banking agencies to closely study these impacts and their wider implications.

In August 2023, the U.S. banking agencies issued two proposed rules to improve the resolvability of Category IV firms like Ally. The first proposed rule would require Category II, III, and IV firms, their large consolidated banks, and other institutions to issue and maintain minimum amounts of eligible long-term debt in an amount that is the greater of (i) 6 percent of total RWAs, (ii) 3.5 percent of average total consolidated assets, and (iii) 2.5 percent of total leverage exposure. Covered insured depository institutions, like Ally Bank, that are consolidated subsidiaries of covered entities, like Ally, would be required to issue eligible long-term debt internally to a company that consolidates the covered insured depository institution, which would in turn be required to purchase that long-term debt. Only long-term debt instruments that are most readily able to absorb losses in a resolution proceeding would qualify, and the operations of covered entities would be subject to clean-holding-company requirements such as prohibitions and limitations on their liabilities to unaffiliated entities. Under the proposed rule, a transition period would apply with 25, 50, and 100 percent of the long-term-debt requirements coming into effect by the end of the first, second, and third years, respectively, after finalization of the rule. The second proposed rule, which was issued solely by the FDIC, would require each insured depository institution with \$100 billion or more in total assets, like Ally Bank, to submit a full resolution plan with an identified strategy for ensuring timely access to insured deposits, maximizing value from the disposition of assets, minimizing any losses realized by creditors, and addressing potential financial-stability risks. Each resolution plan also would be subject to more stringent standards on its assumptions, content, and reviews. Covered insured depository institutions would need to submit a full resolution plan every two years with interim supplements in non-submission years. We are still assessing the impact of these two proposed rules but, due to the current structure and amount of debt instruments issued by Ally and Ally Bank, expect the long-term-debt rule in particular to significantly affect us.

Whether and when final rules related to these proposals may be adopted and take effect, as well as what changes to the proposed rules may be reflected in any final rules after the comment periods, remain unclear. Also, beyond these proposed rules, more stringent and less tailored liquidity, stress-testing, and other standards for Category IV firms like Ally may be forthcoming, including those that may reinstate the LCR, require more rigorous liquidity stress testing, and return Ally to supervisory stress testing on an annual cycle.

Capital Planning and Stress Tests

Under the Tailoring Rules, we are generally subject to supervisory stress testing on a two-year cycle and exempted from mandated company-run capital stress testing requirements. We are also required to submit an annual capital plan to the FRB. Our annual 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 our capital. The plan must also include a detailed description of our process for assessing capital adequacy, including a discussion of how we, under expected and stressful conditions, will maintain capital commensurate with our risks and above the minimum regulatory capital ratios, will serve as a source of strength to Ally Bank, and will maintain sufficient capital to continue our operations by maintaining ready access to funding, meeting our obligations to creditors and other counterparties, and continuing to serve as a credit intermediary.

The Tailoring Rules align capital planning, supervisory stress testing, and stress capital buffer requirements for large banking organizations like Ally. As a Category IV firm, Ally is expected to have the ability to elect to participate in the supervisory stress test—and receive a correspondingly updated stress capital buffer requirement—in a year in which Ally would not generally be subject to the supervisory stress test. Refer to the section titled *Basel Capital Framework* above for further discussion about our stress capital buffer requirements. During a year in which Ally does not undergo a supervisory stress test, we would receive an updated stress capital buffer requirement only to reflect our updated planned common-stock dividends. Ally was subject to the 2022 supervisory stress test and did not elect to participate in the 2023 supervisory stress test.

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On January 10, 2022, our Board authorized a stock-repurchase program, permitting us to repurchase up to \$2.0 billion of our common stock from time to time from the first quarter of 2022 through the fourth quarter of 2022 subject to restrictions imposed by the FRB, and an increase in our cash dividend on common stock from \$0.25 per share for the fourth quarter of 2021 to \$0.30 per share for the first quarter of 2022. During the year ended December 31, 2022, we repurchased \$1.65 billion of common stock under our stock-repurchase program. Since the commencement of our initial stock-repurchase program in the third quarter of 2016, we have reduced the number of outstanding shares of our common stock by 38%, from 484 million as of June 30, 2016, to 302 million as of September 30, 2023. At this time, the Board has not authorized a stock-repurchase program for 2023 or 2024.

We submitted our 2022 capital plan to the FRB on April 5, 2022. Ally received an updated preliminary stress capital buffer requirement from the FRB in June 2022, which was determined to be 2.5% and reflected a decline of 100 basis points relative to our prior requirement. The updated 2.5% stress capital buffer requirement was finalized in August 2022 and became effective on October 1, 2022. In February 2023, we accessed the unsecured debt capital markets and issued \$500 million of additional subordinated notes, which qualify as Tier 2 capital for Ally under U.S. Basel III. We submitted our 2023 capital plan to the FRB on April 5, 2023, and received in June 2023 an updated preliminary stress capital buffer requirement that remained unchanged at 2.5%. The 2.5% stress capital buffer requirement was finalized in July 2023 and became effective on October 1, 2023.

Our ability to make capital distributions, including our ability to pay dividends or repurchase shares of our common stock, will continue to be subject to the FRB's review and our internal governance requirements, including approval by our Board. The amount and size of any future dividends and share repurchases also will be subject to various factors, including Ally's capital and liquidity positions, accounting and regulatory considerations (including any restrictions that may be imposed by the FRB and any changes to capital, liquidity, and other regulatory requirements that may be proposed or adopted by the U.S. banking agencies), the taxation of share repurchases, financial and operational performance, alternative uses of capital, common-stock price, and general market conditions, and may be extended, modified, or discontinued at any time.

The following table presents information related to our common stock and distributions to our common stockholders.

	Common stock repurchased during period (a)		Number of common shares outstanding		Cash dividends declared per common share (b)
	Approximate dollar value	Number of shares	Beginning of period	End of period	
<i>(\$ in millions, except per share data; shares in thousands)</i>					
2022					
First quarter	\$ 584	12,548	337,941	327,306	\$ 0.30
Second quarter	600	15,031	327,306	312,781	0.30
Third quarter	415	12,468	312,781	300,335	0.30
Fourth quarter	51	1,731	300,335	299,324	0.30
2023					
First quarter	\$ 27	836	299,324	300,821	\$ 0.30
Second quarter	2	58	300,821	301,619	0.30
Third quarter	—	5	301,619	301,630	0.30

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

(b) On October 9, 2023, our Board declared a quarterly cash dividend of \$0.30 per share on all common stock, payable on November 15, 2023, to stockholders of record at the close of business on November 1, 2023. Refer to Note 24 for further information regarding this common-stock dividend.

18. Derivative Instruments and Hedging Activities

We enter into derivative instruments, which may include interest rate swaps, foreign-currency forwards, equity options, and interest rate options, in connection with our risk-management activities. Our primary objective for using derivative financial instruments is to manage interest rate risk associated with our fixed-rate and variable-rate assets and liabilities, foreign exchange risks related to our net investments in foreign subsidiaries, as well as foreign-currency denominated assets and liabilities, and other market risks related to our investment portfolio.

Interest Rate Risk

We monitor our mix of fixed-rate and variable-rate assets and liabilities and may enter into interest rate swaps, forwards, and options to achieve a more desired mix of fixed-rate and variable-rate assets and liabilities. We execute these trades to modify our exposure to interest rate risk by converting certain fixed-rate instruments to a variable-rate and certain variable-rate instruments to a fixed-rate. We use a mix of both derivatives that qualify for hedge accounting treatment and economic hedges that do not qualify for hedge accounting treatment.

Derivatives qualifying for hedge accounting treatment can include receive-fixed swaps designated as fair value hedges of specific fixed-rate unsecured debt obligations, receive-fixed swaps designated as fair value hedges of specific fixed-rate FHLB advances, pay-fixed swaps designated as fair value hedges of securities within our available-for-sale portfolio, and pay-fixed swaps designated as fair value hedges of fixed-rate held-for-investment consumer automotive loan assets. Other derivatives qualifying for hedge accounting consist of interest rate

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floor contracts designated as cash flow hedges of the expected future cash flows in the form of interest receipts on a portion of our dealer floorplan commercial loans.

We have the ability to execute economic hedges, which could consist of interest rate swaps, interest rate caps, forwards, and options to mitigate interest rate risk.

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

Foreign Exchange Risk

We enter into derivative financial instrument contracts to mitigate the risk associated with variability in cash flows related to our various foreign-currency exposures.

We enter into foreign-currency forwards with external counterparties as net investment hedges of foreign exchange exposure on our investment in foreign subsidiaries. Our equity is impacted by the cumulative translation adjustments resulting from the translation of foreign subsidiary results; this impact is reflected in our accumulated other comprehensive income. We also periodically enter into foreign-currency forwards to economically hedge any foreign-denominated debt, centralized lending, and foreign-denominated third-party loans. These foreign-currency forwards used as economic hedges are recorded at fair value with changes recorded as income or expense offsetting the gains and losses on the associated foreign-currency transactions.

Investment Risk

We enter into equity options to mitigate the risk associated with our exposure to the equity markets.

Credit Risk

We enter into various retail automotive-loan purchase agreements with certain counterparties. As part of those agreements, we may withhold a portion of the purchase price from the counterparty and be required to pay the counterparty all or part of the amount withheld at agreed upon measurement dates and determinable amounts if actual credit performance of the acquired loans on the measurement date is better than or equal to what was estimated at the time of acquisition. Based upon these terms, these contracts meet the accounting definition of a derivative.

Counterparty Credit Risk

Derivative financial instruments contain an element of credit risk if counterparties are unable to meet the terms of the agreements. Credit risk associated with derivative financial instruments is measured as the net replacement cost should the counterparties that owe us under the contract completely fail to perform under the terms of those contracts, assuming no recoveries of underlying collateral as measured by the market value of the derivative financial instrument.

We manage our risk to financial counterparties through internal credit analysis, limits, and monitoring. Additionally, derivatives and repurchase agreements are entered into with approved counterparties using industry standard agreements.

We execute certain OTC derivatives, such as interest rate caps and floors, using bilateral agreements with financial counterparties. Bilateral agreements generally require both parties to post collateral in the event the fair values of the derivative financial instruments meet posting thresholds established under the agreements. If either party defaults on the obligation, the secured party may seize the collateral. Payments related to the exchange of collateral for OTC derivatives are recognized as collateral.

We also execute certain derivatives, such as interest rate swaps, with clearinghouses, which require us to post and receive collateral. For these clearinghouse derivatives, these payments are recognized as settlements rather than collateral.

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit-risk-related event. No such specified credit-risk-related events occurred during the nine months ended September 30, 2023, or 2022.

We placed noncash collateral with counterparties totaling \$552 million, supporting our derivative positions at September 30, 2023, compared to \$2 million and \$384 million of cash and noncash collateral, respectively, at December 31, 2022. These amounts include noncash collateral placed at clearinghouses and exclude cash and noncash collateral pledged under repurchase agreements. The receivables for cash collateral placed are included on our Condensed Consolidated Balance Sheet in other assets. We granted our counterparties the right to sell or pledge the noncash collateral.

We received cash collateral from counterparties totaling \$20 million and \$23 million at September 30, 2023, and December 31, 2022, respectively. These amounts exclude cash and noncash collateral pledged under repurchase agreements. The payables for cash collateral received are included on our Condensed Consolidated Balance Sheet in accrued expenses and other liabilities.

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Balance Sheet Presentation

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

Derivative contracts in a receivable and payable position exclude open trade equity on derivatives cleared through central clearing counterparties. Any associated margin exchanged with our central clearing counterparties are treated as settlements of the derivative exposure, rather than collateral. Such payments are recognized as settlements of the derivatives contracts in a receivable and payable position on our Condensed Consolidated Balance Sheet.

Notional amounts are reference amounts from which contractual obligations are derived and are not recorded on the balance sheet. In our view, derivative notional is not an accurate measure of our derivative exposure when viewed in isolation from other factors, such as market rate fluctuations and counterparty credit risk.

(\$ in millions)	September 30, 2023			December 31, 2022		
	Derivative contracts in a		Notional amount	Derivative contracts in a		Notional amount
	receivable position	payable position		receivable position	payable position	
Derivatives designated as accounting hedges						
Interest rate contracts						
Swaps	\$ —	\$ —	\$ 33,194	\$ —	\$ —	\$ 30,619
Purchased options	19	—	6,250	22	—	2,800
Foreign exchange contracts						
Forwards	1	—	163	—	1	151
Total derivatives designated as accounting hedges	20	—	39,607	22	1	33,570
Derivatives not designated as accounting hedges						
Interest rate contracts						
Futures and forwards	1	—	84	—	—	37
Written options	1	—	103	—	—	79
Total interest rate risk	2	—	187	—	—	116
Foreign exchange contracts						
Futures and forwards	—	—	57	—	1	147
Total foreign exchange risk	—	—	57	—	1	147
Credit contracts (a)						
Other credit derivatives	—	14	n/a	—	39	n/a
Total credit risk	—	14	n/a	—	39	n/a
Equity contracts						
Written options	—	—	—	—	1	—
Purchased options	—	—	—	1	—	—
Total equity risk	—	—	—	1	1	—
Total derivatives not designated as accounting hedges	2	14	244	1	41	263
Total derivatives	\$ 22	\$ 14	\$ 39,851	\$ 23	\$ 42	\$ 33,833

n/a = not applicable

(a) The maximum potential amount of undiscounted future payments that could be required under these credit derivatives was \$38 million and \$82 million as of September 30, 2023, and December 31, 2022, respectively.

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

(\$ in millions)	Carrying amount of the hedged items		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged items			
			Total		Discontinued (a)	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Assets						
Available-for-sale securities (b)	\$ 14,478	\$ 11,265	\$ (434)	\$ (180)	\$ (164)	\$ (181)
Finance receivables and loans, net (c)	46,091	46,390	(358)	(617)	(30)	(57)
Liabilities						
Long-term debt	\$ 7,736	\$ 7,697	\$ 102	\$ 112	\$ 102	\$ 120

- (a) Represents the fair value hedging adjustment on qualifying hedges for which the hedging relationship was discontinued. This represents a subset of the amounts reported in the total hedging adjustment.
- (b) These amounts include the amortized cost basis and unallocated basis adjustments of closed portfolios of available-for-sale securities used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. At September 30, 2023, and December 31, 2022, the amortized cost basis and unallocated basis adjustments of the closed portfolios used in these hedging relationships was \$13.0 billion and \$10.0 billion, respectively, of which \$12.8 billion and \$9.7 billion, respectively, represents the amortized cost basis and unallocated basis adjustments of closed portfolios designated in an active hedge relationship. At September 30, 2023, and December 31, 2022, the total cumulative basis adjustments associated with these hedging relationships was a \$360 million liability and a \$135 million liability, respectively, of which the portion related to discontinued hedging relationships was a \$126 million liability and a \$138 million liability, respectively. At September 30, 2023, and December 31, 2022, the notional amounts of the designated hedged items were \$10.5 billion and \$4.0 billion, respectively, with cumulative basis adjustments of a \$234 million liability and a \$3 million asset, respectively, which would be allocated across the entire remaining closed pool upon termination or maturity of the hedge relationship. Refer to Note 6 for a reconciliation of the amortized cost and fair value of available-for-sale securities.
- (c) These amounts include the carrying value of closed portfolios of loan receivables used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. At September 30, 2023, and December 31, 2022, the carrying value of the closed portfolios used in these hedging relationships was \$46.1 billion and \$46.4 billion, respectively, of which \$40.1 billion and \$46.1 billion, respectively, represents the carrying value of closed portfolios designated in an active hedge relationship. At September 30, 2023, and December 31, 2022, the total cumulative basis adjustments associated with these hedging relationships was a \$358 million liability and a \$617 million liability, respectively, of which the portion related to discontinued hedging relationships was a \$30 million liability and a \$57 million liability, respectively. At September 30, 2023, and December 31, 2022, the notional amounts of the designated hedged items were \$21.3 billion and \$22.8 billion, respectively, with cumulative basis adjustments of a \$328 million liability and a \$560 million liability, respectively, which would be allocated across the entire remaining closed pool upon termination or maturity of the hedge relationship.

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Statement of Income Presentation

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

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Gain (loss) recognized in earnings				
Interest rate contracts				
Gain on mortgage and automotive loans, net	\$ 4	\$ 7	\$ 13	\$ 8
Other income, net of losses	(1)	4	(1)	10
Total interest rate contracts	3	11	12	18
Foreign exchange contracts				
Other operating expenses	1	9	1	11
Total foreign exchange contracts	1	9	1	11
Credit contracts				
Other income, net of losses	—	—	(5)	(2)
Total credit contracts	—	—	(5)	(2)
Equity contracts				
Other income, net of losses	(4)	—	(11)	—
Total equity contracts	(4)	—	(11)	—
Total gain (loss) recognized in earnings	\$ —	\$ 20	\$ (3)	\$ 27

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The following tables summarize the location and amounts of gains and losses on derivative instruments designated as qualifying fair value and cash flow hedges reported in our Condensed Consolidated Statement of Comprehensive Income.

Three months ended September 30, (\$ in millions)	Interest and fees on finance receivables and loans		Interest and dividends on investment securities and other earning assets		Interest on long-term debt	
	2023	2022	2023	2022	2023	2022
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Hedged fixed-rate unsecured debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1
Derivatives designated as hedging instruments on fixed-rate unsecured debt	—	—	—	—	—	(1)
Hedged available-for-sale securities	—	—	(164)	(97)	—	—
Derivatives designated as hedging instruments on available-for-sale securities	—	—	164	97	—	—
Hedged fixed-rate consumer automotive loans	66	(174)	—	—	—	—
Derivatives designated as hedging instruments on fixed-rate consumer automotive loans	(66)	174	—	—	—	—
Total gain on fair value hedging relationships	—	—	—	—	—	—
Gain (loss) on cash flow hedging relationships						
Interest rate contracts						
Hedged variable-rate commercial loans						
Reclassified from accumulated other comprehensive income into income	4	5	—	—	—	—
Other hedged forecasted transactions						
Reclassified from accumulated other comprehensive income into income	—	—	—	—	—	(1)
Total gain (loss) on cash flow hedging relationships	\$ 4	\$ 5	\$ —	\$ —	\$ —	\$ (1)
Total amounts presented in the Condensed Consolidated Statement of Comprehensive Income	\$ 2,837	\$ 2,120	\$ 267	\$ 218	\$ 274	\$ 194

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Nine months ended September 30, (\$ in millions)	Interest and fees on finance receivables and loans		Interest and dividends on investment securities and other earning assets		Interest on long-term debt	
	2023	2022	2023	2022	2023	2022
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Hedged fixed-rate unsecured debt	\$ —	\$ —	\$ —	\$ —	\$ 1	\$ 5
Derivatives designated as hedging instruments on fixed-rate unsecured debt	—	—	—	—	(1)	(5)
Hedged available-for-sale securities	—	—	(272)	(186)	—	—
Derivatives designated as hedging instruments on available-for-sale securities	—	—	272	186	—	—
Hedged fixed-rate consumer automotive loans	232	(627)	—	—	—	—
Derivatives designated as hedging instruments on fixed-rate consumer automotive loans	(232)	627	—	—	—	—
Total gain on fair value hedging relationships	—	—	—	—	—	—
Gain (loss) on cash flow hedging relationships						
Interest rate contracts						
Hedged variable-rate commercial loans						
Reclassified from accumulated other comprehensive income into income	14	16	—	—	—	—
Other hedged forecasted transactions						
Reclassified from accumulated other comprehensive income into income	—	—	—	—	—	(1)
Total gain (loss) on cash flow hedging relationships	\$ 14	\$ 16	\$ —	\$ —	\$ —	\$ (1)
Total amounts presented in the Condensed Consolidated Statement of Comprehensive Income	\$ 8,133	\$ 5,676	\$ 752	\$ 609	\$ 753	\$ 563

During the next 12 months, we estimate \$7 million of losses will be reclassified into pretax earnings from derivatives designated as cash flow hedges.

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

Three months ended September 30, (\$ in millions)	Interest and fees on finance receivables and loans		Interest and dividends on investment securities and other earning assets		Interest on long-term debt	
	2023	2022	2023	2022	2023	2022
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Amortization of deferred unsecured debt basis adjustments	\$ —	\$ —	\$ —	\$ —	\$ 3	\$ 1
Interest for qualifying accounting hedges of unsecured debt	—	—	—	—	—	—
Amortization of deferred secured debt basis adjustments (FHLB advances)	—	—	—	—	1	(1)
Amortization of deferred basis adjustments of available-for-sale securities	—	—	6	4	—	—
Interest for qualifying accounting hedges of available-for-sale securities	—	—	46	—	—	—
Amortization of deferred loan basis adjustments	8	17	—	—	—	—
Interest for qualifying accounting hedges of consumer automotive loans held for investment	154	36	—	—	—	—
Total gain on fair value hedging relationships	\$ 162	\$ 53	\$ 52	\$ 4	\$ 4	\$ —

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Nine months ended September 30, (\$ in millions)	Interest and fees on finance receivables and loans		Interest and dividends on investment securities and other earning assets		Interest on long-term debt	
	2023	2022	2023	2022	2023	2022
Gain on fair value hedging relationships						
Interest rate contracts						
Amortization of deferred unsecured debt basis adjustments	\$ —	\$ —	\$ —	\$ —	\$ 7	\$ 3
Interest for qualifying accounting hedges of unsecured debt	—	—	—	—	—	1
Amortization of deferred secured debt basis adjustments (FHLB advances)	—	—	—	—	2	(3)
Amortization of deferred basis adjustments of available-for-sale securities	—	—	17	9	—	—
Interest for qualifying accounting hedges of available-for-sale securities	—	—	86	(1)	—	—
Amortization of deferred loan basis adjustments	26	6	—	—	—	—
Interest for qualifying accounting hedges of consumer automotive loans held for investment	505	13	—	—	—	—
Total gain on fair value hedging relationships	\$ 531	\$ 19	\$ 103	\$ 8	\$ 9	\$ 1

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

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Interest rate contracts				
Loss recognized in other comprehensive loss	\$ (20)	\$ (4)	\$ (48)	\$ (15)

The following table summarizes the effect of net investment hedges on accumulated other comprehensive loss.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Foreign exchange contracts (a) (b)				
Gain recognized in other comprehensive income	\$ 4	\$ 10	\$ 1	\$ 11

(a) There were no amounts excluded from effectiveness testing for the three months and nine months ended September 30, 2023, or 2022.

(b) Gains and losses reclassified from accumulated other comprehensive loss are reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income. There were no amounts reclassified for the three months and nine months ended September 30, 2023, or 2022.

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19. Income Taxes

We recognized total income tax benefit from continuing operations of \$68 million and income tax expense from continuing operations of \$74 million for the three months and nine months ended September 30, 2023, respectively, compared to income tax expense of \$117 million and \$460 million for the same periods in 2022.

The decrease in income tax expense for the three months ended September 30, 2023, compared to the same period in 2022, was primarily due to adjustments to the valuation allowance on foreign tax credit carryforwards as well as the tax effects of a decrease in pretax earnings. In the third quarter of 2023, we recognized a nonrecurring net tax benefit of \$94 million primarily driven by a tax planning strategy resulting in the release of a valuation allowance on foreign tax credit carryforwards of \$92 million. In the third quarter of 2022, we established a valuation allowance against foreign tax credit carryforwards as a result of a reduction in forecasted foreign-sourced income caused by revised estimates from certain previously executed and forecasted securitization transactions of \$27 million. The release of valuation allowance on foreign tax credit carryforwards resulted in a significant variation in the customary relationship between pretax income and income tax expense for the three months ended September 30, 2023.

The decrease in income tax expense for the nine months ended September 30, 2023, compared to the same period in 2022, was primarily due to the tax effects of a decrease in pretax earnings, the release of valuation allowance on foreign tax credit carryforwards of \$92 million during 2023, the establishment of valuation allowance on foreign tax credit carryforwards of \$47 million during 2022, and an increase in qualified clean vehicle tax credits for purchased plug-in electric vehicles or fuel cell vehicles. The release of valuation allowance resulted in a significant variation in the customary relationship between pretax income and income tax expense for the nine months ended September 30, 2023.

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. We continue to believe it is more likely than not that the benefit for certain foreign tax credit carryforwards and state net operating loss carryforwards will not be realized. In recognition of this risk, we continue to provide a partial valuation allowance on the deferred tax assets relating to these carryforwards and it is reasonably possible that the valuation allowance may change in the next 12 months.

20. Fair Value

Fair Value Measurements

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

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

- Level 1 Inputs are quoted prices in active markets for identical assets or liabilities at the measurement date. Additionally, the entity must have the ability to access the active market, and the quoted prices cannot be adjusted by the entity.
- Level 2 Inputs are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices in active markets for similar assets or liabilities; quoted prices in inactive markets for identical or similar assets or liabilities; or inputs that are observable or can be corroborated by observable market data by correlation or other means for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs are supported by little or no market activity. The unobservable inputs represent management's best assumptions of how market participants would price the assets or liabilities. Generally, Level 3 assets and liabilities are valued using pricing models, discounted cash flow methodologies, or similar techniques that require significant judgment or estimation.

Judgment is used in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements and amounts that could be realized.

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

- **Equity securities** — We hold various marketable equity securities measured at fair value with changes in fair value recognized in net income. Measurements based on observable market prices are classified as Level 1.

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- **Available-for-sale securities** — We carry our available-for-sale securities at fair value based on external pricing sources. We classify our securities as Level 1 when fair value is determined using quoted prices available for the same instruments trading in active markets. We classify our securities as Level 2 when fair value is determined using prices for similar instruments trading in active markets. We perform pricing validation procedures for our available-for-sale securities.
- **Derivative instruments** — We enter into a variety of derivative financial instruments as part of our risk-management strategies. Certain of these derivatives are exchange traded, such as equity options. To determine the fair value of these instruments, we utilize the quoted market prices for those particular derivative contracts; therefore, we classified these contracts as Level 1.

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

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

We purchase automotive finance receivables and loans from third parties as part of forward flow arrangements and, from time-to-time, execute opportunistic ad-hoc bulk purchases. As part of those agreements, we may withhold a portion of the purchase price from the counterparty and be required to pay the counterparty all or part of the amount withheld at agreed upon measurement dates and determinable amounts if actual credit performance of the acquired loans on the measurement date is better than or equal to what was estimated at the time of acquisition. Because these contracts meet the accounting definition of a derivative, we recognize a liability at fair value for these deferred purchase price payments. The fair value of these liabilities is determined using a discounted cash flow method. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (for example, forward interest rates) and internally developed inputs (for example, prepayment speeds, delinquency levels, and expected credit losses). These liabilities are valued using internal loss models with unobservable inputs, and are classified as Level 3.

We are required to consider all aspects of nonperformance risk, including our own credit standing, when measuring fair value of derivative assets and liabilities. We reduce credit risk on the majority of our derivatives by entering into legally enforceable agreements that enable the posting and receiving of collateral associated with the fair value of our derivative positions on an ongoing basis. In the event that we do not enter into legally enforceable agreements that enable the posting and receiving of collateral, we will consider our credit risk in the valuation of derivative liabilities through a DVA and the credit risk of our counterparties in the valuation of derivative assets through a CVA, if warranted. When measuring these valuation adjustments, we generally use credit default swap spreads.

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Recurring Fair Value

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

September 30, 2023 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Equity securities (a) (b)	\$ 680	\$ —	\$ 1	\$ 681
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	1,991	—	—	1,991
U.S. States and political subdivisions	—	608	4	612
Foreign government	43	116	—	159
Agency mortgage-backed residential	—	14,636	—	14,636
Mortgage-backed residential	—	3,873	—	3,873
Agency mortgage-backed commercial	—	3,466	—	3,466
Asset-backed	—	354	—	354
Corporate debt	—	1,703	—	1,703
Total available-for-sale securities	2,034	24,756	4	26,794
Mortgage loans held-for-sale (c)	—	29	—	29
Other assets				
Derivative contracts in a receivable position				
Interest rate	—	20	1	21
Foreign currency	—	1	—	1
Total derivative contracts in a receivable position	—	21	1	22
Total assets	\$ 2,714	\$ 24,806	\$ 6	\$ 27,526
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Credit	\$ —	\$ —	\$ 14	\$ 14
Total derivative contracts in a payable position	—	—	14	14
Total liabilities	\$ —	\$ —	\$ 14	\$ 14

(a) Our direct investment in any one industry did not exceed 12%.

(b) Excludes \$44 million of equity securities that are measured at fair value using the net asset value practical expedient and therefore are not classified in the fair value hierarchy.

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

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December 31, 2022 (\$ in millions)	Recurring fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Equity securities (a) (b)	\$ 642	\$ —	\$ 1	\$ 643
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	2,016	—	—	2,016
U.S. States and political subdivisions	—	756	4	760
Foreign government	39	107	—	146
Agency mortgage-backed residential	—	16,633	—	16,633
Mortgage-backed residential	—	4,299	—	4,299
Agency mortgage-backed commercial	—	3,535	—	3,535
Asset-backed	—	433	—	433
Corporate debt	—	1,719	—	1,719
Total available-for-sale securities	2,055	27,482	4	29,541
Mortgage loans held-for-sale (c)	—	13	—	13
Finance receivables and loans, net				
Consumer other (c)	—	—	3	3
Other assets				
Derivative contracts in a receivable position				
Interest rate	—	22	—	22
Equity	1	—	—	1
Total derivative contracts in a receivable position	1	22	—	23
Total assets	\$ 2,698	\$ 27,517	\$ 8	\$ 30,223
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Foreign currency	\$ —	\$ 2	\$ —	\$ 2
Credit	—	—	39	39
Equity	1	—	—	1
Total derivative contracts in a payable position	1	2	39	42
Total liabilities	\$ 1	\$ 2	\$ 39	\$ 42

(a) Our direct investment in any one industry did not exceed 15%.

(b) Excludes \$38 million of equity securities that are measured at fair value using the net asset value practical expedient and therefore are not classified in the fair value hierarchy.

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

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

(\$ in millions)	Equity securities (a)		Available-for-sale securities		Finance receivables and loans, net (b)	
	2023	2022	2023	2022	2023	2022
Assets						
Fair value at July 1,	\$ 1	\$ 2	\$ 5	\$ 12	\$ —	\$ 7
Net realized/unrealized losses						
Included in earnings	—	(1)	—	—	—	—
Included in OCI	—	—	—	—	—	—
Purchases	—	—	—	1	—	4
Sales	—	—	—	—	—	—
Issuances	—	—	—	—	—	—
Settlements	—	—	(1)	(11)	—	(5)
Transfers into Level 3	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—
Fair value at September 30,	\$ 1	\$ 1	\$ 4	\$ 2	\$ —	\$ 6
Net unrealized gains still held at September 30,						
Included in earnings	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Included in OCI	—	—	—	—	—	—

(a) Net realized/unrealized losses are reported as other (loss) gain on investments, net, in the Condensed Consolidated Statement of Comprehensive Income.

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

(\$ in millions)	Derivative liabilities, net of derivative assets (a)	
	2023	2022
Liabilities		
Fair value at July 1,	\$ 18	\$ 50
Net realized/unrealized gains		
Included in earnings	(3)	(6)
Included in OCI	—	—
Purchases	—	—
Sales	—	—
Issuances	—	—
Settlements	(5)	(2)
Transfers into Level 3	—	—
Transfers out of Level 3 (b)	3	6
Fair value at September 30,	\$ 13	\$ 48
Net unrealized gains still held at September 30,		
Included in earnings	\$ —	\$ (1)
Included in OCI	—	—

(a) Net realized/unrealized gains are reported as gain on mortgage and automotive loans, net, and other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

(b) Represents the settlement value of interest rate derivative assets that are transferred to loans held-for-sale within Level 2 of the fair value hierarchy during the three months ended September 30, 2023, and September 30, 2022. These transfers are deemed to have occurred at the end of the reporting period.

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(\$ in millions)	Equity securities (a)		Available-for-sale securities		Finance receivables and loans, net (b) (c)	
	2023	2022	2023	2022	2023	2022
Assets						
Fair value at January 1,	\$ 1	\$ 9	\$ 4	\$ 9	\$ 3	\$ 7
Net realized/unrealized gains (losses)						
Included in earnings	—	1	—	—	—	(1)
Included in OCI	—	—	—	—	—	—
Purchases	—	—	1	4	—	12
Sales	—	(9)	—	—	—	—
Issuances	—	—	—	—	—	—
Settlements	—	—	(1)	(11)	(3)	(12)
Transfers into Level 3	—	—	—	—	—	—
Transfers out of Level 3	—	—	—	—	—	—
Fair value at September 30,	\$ 1	\$ 1	\$ 4	\$ 2	\$ —	\$ 6
Net unrealized losses still held at September 30,						
Included in earnings	\$ —	\$ —	\$ —	\$ —	\$ —	\$ (1)
Included in OCI	—	—	—	—	—	—

(a) Net realized/unrealized gains are reported as other (loss) gain on investments, net, in the Condensed Consolidated Statement of Comprehensive Income.

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

(c) Net realized/unrealized losses are reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

(\$ in millions)	Derivative liabilities, net of derivative assets (a)	
	2023	2022
Liabilities		
Fair value at January 1,	\$ 39	\$ 53
Net realized/unrealized (gains) losses		
Included in earnings	(6)	1
Included in OCI	—	—
Purchases	—	—
Sales	—	—
Issuances	—	—
Settlements	(30)	(12)
Transfers into Level 3	—	—
Transfers out of Level 3 (b)	10	6
Fair value at September 30,	\$ 13	\$ 48
Net unrealized gains still held at September 30,		
Included in earnings	\$ (3)	\$ (5)
Included in OCI	—	—

(a) Net realized/unrealized (gains) losses are reported as gain on mortgage and automotive loans, net, and other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

(b) Represents the settlement value of interest rate derivative assets that are transferred to loans held-for-sale within Level 2 of the fair value hierarchy during the nine months ended September 30, 2023, and September 30, 2022. These transfers are deemed to have occurred at the end of the reporting period.

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Nonrecurring Fair Value

We may be required to measure certain assets and liabilities at fair value from time to time. These periodic fair value measures typically result from the application of lower-of-cost or fair value accounting or certain impairment measures. These items would constitute nonrecurring fair value measures.

The following tables display assets and liabilities measured at fair value on a nonrecurring basis and still held at September 30, 2023, and December 31, 2022, respectively. The amounts are generally as of the end of each period presented, which approximate the fair value measurements that occurred during each period.

September 30, 2023 (\$ in millions)	Nonrecurring fair value measurements				Lower-of-cost-or-fair-value reserve, valuation reserve, or cumulative adjustments	Total gain (loss) included in earnings
	Level 1	Level 2	Level 3	Total		
Assets						
Loans held-for-sale, net	\$ —	\$ —	\$ 260	\$ 260	\$ —	n/m (a)
Commercial finance receivables and loans, net (b)						
Automotive	—	—	73	73	(17)	n/m (a)
Other	—	—	78	78	(77)	n/m (a)
Total commercial finance receivables and loans, net	—	—	151	151	(94)	n/m (a)
Other assets						
Repossessed and foreclosed assets (c)	—	—	6	6	(1)	n/m (a)
Total assets	\$ —	\$ —	\$ 417	\$ 417	\$ (95)	n/m

n/m = not meaningful

- (a) We consider the applicable valuation allowance, allowance for loan losses, or cumulative adjustments to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation reserve, loan loss allowance, or cumulative adjustment.
- (b) Represents collateral-dependent loans held for investment for which a nonrecurring measurement was made. The related allowance for loan losses represents the cumulative fair value adjustments for those specific receivables.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

December 31, 2022 (\$ in millions)	Nonrecurring fair value measurements				Lower-of-cost-or-fair-value reserve, valuation reserve, or cumulative adjustments	Total gain (loss) included in earnings
	Level 1	Level 2	Level 3	Total		
Assets						
Loans held-for-sale, net	\$ —	\$ —	\$ 641	\$ 641	\$ —	n/m (a)
Commercial finance receivables and loans, net (b)						
Automotive	—	—	3	3	—	n/m (a)
Other	—	—	39	39	(89)	n/m (a)
Total commercial finance receivables and loans, net	—	—	42	42	(89)	n/m (a)
Other assets						
Nonmarketable equity investments	—	—	12	12	3	n/m (a)
Repossessed and foreclosed assets (c)	—	—	5	5	—	n/m (a)
Total assets	\$ —	\$ —	\$ 700	\$ 700	\$ (86)	n/m

n/m = not meaningful

- (a) We consider the applicable valuation allowance, allowance for loan losses, or cumulative adjustments to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation reserve, loan loss allowance, or cumulative adjustment.
- (b) Represents collateral-dependent loans held for investment for which a nonrecurring measurement was made. The related allowance for loan losses represents the cumulative fair value adjustments for those specific receivables.
- (c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

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Fair Value Option for Financial Assets

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

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled *Recurring Fair Value*. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting current market data to develop the market assumptions and inputs necessary to estimate fair value. As such, the actual amount received to sell an asset or the amount paid to settle a liability could differ from our estimates. Fair value information presented herein was based on information available at September 30, 2023, and December 31, 2022.

(\$ in millions)	Carrying value	Estimated fair value			Total
		Level 1	Level 2	Level 3	
September 30, 2023					
Financial assets					
Held-to-maturity securities	\$ 1,013	\$ —	\$ 779	\$ —	\$ 779
Loans held-for-sale, net	260	—	—	260	260
Finance receivables and loans, net	136,423	—	—	137,008	137,008
FHLB/FRB stock (a)	757	—	757	—	757
Financial liabilities					
Deposit liabilities	\$ 53,486	\$ —	\$ —	\$ 53,329	\$ 53,329
Short-term borrowings	2,410	—	—	2,418	2,418
Long-term debt	20,096	—	14,216	6,192	20,408
December 31, 2022					
Financial assets					
Held-to-maturity securities	\$ 1,062	\$ —	\$ 884	\$ —	\$ 884
Loans held-for-sale, net	641	—	—	641	641
Finance receivables and loans, net	132,034	—	—	133,856	133,856
FHLB/FRB stock (a)	719	—	719	—	719
Financial liabilities					
Deposit liabilities	\$ 42,336	\$ —	\$ —	\$ 41,909	\$ 41,909
Short-term borrowings	2,399	—	—	2,417	2,417
Long-term debt	17,762	—	12,989	5,263	18,252

(a) Included in other assets on our Condensed Consolidated Balance Sheet.

In addition to the financial instruments presented in the above table, we have various financial instruments for which the carrying value approximates the fair value due to their short-term nature and limited credit risk. These instruments include cash and cash equivalents, restricted cash, cash collateral, accrued interest receivable, accrued interest payable, trade receivables and payables, and other short-term receivables and payables. Included in cash and cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value due to interest rate, quoted price, or penalty on withdrawal. Classified as Level 1 under the fair value hierarchy, cash and cash equivalents generally expose us to limited credit risk and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

21. Offsetting Assets and Liabilities

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

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

In certain instances, as it relates to our derivative instruments, we have the option to report derivative assets and liabilities as well as assets and liabilities associated with cash collateral received or delivered that is governed by a master netting agreement on a net basis as long as certain qualifying criteria are met. Similarly, for our repurchase/reverse repurchase transactions, we have the option to report recognized assets and liabilities subject to a master netting agreement on a net basis if certain qualifying criteria are met. At September 30, 2023, these instruments are reported as gross assets and gross liabilities on the Condensed Consolidated Balance Sheet. For additional information on derivative instruments and hedging activities, refer to Note 18.

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

(\$ in millions)	Gross amounts of recognized assets/liabilities		Gross amounts offset on the Condensed Consolidated Balance Sheet		Net amounts of assets/liabilities presented on the Condensed Consolidated Balance Sheet		Gross amounts not offset on the Condensed Consolidated Balance Sheet		Net amount	
					Financial instruments	Collateral (a) (b) (c)				
September 30, 2023										
Assets										
Derivative assets (d)	\$	22	\$	—	\$	22	\$	—	\$ (20)	\$ 2
Total assets	\$	22	\$	—	\$	22	\$	—	\$ (20)	\$ 2
Liabilities										
Derivative liabilities (e)	\$	14	\$	—	\$	14	\$	—	\$	\$ 14
Securities sold under agreements to repurchase (f)		735		—		735		—	(735)	—
Total liabilities	\$	749	\$	—	\$	749	\$	—	\$ (735)	\$ 14
December 31, 2022										
Assets										
Derivative assets	\$	23	\$	—	\$	23	\$	(1)	\$ (22)	\$ —
Total assets	\$	23	\$	—	\$	23	\$	(1)	\$ (22)	\$ —
Liabilities										
Derivative liabilities (e)	\$	42	\$	—	\$	42	\$	(1)	\$ (1)	\$ 40
Securities sold under agreements to repurchase (f)		499		—		499		—	(499)	—
Total liabilities	\$	541	\$	—	\$	541	\$	(1)	\$ (500)	\$ 40

- (a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.
- (b) Amounts disclosed are limited to the financial asset or liability balance and, accordingly, exclude excess collateral received or pledged and noncash collateral received. We do not record noncash collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met.
- (c) Certain agreements grant us the right to sell or pledge the noncash assets we receive as collateral. We have not sold or pledged any of the noncash collateral received under these agreements.
- (d) Includes derivative assets with no offsetting arrangements of \$2 million as of September 30, 2023.
- (e) Includes derivative liabilities with no offsetting arrangements of \$14 million and \$39 million as of September 30, 2023, and December 31, 2022, respectively.
- (f) For additional information on securities sold under agreements to repurchase, refer to Note 12.

22. Segment Information

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

We report our results of operations on a business-line basis through four operating segments: Automotive Finance operations, Insurance operations, Mortgage Finance operations, and Corporate Finance operations, with the remaining activity reported in Corporate and Other. The

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operating segments are determined based on the products and services offered, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

Dealer Financial Services

Dealer Financial Services comprises the following two segments.

- **Automotive Finance operations** — One of the largest full-service automotive finance operations in the United States providing automotive financing services to consumers, automotive dealers and retailers, companies, and municipalities. Our automotive finance services include providing retail installment sales contracts, loans and operating leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, warehouse lines to automotive retailers, fleet financing, providing financing to companies and municipalities for the purchase or lease of vehicles, and vehicle-remarketing services.
- **Insurance operations** — A complementary automotive-focused business offering both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer financial and insurance products, we provide VSCs, VMCs, and GAP products. We also underwrite select commercial insurance coverages, which primarily insure dealers' vehicle inventory.

Mortgage Finance operations

Our held-for-investment portfolio includes our direct-to-consumer Ally Home mortgage offering and bulk purchases of high-quality jumbo and LMI mortgage loans originated by third parties. Through our direct-to-consumer channel, we offer a variety of competitively priced jumbo and conforming fixed- and adjustable-rate mortgage products through a third party. Through the bulk loan channel, we purchase loans from several qualified sellers on a servicing-released basis, allowing us to directly oversee servicing activities and manage refinancing through our direct-to-consumer channel.

Corporate Finance operations

Our Corporate Finance operations provide senior secured leveraged asset-based and cash flow loans to mostly U.S.-based middle-market companies, with a focus on businesses owned by private equity sponsors. These loans are typically used for leveraged buyouts, refinancing and recapitalizations, mergers and acquisitions, growth, turnarounds, and debtor-in-possession financings. We also provide, through our Lender Finance business, nonbank wholesale-funded managers with partial funding for their direct-lending activities, which is principally leveraged loans. Additionally, we offer a commercial real estate product, currently focused on lending to skilled nursing facilities, senior housing, and medical office buildings.

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 FTP and treasury ALM activities. Corporate and Other also includes certain equity investments, which primarily consist of FHLB and FRB stock—as well as other equity investments through Ally Ventures, our strategic investment business—and 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. Financial results related to Ally Invest, our digital brokerage and personal advice (formerly known as wealth management) offering, Ally Lending, our point-of-sale financing business, Ally Credit Card, and CRA loans and investments are also included within Corporate and Other.

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

The information presented in our reportable operating segments is based in part on internal allocations and methodologies, including a COH methodology, which involves management judgment. COH methodology is used for measuring the profit and loss of our reportable operating segments. We have various enterprise functions, such as technology, marketing, finance, compliance, internal audit, and risk. Operating expenses from the enterprise functions are either directly allocated to the reportable operating segment, indirectly allocated to the reportable operating segment utilizing the COH methodology, or remain in Corporate and Other. COH methodology considers the reportable operating segment expense base and enterprise function expenses. The reportable operating segment expense base is used to determine the allocation mix. This mix is applied to the allocable expenses in Corporate and Other to determine the COH for the respective reportable operating segment. Allocable enterprise function costs are primarily technology and marketing expenses. Generally, costs that remain within Corporate and Other that are not allocated to our reportable operating segments include marketing sponsorships, treasury and other corporate activities, and charitable contributions.

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

Three months ended September 30, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2023						
Net financing revenue and other interest income	\$ 1,360	\$ 29	\$ 53	\$ 97	\$ (6)	\$ 1,533
Other revenue	79	293	4	24	35	435
Total net revenue	1,439	322	57	121	29	1,968
Provision for credit losses	444	—	(2)	5	61	508
Total noninterest expense	618	338	33	32	211	1,232
Income (loss) from continuing operations before income tax (benefit) expense	\$ 377	\$ (16)	\$ 26	\$ 84	\$ (243)	\$ 228
Total assets	\$ 114,742	\$ 8,736	\$ 18,745	\$ 10,749	\$ 42,732	\$ 195,704
2022						
Net financing revenue and other interest income	\$ 1,303	\$ 24	\$ 57	\$ 80	\$ 255	\$ 1,719
Other revenue (loss)	74	236	7	54	(74)	297
Total net revenue	1,377	260	64	134	181	2,016
Provision for credit losses	328	—	2	13	95	438
Total noninterest expense	561	290	43	30	237	1,161
Income (loss) from continuing operations before income tax (benefit) expense	\$ 488	\$ (30)	\$ 19	\$ 91	\$ (151)	\$ 417
Total assets	\$ 109,114	\$ 8,533	\$ 19,862	\$ 9,840	\$ 41,291	\$ 188,640

(a) Net financing revenue and other interest income after the provision for credit losses totaled \$1.0 billion and \$1.3 billion for the three months ended September 30, 2023, and 2022, respectively.

Nine months ended September 30, (\$ in millions)	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2023						
Net financing revenue and other interest income	\$ 4,031	\$ 84	\$ 160	\$ 292	\$ 141	\$ 4,708
Other revenue	239	1,011	13	81	95	1,439
Total net revenue	4,270	1,095	173	373	236	6,147
Provision for credit losses	1,126	—	(3)	35	223	1,381
Total noninterest expense	1,824	1,011	108	110	694	3,747
Income (loss) from continuing operations before income tax (benefit) expense	\$ 1,320	\$ 84	\$ 68	\$ 228	\$ (681)	\$ 1,019
Total assets	\$ 114,742	\$ 8,736	\$ 18,745	\$ 10,749	\$ 42,732	\$ 195,704
2022						
Net financing revenue and other interest income	\$ 3,899	\$ 61	\$ 166	\$ 240	\$ 810	\$ 5,176
Other revenue	214	664	25	97	51	1,051
Total net revenue	4,113	725	191	337	861	6,227
Provision for credit losses	660	—	2	27	220	909
Total noninterest expense	1,640	864	153	95	669	3,421
Income (loss) from continuing operations before income tax (benefit) expense	\$ 1,813	\$ (139)	\$ 36	\$ 215	\$ (28)	\$ 1,897
Total assets	\$ 109,114	\$ 8,533	\$ 19,862	\$ 9,840	\$ 41,291	\$ 188,640

(a) Net financing revenue and other interest income after the provision for credit losses totaled \$3.3 billion and \$4.3 billion for the nine months ended September 30, 2023, and 2022, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

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23. Contingencies and Other Risks

As a financial-services company, we are regularly involved in pending or threatened legal proceedings and other matters and are or may be subject to potential liability in connection with them. 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 business lines 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.

Ally and its subsidiaries, including Ally Bank, also are or may be subject to potential liability under other contingent exposures, including indemnification, tax, self-insurance, and other miscellaneous contingencies.

We accrue for a legal matter or other contingent exposure when a loss becomes probable and the amount of loss can be reasonably estimated. Accruals are evaluated each quarter and may be adjusted, upward or downward, based on our best judgment after consultation with counsel. No assurance exists that our accruals will not need to be adjusted in the future. When a probable or reasonably possible loss on a legal matter or other contingent exposure could be material to our consolidated financial condition, results of operations, or cash flows, we provide disclosure in this note as prescribed by ASC Topic 450, *Contingencies*. Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for additional information related to our policy for establishing accruals.

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. Other contingent exposures and their ultimate resolution are similarly unpredictable for reasons that can vary based on the circumstances.

As a result, we often are unable to determine how or when threatened or pending legal matters and other contingent exposures will be resolved and what losses may be incrementally and ultimately incurred. Actual losses may be higher or lower than any amounts accrued or estimated for those matters and other exposures, possibly to a significant degree.

Subject to the foregoing, based on our current knowledge and after consultation with counsel, we do not believe that the ultimate outcomes of currently threatened or pending legal matters and other contingent exposures are likely to be material to our consolidated financial condition after taking into account existing accruals. In light of the uncertainties inherent in these matters and other exposures, however, one or more of them could be material to our results of operations or cash flows during a particular reporting period, depending on factors such as the amount of the loss or liability and the level of our income for that period.

24. Subsequent Events

Declaration of Common Dividend

On October 9, 2023, our Board declared a quarterly cash dividend of \$0.30 per share on all common stock. The dividend is payable on November 15, 2023, to stockholders of record at the close of business on November 1, 2023.

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Item 2. 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," "plan," "goal," "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 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 governmental agencies, central banks, or supranational authorities;
- changes in accounting standards or policies;
- 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 type, ownership, and use;
- any instability or breakdown in the financial system, including as a result of the failure of a financial institution or other participant in it;
- 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;
- the discontinuation of LIBOR and any negative impacts that could result;
- 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 business lines, including mortgage lending, point-of-sale personal lending, credit cards, corporate finance, brokerage, and personal advice;
- our ability to develop capital plans acceptable to the FRB and our ability to implement them, including any payment of dividends or share repurchases;
- our ability to conduct appropriate stress tests and effectively plan for and manage capital or liquidity consistent with evolving business or operational needs, risk-management standards, and regulatory or supervisory requirements or expectations;
- 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, our service providers, or our senior officers;
- our ability to develop, maintain, or market our products or services or to absorb unanticipated costs or liabilities associated with those products or services;

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- 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;
- 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;
- our ability to address heightened scrutiny and expectations from supervisory or other governmental authorities and to timely and credibly remediate related concerns or deficiencies;
- judicial, regulatory, or administrative inquiries, examinations, investigations, proceedings, disputes, or rulings that create uncertainty for, or are adverse to, us or the financial services industry;
- the potential outcomes of judicial, regulatory, or administrative inquiries, examinations, investigations, proceedings, or disputes to which we are or may be subject, and our ability to absorb and address any damages or other remedies that are sought or awarded, and any collateral consequences;
- 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 manage and mitigate security risks, including our capacity to withstand cyberattacks;
- our ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or infrastructure;
- 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 or to maintain rights or interests in associated intellectual property;
- 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, cyber-warfare, and pandemics (such as adverse effects of the COVID-19 pandemic on us and our customers, counterparties, employees, and service providers);
- our ability to maintain appropriate ESG practices, oversight, and disclosures;
- policies and other actions of governments to manage and mitigate climate and related environmental risks, and the effects of climate change or the transition to a lower-carbon economy on our business, operations, and reputation; or
- other assumptions, risks, or uncertainties described in the Risk Factors (Part II, Item 1A herein), Management's Discussion and Analysis of Financial Condition and Results of Operations (Part I, Item 2 herein), or the Notes to the Condensed Consolidated Financial Statements (Part I, Item 1 herein) in this Quarterly Report on Form 10-Q 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.

Unless the context otherwise requires, the following definitions apply. The term "loans" means the following consumer and commercial products associated with our direct and indirect financing activities: loans, retail installment sales contracts, lines of credit, and other financing products excluding operating leases. The term "operating leases" means consumer- and commercial-vehicle lease agreements where Ally is the lessor and the lessee is generally not obligated to acquire ownership of the vehicle at lease-end or compensate Ally for the

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vehicle's residual value. The terms "lend," "finance," and "originate" mean our direct extension or origination of loans, our purchase or acquisition of loans, or our purchase of operating leases as applicable. The term "consumer" means all consumer products associated with our loan and operating-lease activities and all commercial retail installment sales contracts. The term "commercial" means all commercial products associated with our loan activities, other than commercial retail installment sales contracts. The term "partnerships" means business arrangements rather than partnerships as defined by law.

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Overview

Ally Financial Inc. (together with its consolidated subsidiaries unless the context otherwise requires, Ally, the Company, we, us, or our) is a financial-services company with the nation's largest all-digital bank and an industry-leading automotive financing and insurance business, driven by a mission to "Do It Right" and be a relentless ally for customers and communities. The Company serves customers through a full range of online banking services (including deposits, mortgage lending, point-of-sale personal lending and credit-card products) and securities brokerage and investment advisory services. The Company also includes a corporate finance business that offers capital for equity sponsors and middle-market companies. Ally is a Delaware corporation and is registered as a BHC under the BHC Act and an FHC under the GLB Act.

Primary Business Lines

Dealer Financial Services, which includes our Automotive Finance and Insurance operations, Mortgage Finance, and Corporate Finance are our primary business lines. The remaining activity is reported in Corporate and Other, which primarily consists of centralized treasury activities as well as Ally Invest, our digital brokerage and personal advice offering, Ally Lending, our point-of-sale financing business, Ally Credit Card, CRA loans and investments, and certain strategic investments. The following table summarizes the operating results excluding discontinued operations of each business line. Operating results for each of the business lines are more fully described in the MD&A sections that follow.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Favorable/(unfavorable) % change	2023	2022	Favorable/(unfavorable) % change
Total net revenue						
Dealer Financial Services						
Automotive Finance	\$ 1,439	\$ 1,377	5	\$ 4,270	\$ 4,113	4
Insurance	322	260	24	1,095	725	51
Mortgage Finance	57	64	(11)	173	191	(9)
Corporate Finance	121	134	(10)	373	337	11
Corporate and Other	29	181	(84)	236	861	(73)
Total	\$ 1,968	\$ 2,016	(2)	\$ 6,147	\$ 6,227	(1)
Income (loss) from continuing operations before income tax expense						
Dealer Financial Services						
Automotive Finance	\$ 377	\$ 488	(23)	\$ 1,320	\$ 1,813	(27)
Insurance	(16)	(30)	47	84	(139)	160
Mortgage Finance	26	19	37	68	36	89
Corporate Finance	84	91	(8)	228	215	6
Corporate and Other	(243)	(151)	(61)	(681)	(28)	n/m
Total	\$ 228	\$ 417	(45)	\$ 1,019	\$ 1,897	(46)

n/m = not meaningful

- Our Dealer Financial Services business 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 automotive dealerships and their customers. Dealer Financial Services comprises our Automotive Finance and Insurance segments.

Our Automotive Finance operations include purchasing retail installment sales contracts and operating leases from dealers and automotive retailers, extending automotive loans directly to consumers, offering term loans to dealers, financing dealer floorplans and providing other lines of credit to dealers, supplying warehouse lines to automotive retailers, offering automotive-fleet financing, providing financing to companies and municipalities for the purchase or lease of vehicles, and supplying vehicle-remarketing services. Our success as an automotive-finance provider is driven by the consistent and broad range of products and services we offer to dealers and automotive retailers. The automotive marketplace is dynamic and evolving, including substantial investments in electrification by automobile manufacturers and suppliers. We continue to identify and cultivate relationships with automotive retailers, including those with leading e-commerce platforms. We also operate an online direct-lending platform for consumers seeking direct financing. 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. Additionally, we 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. SmartAuction provides diversified fee-based revenue and serves as a means of deepening relationships with our dealership customers. Furthermore, our strong and expansive dealer relationships,

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comprehensive suite of products and services, full-spectrum financing, and depth of experience position us to evolve with future shifts in automobile technologies, including electrification. We have provided and continue to provide automobile financing for battery-electric and plug-in hybrid vehicles, including brands such as Jeep, Tesla, Ford, and BMW. This positions us to remain a leader in automotive financing as we believe the majority of these vehicles will be sold through dealerships and automotive retailers with whom we have an established relationship. During the nine months ended September 30, 2023, \$606 million of our consumer automotive retail loan originations and purchases, and \$482 million of our operating lease originations and purchases, were for battery-electric and plug-in hybrid vehicles. As of September 30, 2023, \$1.1 billion of our consumer automotive finance receivables and loans had battery-electric or plug-in hybrid vehicles as the underlying collateral, and \$797 million of our investment in operating leases were battery-electric or plug-in hybrid vehicles.

We have focused on developing dealer relationships beyond those relationships that primarily were developed through our previous role as a captive finance company for GM and Stellantis. We have established relationships with thousands of automotive dealers through our customer-centric approach and specialized incentive programs designed to drive loyalty amongst dealers to our products and services. Our Growth channel includes brands such as Ford, Toyota, Hyundai, Kia, Nissan, and Honda, as well as used-vehicle-only retailers with a national presence and online-only automotive retailers. As of September 30, 2023, approximately 71% of our Growth channel dealer relationships were with franchised dealers and dealers with a national presence.

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. We serve approximately 2.5 million consumers nationwide across F&I and P&C products. In addition, we offer F&I products in Canada, where we serve more than 400 thousand consumers and are the preferred VSC and other protection plan provider for GM Canada and VSC provider for Subaru Canada. In 2022, we entered into a long-term commitment to continue as the preferred VSC and other protection plan provider for GM Canada.

As part of our focus on offering dealers a broad range of consumer F&I products, we offer VSCs, VMCs, and GAP products. Ally Premier Protection is our flagship VSC offering, which provides coverage for new and used vehicles of virtually all makes and models. We also underwrite ClearGuard on the SmartAuction platform, which is a protection product designed to minimize the risk to dealers from arbitration claims for eligible vehicles sold at auction. Additionally, we underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory, and offer additional products to protect a dealer's business, including property and liability coverage that is underwritten by a third-party carrier with a portion of the insurance risk assumed through a quota share agreement. On a smaller scale, we also periodically assume other insurance risks through quota share arrangements and perform services as an underwriting carrier for an insurance program managed by a third-party where we cede the majority of such business to external reinsurance markets.

Our dealer-centric business model, value-added products and services, full-spectrum financing, and business expertise proven over many credit cycles, make us a premier automotive finance and insurance company ready to support and strengthen our approximately 22,300 active dealer relationships as of September 30, 2023. A dealer is considered to have an active relationship with us if we provided automotive financing, remarketing, or insurance services during the three months ended September 30, 2023.

- Our Mortgage Finance operations consist of the management of held-for-investment and held-for-sale consumer mortgage loan portfolios. Our held-for-investment portfolio includes our direct-to-consumer Ally Home mortgage offering, and bulk purchases of high-quality jumbo and LMI mortgage loans originated by third parties.

Through our direct-to-consumer channel, we offer a variety of competitively priced jumbo and conforming fixed- and adjustable-rate mortgage products through a third party. Under our current arrangement, our direct-to-consumer conforming mortgages are originated as held-for-sale and sold, while jumbo and LMI mortgages are originated as held-for-investment and subserviced by a third party. Loans originated in the direct-to-consumer channel are sourced by existing Ally customer marketing, prospect marketing on third-party websites, and email or direct mail campaigns. In April 2019, we announced a strategic partnership with BMC, which delivers an enhanced end-to-end digital mortgage experience for our customers through our direct-to-consumer channel. Through this partnership, BMC conducts the sales, processing, underwriting, and closing for Ally's digital mortgage offerings in a highly innovative, scalable, and cost-efficient manner, while Ally retains control of all the marketing and advertising strategies and loan pricing. This partnership with BMC limits operational volatility as the mortgage industry continues to evolve in the current interest rate environment. During the nine months ended September 30, 2023, we originated \$731 million of mortgage loans through our direct-to-consumer channel. During 2018, we made a strategic equity investment in the parent of BMC (BMC Holdco) that was subsequently increased in 2019 and 2020. The carrying value of this investment was \$9 million as of September 30, 2023, is within equity securities on our Condensed Consolidated Balance Sheet and is included in Corporate and Other. Refer to Note 10 to the Condensed Consolidated Financial Statements for further information.

Through the bulk loan channel, we purchase loans from several qualified sellers, including direct originators and large aggregators who have the financial capacity to support strong representations and warranties, and the industry knowledge and experience to originate high-quality assets. Bulk purchases are made on a servicing-released basis, allowing us to directly oversee servicing activities and manage refinancing through our direct-to-consumer channel. During the nine months ended September 30, 2023, we purchased \$14 million of mortgage loans that were originated by third parties. Our mortgage loan purchases are held-for-investment.

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The combination of our direct-to-consumer strategy and bulk portfolio purchase program 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 Corporate Finance operations primarily offer senior-secured loans to private equity sponsor-owned U.S.-based middle-market companies and to well-established asset managers that mostly provide leveraged loans. The portfolio is composed of floating-rate leveraged asset-based and cash flow/enterprise value loans. Our Sponsor Finance business focuses on companies owned by private-equity sponsors with loans typically used for leveraged buyouts, refinancing and recapitalizations, mergers and acquisitions, growth, turnarounds, and debtor-in-possession financings. Additionally, our Lender Finance business provides asset managers with facilities to partially fund their direct-lending activities. We also provide a commercial real estate product, currently focused on lending to skilled nursing facilities, senior housing, and medical office buildings.
- 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 FTP and treasury ALM activities. Corporate and Other also includes activity related to certain equity investments, which primarily consist of FHLB and FRB stock, as well as other equity investments through Ally Ventures, our strategic investment business. Additionally, Corporate and Other includes the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, CRA loans and investments, and reclassifications and eliminations between the reportable operating segments. Costs that are not allocated to our reportable operating segments as part of our COH methodology, which involves management judgment, are also included in Corporate and Other.

Corporate and Other includes the results of Ally Invest, our digital brokerage and personal advice offering, which enables us to complement our competitive deposit products with low-cost investing. The digital personal advice business aligns with our strategy to create a premier digital financial services company and provides additional sources of fee income through asset management and certain other fees, with minimal balance sheet utilization. This business also provides an additional source of low-cost deposits through arrangements with Ally Invest's clearing broker.

Information related to our point-of-sale financing business, Ally Lending, is also included within Corporate and Other. Ally Lending primarily serves home improvement and medical service providers by enabling promotional and fixed rate installment-loan products through a digital application process at point-of-sale. The home improvement vertical had originations of \$851 million during the nine months ended September 30, 2023, and now represents approximately 68% of originations. Point-of-sale lending broadens our capabilities, and expands our product offering into consumer unsecured personal lending, all while helping to further meet the financial needs of our customers.

Financial information related to our credit card business, Ally Credit Card, is included within Corporate and Other. Ally Credit Card is our scalable, digital-first credit card platform and features leading-edge technology, and a proprietary, analytics-based underwriting model. We believe Ally Credit Card enhances our ability to grow and deepen both new and existing customer relationships.

On October 24, 2023, the U.S. banking agencies issued a final rule that significantly amends their CRA regulations. Although the effective date of the rule is April 1, 2024, the applicability date for the majority of its provisions is January 1, 2026. We are still evaluating the rule and its impact, but our CRA strategy and program may be adversely affected by it.

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Consolidated Results of Operations

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

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Favorable/(unfavorable) % change	2023	2022	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Total financing revenue and other interest income	\$ 3,595	\$ 2,761	30	\$ 10,335	\$ 7,522	37
Total interest expense	1,850	804	(130)	4,989	1,672	(198)
Net depreciation expense on operating lease assets	212	238	11	638	674	5
Net financing revenue and other interest income	1,533	1,719	(11)	4,708	5,176	(9)
Other revenue						
Insurance premiums and service revenue earned	320	289	11	936	849	10
Gain on mortgage and automotive loans, net	4	10	(60)	13	28	(54)
Other (loss) gain on investments, net	(41)	(54)	24	59	(173)	134
Other income, net of losses	152	52	192	431	347	24
Total other revenue	435	297	46	1,439	1,051	37
Total net revenue	1,968	2,016	(2)	6,147	6,227	(1)
Provision for credit losses	508	438	(16)	1,381	909	(52)
Noninterest expense						
Compensation and benefits expense	463	467	1	1,448	1,397	(4)
Insurance losses and loss adjustment expenses	107	70	(53)	329	217	(52)
Other operating expenses	662	624	(6)	1,970	1,807	(9)
Total noninterest expense	1,232	1,161	(6)	3,747	3,421	(10)
Income from continuing operations before income tax (benefit) expense	228	417	(45)	1,019	1,897	(46)
Income tax (benefit) expense from continuing operations	(68)	117	158	74	460	84
Net income from continuing operations	\$ 296	\$ 300	(1)	\$ 945	\$ 1,437	(34)
Financial ratios:						
Return on average assets (a)	0.60 %	0.64 %	n/m	0.65 %	1.05 %	n/m
Return on average equity (a)	8.35 %	8.36 %	n/m	9.16 %	12.86 %	n/m
Equity to assets (a)	7.20 %	7.60 %	n/m	7.11 %	8.13 %	n/m
Common dividend payout ratio (b)	34.09 %	34.09 %	n/m	31.69 %	21.43 %	n/m

n/m = not meaningful

(a) The ratios were based on average assets and average total equity using an average daily balance methodology.

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

We earned net income from continuing operations of \$296 million and \$945 million for the three months and nine months ended September 30, 2023, respectively, compared to \$300 million and \$1.4 billion for the three months and nine months ended September 30, 2022. During the three months and nine months ended September 30, 2023, results were favorably impacted by higher total financing revenue and other interest income, and a decrease in income tax expense from continuing operations. These items were more than offset by higher interest expense, provision for credit losses, and noninterest expense for the three months and nine months ended September 30, 2023. During the nine months ended September 30, 2023, results were also favorably impacted by other gain on investments, net.

Net financing revenue and other interest income decreased \$186 million and \$468 million for the three months and nine months ended September 30, 2023, respectively, as compared to the three months and nine months ended September 30, 2022. Consumer automotive revenue increased as higher portfolio yields resulting from pricing actions contributed to the increases in revenue. We continue to opportunistically adjust pricing in response to rising benchmark interest rates. The increases were also impacted by higher average consumer assets resulting from growth in the used-vehicle portfolio, primarily through franchised dealers and national retailers. Commercial automotive revenue increased due to higher yields from higher benchmark interest rates, as our commercial automotive loans are generally variable-rate. Additionally, the increases were impacted by higher asset balances resulting from improvements in new vehicle supply. These increases were more than offset by higher interest expense. We experienced higher interest expense for the three months and nine months ended

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September 30, 2023, as compared to the same periods in 2022, in response to higher benchmark interest rates, which increased our cost of funds associated with our deposit liabilities.

Insurance premiums and service revenue earned was \$320 million and \$936 million for the three months and nine months ended September 30, 2023, respectively, compared to \$289 million and \$849 million for the three months and nine months ended September 30, 2022. The increases for the three months and nine months ended September 30, 2023, were primarily driven by higher P&C earned premium from higher dealer inventory levels, growth in other dealer-related protection products, and higher other premium and service revenue written from non-automotive assumed reinsurance business.

Other loss on investments, net, was \$41 million for the three months ended September 30, 2023, and other gain on investments, net was \$59 million for the nine months ended September 30, 2023, compared to other loss on investments, net of \$54 million and \$173 million for the three months and nine months ended September 30, 2022, respectively. The increases for the three months and nine months ended September 30, 2023, compared to the same periods in 2022, were primarily attributable to the performance of equity securities, consistent with broader stock market performance. The increase for the nine months ended September 30, 2023, was partially offset by realized gains from the sale of available-for-sale securities and equity securities during the nine months ended September 30, 2022, that did not reoccur.

Other income, net of losses increased \$100 million and \$84 million for the three months and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases were primarily driven by net downward adjustments of \$10 million related to equity securities without a readily determinable fair value for the nine months ended September 30, 2023, compared to net downward adjustments (including impairment) of \$137 million and \$139 million during the three months and nine months ended September 30, 2022. Additionally, the increases for the three months and nine months ended September 30, 2023, were driven by increased late charges and other administrative fees, as delinquencies have increased amid deterioration in macroeconomic conditions, driven by persistent inflation. During the nine months ended September 30, 2023, we observed a slowing rate of increase in delinquency trends within our consumer automotive loan portfolio, as compared to the nine months ended September 30, 2022.

The provision for credit losses increased \$70 million and \$472 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The increases in provision for credit losses for the three months and nine months ended September 30, 2023, were primarily driven by higher net charge-offs across our consumer portfolios. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Noninterest expense was \$1.2 billion and \$3.7 billion for the three months and nine months ended September 30, 2023, respectively, compared to \$1.2 billion and \$3.4 billion for the three months and nine months ended September 30, 2022. The increases for the three months and nine months ended September 30, 2023, were driven by increased expenses to support the growth of our consumer product suite and expand our digital capabilities and portfolio of products and we incurred higher collection and repossession costs. Additionally, insurance losses and loss adjustment expenses increased for the three months and nine months ended September 30, 2023, as compared to the same periods in 2022, primarily due to increased losses from our vehicle inventory insurance program attributable to higher weather frequency and severity, growing dealer inventory levels, and higher insured values for non-weather losses. The increases were also driven by restructuring charges associated with a workforce reduction during the three months and nine months ended September 30, 2023.

We recognized total income tax benefit from continuing operations of \$68 million and income tax expense from continuing operations of \$74 million for the three months and nine months ended September 30, 2023, respectively, compared to income tax expense of \$117 million and \$460 million for the same periods in 2022. The decrease in income tax expense for the three months ended September 30, 2023, compared to the same period in 2022, was primarily due to adjustments to the valuation allowance on foreign tax credit carryforwards as well as the tax effects of a decrease in pretax earnings. The decrease in income tax expense for the nine months ended September 30, 2023, compared to the same period in 2022, was primarily due to the tax effects of a decrease in pretax earnings, adjustments to the valuation allowance on foreign tax credit carryforwards, and an increase in qualified clean vehicle tax credits for purchased plug-in electric vehicles or fuel cell vehicles. The release of valuation allowance resulted in a significant variation in the customary relationship between pretax income and income tax expense for the three months and nine months ended September 30, 2023. Refer to Note 19 to the Condensed Consolidated Financial Statements for further discussion.

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Dealer Financial Services

Results for Dealer Financial Services are presented by reportable operating 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 operating segments.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Favorable/(unfavorable) % change	2023	2022	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Consumer	\$ 1,748	\$ 1,461	20	\$ 4,973	\$ 4,125	21
Commercial	364	189	93	998	460	117
Loans held-for-sale	2	—	n/m	6	—	n/m
Operating leases	385	397	(3)	1,179	1,196	(1)
Total financing revenue and other interest income	2,499	2,047	22	7,156	5,781	24
Interest expense	927	506	(83)	2,487	1,208	(106)
Net depreciation expense on operating lease assets (a)	212	238	11	638	674	5
Net financing revenue and other interest income	1,360	1,303	4	4,031	3,899	3
Other revenue						
Gain on automotive loans, net	—	3	(100)	—	3	(100)
Other income, net of losses	79	71	11	239	211	13
Total other revenue	79	74	7	239	214	12
Total net revenue	1,439	1,377	5	4,270	4,113	4
Provision for credit losses	444	328	(35)	1,126	660	(71)
Noninterest expense						
Compensation and benefits expense	164	155	(6)	505	475	(6)
Other operating expenses	454	406	(12)	1,319	1,165	(13)
Total noninterest expense	618	561	(10)	1,824	1,640	(11)
Income from continuing operations before income tax expense	\$ 377	\$ 488	(23)	\$ 1,320	\$ 1,813	(27)
Total assets	\$ 114,742	\$ 109,114	5	\$ 114,742	\$ 109,114	5

n/m = not meaningful

(a) Includes net remarketing gains of \$57 million and \$174 million for the three months and nine months ended September 30, 2023, respectively, compared to \$39 million and \$139 million for the three months and nine months ended September 30, 2022.

Our Automotive Finance operations earned income from continuing operations before income tax expense of \$377 million and \$1.3 billion for the three months and nine months ended September 30, 2023, respectively, compared to \$488 million and \$1.8 billion for the three months and nine months ended September 30, 2022. For the three months and nine months ended September 30, 2023, the decreases were primarily due to higher interest expense and higher provision for credit losses, partially offset by higher financing revenue and other interest income.

Consumer automotive loan financing revenue and other interest income increased \$287 million and \$848 million for the three months and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. Higher portfolio yields resulting from pricing actions contributed to the increases in revenue. We continue to opportunistically adjust pricing in response to rising benchmark interest rates. The increases were also impacted by higher average consumer assets resulting from growth in the used-vehicle portfolio, primarily through franchised dealers and national retailers.

Commercial loan financing revenue and other interest income increased \$175 million and \$538 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The increases

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were primarily due to higher yields from higher benchmark interest rates, as our commercial automotive loans are generally variable-rate. Additionally, the increases were impacted by higher asset balances resulting from improvements in new vehicle supply.

Interest expense was \$927 million and \$2.5 billion for the three months and nine months ended September 30, 2023, respectively, compared to \$506 million and \$1.2 billion for the three months and nine months ended September 30, 2022. The increases for the three months and nine months ended September 30, 2023, were primarily driven by a higher interest rate environment, resulting in higher funding costs.

Total net operating lease revenue increased \$14 million and \$19 million for the three months and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases in net operating lease revenue were driven by higher remarketing gains on off-lease vehicles, primarily due to normalizing volume trends in the contractually priced buyout channels. Refer to the *Operating Lease Residual Risk Management* section of this MD&A for further discussion.

Total other revenue increased \$5 million and \$25 million for the three months and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases were primarily due to an increase in servicing fees, remarketing fee income, and late charges. The increases in servicing fees are due to the growth in financial assets transferred to a nonconsolidated SPE for which we retain the ongoing right to service the assets. The increases in remarketing fee income are primarily due to increases in remarketing transaction volume through our SmartAuction platform. The increases in late charges are due to higher delinquencies amid deterioration in macroeconomic conditions, driven by persistent inflation. During the nine months ended September 30, 2023, we observed a slowing rate of increase in delinquency trends within our consumer automotive loan portfolio, as compared to the nine months ended September 30, 2022. Refer to Note 9 to the Condensed Consolidated Financial Statements for additional information regarding assets sold to nonconsolidated SPEs.

The provision for credit losses increased \$116 million and \$466 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The increases in provision for credit losses were primarily driven by higher net charge-offs during the three months and nine months ended September 30, 2023. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Total noninterest expense increased \$57 million and \$184 million for the three months and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The increases were primarily due to expenses to support the growth of our consumer product suite and expand our digital capabilities and portfolio of products. Additionally, we incurred higher collection and repossession costs in the three months and nine months ended September 30, 2023, as compared to the same periods in 2022.

The following table presents the average balance and yield of the loan and operating lease portfolios of our Automotive Financing operations.

(\$ in millions)	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	Average balance (a)	Yield	Average balance (a)	Yield	Average balance (a)	Yield	Average balance (a)	Yield
Finance receivables and loans, net (b)								
Consumer automotive (c)	\$ 85,514	8.12 %	\$ 82,927	6.99 %	\$ 84,720	7.86 %	\$ 80,509	6.85 %
Commercial								
Wholesale floorplan (d)	14,507	7.76	10,886	4.85	13,727	7.50	11,282	3.62
Other commercial automotive (e)	6,023	5.25	5,059	4.33	5,909	5.15	4,904	4.21
Investment in operating leases, net (f)	9,817	7.00	10,588	5.98	10,119	7.15	10,693	6.54

(a) Average balances are calculated using an average daily balance methodology.

(b) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Condensed Consolidated Financial Statements.

(c) Excludes the effects of derivative financial instruments designated as hedges, which is included within Corporate and Other. Including the impact of hedging activities, the yield was 8.90% and 8.73% for the three months and nine months ended September 30, 2023, respectively, and 7.29% and 6.92% for the three months and nine months ended September 30, 2022.

(d) Excludes the effects of derivative financial instruments designated as hedges, which is included within Corporate and Other. Including the impact of hedging activities, the yield was 7.88% and 7.64% for the three months and nine months ended September 30, 2023, respectively, and 5.03% and 3.80% for the three months and nine months ended September 30, 2022.

(e) Consists primarily of automotive dealer term loans, including those to finance dealership land and buildings, and dealer fleet financing.

(f) Yield includes net gains on the sale of off-lease vehicles of \$57 million and \$174 million for the three months and nine months ended September 30, 2023, respectively, compared to \$39 million and \$139 million for the three months and nine months ended September 30, 2022. Excluding these gains on sale, the yield was 4.69% and 4.85% for the three months and nine months ended September 30, 2023, respectively, compared to 4.52% and 4.80% for the three months and nine months ended September 30, 2022.

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During the three months and nine months ended September 30, 2023, our portfolio yield for consumer automotive loans, excluding the impact of hedging activities, increased 113 and 101 basis points, respectively, as compared to the same periods in 2022. The increases for the three months and nine months ended September 30, 2023, were primarily driven by higher portfolio yields resulting from pricing actions. We continue to opportunistically adjust pricing in response to rising benchmark interest rates. Our portfolio yield for consumer automotive loans, including the effects of derivative financial instruments designated as hedges, was 78 and 87 basis points higher than our portfolio yield for consumer automotive loans excluding the effects of derivative financial instruments designated as hedges for the three months and nine months ended September 30, 2023, respectively. This is attributable to the execution of hedging strategies that are used to mitigate interest rate risks. Refer to Note 18 to the Condensed Consolidated Financial Statements for further discussion.

Our portfolio yield for investment in operating leases, net, including net gains on the sale of off-lease vehicles, was 7.00% and 7.15% for the three months and nine months ended September 30, 2023, respectively, compared to 5.98% and 6.54% for the three months and nine months ended September 30, 2022. The increases were due to higher remarketing gains on off-lease vehicles. Refer to the section titled *Operating Lease Residual Risk Management* within this MD&A for additional information.

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Automotive Financing Volume

Consumer Automotive Financing

The following table presents retail loan originations and purchases by credit tier and product type.

Credit Tier (a)	Used retail			New retail		
	Volume (\$ in billions)	% Share of volume	Average FICO®	Volume (\$ in billions)	% Share of volume	Average FICO®
Three months ended September 30, 2023						
S	\$ 2.6	38	755	\$ 1.4	48	751
A	2.9	42	688	1.2	42	688
B	0.9	13	643	0.3	10	654
C	0.3	5	593	—	—	620
D	0.1	1	556	—	—	575
E	0.1	1	541	—	—	642
Total retail originations	\$ 6.9	100	701	\$ 2.9	100	712
Three months ended September 30, 2022						
S	\$ 1.8	23	742	\$ 1.2	35	744
A	3.9	49	687	1.8	53	687
B	1.6	20	649	0.4	12	655
C	0.4	6	607	—	—	633
D	0.1	1	566	—	—	631
E	0.1	1	548	—	—	550
Total retail originations	\$ 7.9	100	684	\$ 3.4	100	699
Nine months ended September 30, 2023						
S	\$ 6.7	34	752	\$ 3.8	44	749
A	8.5	43	687	3.8	44	687
B	3.0	15	645	0.9	11	654
C	0.9	5	600	0.1	1	624
D	0.3	2	561	—	—	573
E	0.2	1	550	—	—	553
Total retail originations	\$ 19.6	100	695	\$ 8.6	100	707
Nine months ended September 30, 2022						
S	\$ 5.2	21	741	\$ 3.2	33	744
A	12.2	50	685	5.1	53	685
B	5.3	22	648	1.2	13	653
C	1.3	4	610	0.1	1	629
D	0.4	2	568	—	—	600
E	0.2	1	553	—	—	541
Total retail originations	\$ 24.6	100	682	\$ 9.6	100	698

(a) Represents Ally's internal credit score, incorporating numerous borrower and structure attributes including: severity and aging of delinquency; number of credit inquiries; LTV ratio; term; and payment-to-income ratio. We periodically update our underwriting scorecard, which can have an impact on our credit tier scoring.

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The following table presents the percentage of total retail loan originations and purchases, in dollars, by the loan term in months.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
0–71	14 %	14 %	14 %	14 %
72–75	62	63	63	65
76 +	24	23	23	21
Total retail originations	100 %	100 %	100 %	100 %

Retail originations with a term of 76 months or more represented 24% and 23% of total retail originations for the three months and nine months ended September 30, 2023, respectively, compared to 23% and 21% for the three months and nine months ended September 30, 2022. Substantially all the loans originated with a term of 76 months or more during both the three months and nine months ended September 30, 2023, and 2022, were considered to be prime and in credit tiers S, A, or B. Our underwriting processes are designed to consider various deal structure variables—such as payment-to-income, LTV, debt-to-income, and FICO® score—that compensate for longer loan terms and mitigate underwriting risk.

During the three months ended September 30, 2023, approximately 84% of our used retail originations were for vehicles with a model year of 2017 or newer. According to the Bureau of Transportation Statistics, the average age of light vehicles in operation in the United States during 2022 was approximately 12 years. Substantially all used retail originations with a term of 76 months or more during the three months ended September 30, 2023, were for vehicles with a model year of 2017 or newer.

The following table presents the percentage of total outstanding retail loans by origination year.

September 30,	2023	2022
Pre-2019	3 %	8 %
2019	5	9
2020	9	15
2021	20	31
2022	33	37
2023	30	—
Total retail	100 %	100 %

The following tables present the total retail loan and operating lease origination and purchase dollars and percentage mix by product type and by channel.

Three months ended September 30, (\$ in millions)	Consumer automotive financing originations		% Share of Ally originations	
	2023	2022	2023	2022
Used retail	\$ 6,932	\$ 7,857	66	64
New retail	2,920	3,403	27	27
Lease	698	1,076	7	9
Total consumer automotive financing originations (a)	\$ 10,550	\$ 12,336	100	100

(a) Includes CSG originations of \$1.2 billion and \$1.5 billion for the three months ended September 30, 2023, and 2022, respectively.

Nine months ended September 30, (\$ in millions)	Consumer automotive financing originations		% Share of Ally originations	
	2023	2022	2023	2022
Used retail	\$ 19,598	\$ 24,584	65	66
New retail	8,570	9,617	28	26
Lease	2,253	2,948	7	8
Total consumer automotive financing originations (a)	\$ 30,421	\$ 37,149	100	100

(a) Includes CSG originations of \$3.8 billion and \$4.2 billion for the nine months ended September 30, 2023, and 2022, respectively.

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Three months ended September 30, (\$ in millions)	Consumer automotive financing originations		% Share of Ally originations	
	2023	2022	2023	2022
Growth channel	\$ 6,083	\$ 6,914	58	56
GM dealers	2,341	2,665	22	22
Stellantis dealers	2,126	2,757	20	22
Total consumer automotive financing originations	\$ 10,550	\$ 12,336	100	100

Nine months ended September 30, (\$ in millions)	Consumer automotive financing originations		% Share of Ally originations	
	2023	2022	2023	2022
Growth channel	\$ 17,223	\$ 21,031	57	57
GM dealers	6,775	7,770	22	21
Stellantis dealers	6,423	8,348	21	22
Total consumer automotive financing originations	\$ 30,421	\$ 37,149	100	100

Total consumer automotive loan and operating lease originations decreased \$1.8 billion and \$6.7 billion for the three months and nine months ended September 30, 2023, respectively, compared to the same periods in 2022. The decreases were primarily driven by our dynamic underwriting strategies, including strategic pricing and curtailment actions to optimize our risk appetite and returns.

We have included origination metrics by loan term and FICO® Score within this MD&A. In addition, we employ our own risk evaluation, including proprietary risk models, in evaluating credit risk, as described in the section titled *Automotive Financing Volume—Acquisition and Underwriting* within the MD&A in our 2022 Annual Report on Form 10-K.

The following tables present the percentage of retail loan and operating lease originations and purchases, in dollars, by FICO® Score and product type. We define prime consumer automotive loans primarily as those loans with a FICO® Score at origination of 620 or greater.

Three months ended September 30,	Used retail		New retail		Lease	
	2023	2022	2023	2022	2023	2022
760 +	23 %	14 %	21 %	14 %	48 %	48 %
720–759	14	13	13	12	16	18
660–719	30	33	29	35	22	23
620–659	18	24	17	21	9	7
540–619	8	10	3	3	3	2
< 540	3	2	—	—	—	—
Unscored (a)	4	4	17	15	2	2
Total consumer automotive financing originations	100 %	100 %	100 %	100 %	100 %	100 %

(a) Unscored are primarily CSG contracts with business entities that have no FICO® Score.

Nine months ended September 30,	Used retail		New retail		Lease	
	2023	2022	2023	2022	2023	2022
760 +	20 %	13 %	18 %	14 %	48 %	46 %
720–759	14	12	13	12	17	18
660–719	30	34	30	33	22	23
620–659	19	25	19	22	9	9
540–619	10	10	3	4	2	2
< 540	3	2	—	—	—	—
Unscored (a)	4	4	17	15	2	2
Total consumer automotive financing originations	100 %	100 %	100 %	100 %	100 %	100 %

(a) Unscored are primarily CSG contracts with business entities that have no FICO® Score.

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Originations with a FICO® Score of less than 620 (considered nonprime) represented 8% and 9% of total consumer loan and operating lease originations for the three months and nine months ended September 30, 2023, respectively, compared to 9% for both the three months and nine months ended September 30, 2022. Consumer loans and operating leases with FICO® Scores of less than 540 represented 2% of total originations for both the three months and nine months ended September 30, 2023, compared to 2% and 1% for the three months and nine months ended September 30, 2022, respectively. Nonprime applications are subject to more stringent underwriting criteria (for example, minimum payment-to-income ratio, maximum debt-to-income ratio, and maximum amount financed), and our nonprime loan portfolio generally does not include any loans with a term of 76 months or more. The carrying value of our held-for-investment, nonprime consumer automotive loans before allowance for loan losses was \$8.8 billion at both September 30, 2023, and December 31, 2022, or approximately 10.3% and 10.6% of our total consumer automotive loans at September 30, 2023, and December 31, 2022, respectively. For discussion of our credit-risk-management practices and performance, refer to the section titled *Risk Management*.

During the first quarter of 2023, we amended our relationship with Carvana, a leading e-commerce platform for buying and selling used vehicles. Specifically, we decreased our committed facility from a maximum of \$5.0 billion to a maximum of \$4.0 billion to support our continued efforts to optimize risk-adjusted returns. This commitment is effective for 364 days. As part of the agreement, we purchase finance receivables meeting certain prescribed eligibility requirements on a periodic basis from Carvana. We also have the opportunity to purchase additional contracts from Carvana on an ad-hoc basis that may fall outside of the prescribed eligibility requirements utilized within the recurring pools. The risk profile of the contractual purchases is similar to the volume we fund through other dealer-facing channels. All the finance receivables purchased through this channel are used vehicles, and are included in Growth channel in our consumer origination metrics. While different vintages exhibit varying performance, collectively to date, finance receivables purchased from Carvana have exhibited consistent delinquency and loss performance compared to loans with similar credit characteristics acquired through our indirect dealer channel. Consumer finance receivables and loans sourced from Carvana represented 7.7% of our total consumer automotive finance receivables and loans as of September 30, 2023. During both the three months and nine months ended September 30, 2023, loan purchases from Carvana were 9% of our total consumer automotive financing originations.

For discussion of manufacturer marketing incentives, refer to the section titled *Automotive Financing Volume—Manufacturer Marketing Incentives* within the MD&A in our 2022 Annual Report on Form 10-K.

Commercial Wholesale Financing Volume

The following table presents the percentage of average balance of our commercial wholesale floorplan finance receivables, in dollars, by product type and by channel.

(\$ in millions)	Average balance			
	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Stellantis new vehicles	42 %	32 %	40 %	30 %
Used vehicles	23	44	25	48
GM new vehicles	21	16	22	15
Growth new vehicles	14	8	13	7
Total	100 %	100 %	100 %	100 %
Total commercial wholesale finance receivables	\$ 14,507	\$ 10,886	\$ 13,727	\$ 11,282

Average commercial wholesale financing receivables outstanding increased \$3.6 billion and \$2.4 billion during the three months and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022. The increases for the three months and nine months ended September 30, 2023, as compared to the same periods in 2022, were primarily due to increased industry-wide new vehicle inventory levels. This was partially offset by reduced used vehicle inventory levels across the automotive industry.

Carvana's commercial line of credit totals \$2.0 billion, with a scheduled maturity in the first quarter of 2024. The line of credit represents a commitment to fund Carvana's wholesale floorplan financing of used vehicles and is consistent in form and structure with our other wholesale floorplan financing arrangements. This includes the line of credit being fully collateralized to mitigate counterparty credit risk in the event of a default. On August 31, 2023, Carvana announced the following final results of its previously announced debt exchange offers: reduction in total debt by over \$1.3 billion, extension of maturities, and lowering of near-term cash interest expense by more than \$455 million each year for the next two years. Prior to that announcement, Carvana had asked us to consent to Carvana offering a second-priority lien on much of our collateral in connection with the debt exchange offers described in the August 31, 2023 announcement and other debt exchange offers contemplated in prior Carvana announcements. On September 1, 2023, we consented to this request in the context of our long-standing business relationship with Carvana and on terms that maintain our collateral position. At September 30, 2023, Carvana's gross wholesale floorplan assets outstanding balance was \$117 million.

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Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term and revolving loans and automotive fleet financing. Automotive dealer term and revolving loans are loans that we make to dealers to finance other aspects of the dealership business, including acquisitions. These loans are usually secured by real estate or other dealership assets and are typically personally guaranteed by the individual owners of the dealership. Additionally, these loans generally include cross-collateral and cross-default provisions. Automotive fleet financing credit lines may be obtained by dealers, their affiliates, and other independent companies that are used to purchase vehicles, which they lease or rent to others. The average balances of other commercial automotive loans increased \$1.0 billion for both the three months and nine months ended September 30, 2023, compared to the same periods in 2022, to an average of \$6.0 billion and \$5.9 billion for the three months and nine months ended September 30, 2023, respectively.

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Insurance

Results of Operations

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

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Favorable/(unfavorable) % change	2023	2022	Favorable/(unfavorable) % change
Insurance premiums and other income						
Insurance premiums and service revenue earned	\$ 320	\$ 289	11	\$ 936	\$ 849	10
Interest and dividends on investment securities, cash and cash equivalents, and other earning assets, net (a)	29	24	21	84	61	38
Other (loss) gain on investments, net (b)	(31)	(56)	45	66	(197)	134
Other income	4	3	33	9	12	(25)
Total insurance premiums and other income	322	260	24	1,095	725	51
Expense						
Insurance losses and loss adjustment expenses	107	70	(53)	329	217	(52)
Acquisition and underwriting expense						
Compensation and benefits expense	26	26	—	81	78	(4)
Insurance commissions expense	160	152	(5)	475	452	(5)
Other expenses	45	42	(7)	126	117	(8)
Total acquisition and underwriting expense	231	220	(5)	682	647	(5)
Total expense	338	290	(17)	1,011	864	(17)
(Loss) income from continuing operations before income tax expense	\$ (16)	\$ (30)	47	\$ 84	\$ (139)	160
Total assets	\$ 8,736	\$ 8,533	2	\$ 8,736	\$ 8,533	2
Insurance premiums and service revenue written	\$ 335	\$ 291	15	\$ 941	\$ 818	15
Combined ratio (c)	104.3 %	98.7 %		107.0 %	100.3 %	

- (a) Includes interest expense of \$8 million and \$23 million for the three months and nine months ended September 30, 2023, respectively, and \$7 million and \$30 million for the three months and nine months ended September 30, 2022.
- (b) Includes net unrealized losses on equity securities of \$47 million for the three months ended September 30, 2023, and gains of \$42 million for the nine months ended September 30, 2023, and net unrealized losses on equity securities of \$62 million and \$259 million for the three months and nine months ended September 30, 2022, respectively.
- (c) Management uses a combined ratio as a primary measure of underwriting profitability. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenue earned and other income (excluding interest, dividends, and other investment activity).

Our Insurance operations incurred a loss from continuing operations before income tax expense of \$16 million for the three months ended September 30, 2023, and earned income of \$84 million for the nine months ended September 30, 2023, compared to losses of \$30 million and \$139 million for the three months and nine months ended September 30, 2022, respectively. The increases in income for the three months and nine months ended September 30, 2023, were primarily driven by increases in insurance premiums and service revenue earned and higher net investment gains, which were partially offset by increases in insurance losses and loss adjustment expenses. The three-month period change was affected by a decrease in loss on investments, net; while the nine month period change was impacted by an increase in gain on investments.

Insurance premiums and service revenue earned was \$320 million and \$936 million for the three months and nine months ended September 30, 2023, respectively, compared to \$289 million and \$849 million for the three months and nine months ended September 30, 2022. The increases for the three months and nine months ended September 30, 2023, were primarily driven by higher P&C earned premium from higher dealer inventory levels, growth in other dealer-related protection products, and higher other premium and service revenue written from non-automotive assumed reinsurance business.

Other loss on investments, net was \$31 million for the three months ended September 30, 2023, and other gain on investments, net was \$66 million for the nine months ended September 30, 2023, compared to other loss on investments, net of \$56 million and \$197 million for the same periods in 2022, respectively. The increases for the three months and nine months ended September 30, 2023, were primarily attributable to the performance of equity securities, consistent with broader stock market performance.

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Insurance losses and loss adjustment expenses totaled \$107 million and \$329 million for the three months and nine months ended September 30, 2023, respectively, compared to \$70 million and \$217 million for the same periods in 2022. Loss and loss adjustment expenses for the three months and nine months ended September 30, 2023, increased primarily due to increased losses from our vehicle inventory insurance program attributable to higher weather frequency and severity, growing dealer inventory levels, and higher insured values for non-weather losses. During the three months and nine months ended September 30, 2023, weather-related loss and loss adjustment expenses from our vehicle inventory insurance program was \$22 million and \$87 million, respectively, compared to \$8 million and \$36 million during the same periods in 2022. We utilized our excess of loss reinsurance and ceded weather-related losses on our vehicle inventory insurance program for the first and third quarters of 2023 as losses exceeded the retention limits of \$14 million and \$21 million, respectively. In April 2023, we renewed our annual excess of loss reinsurance agreement and continue to utilize this coverage for our vehicle inventory insurance to manage our risk of weather-related losses under which retention limits vary for each quarter. Additionally, higher GAP losses for the three months and nine months ended September 30, 2023, were primarily driven by higher loss frequency and severity following elevated used vehicle values during 2022 that reduced losses in the prior year. Losses also increased commensurate with portfolio growth from other dealer-related protection products in our P&C business and growth in non-automotive assumed reinsurance business.

Our combined ratio was 104.3% and 107.0% for the three months and nine months ended September 30, 2023, respectively, compared to 98.7% and 100.3% for the three months and nine months ended September 30, 2022. The increases were primarily driven by an increase in insurance losses and loss adjustment expenses during the three months and nine months ended September 30, 2023, partially offset by higher earned premiums.

Premium and Service Revenue Written

The following table summarizes premium and service revenue written by product, net of premiums ceded to reinsurers, and premiums and service revenue assumed from third-parties. VSC and GAP revenue are earned over the life of the service contract on a basis proportionate to the anticipated loss pattern. Refer to Note 3 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for further discussion of this revenue stream.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Finance and insurance products				
Vehicle service contracts	\$ 190	\$ 182	\$ 544	\$ 538
Guaranteed asset protection and other finance and insurance products (a)	62	48	176	126
Total finance and insurance products	252	230	720	664
Property and casualty insurance (b)	74	58	198	148
Other premium and service revenue written (c)	9	3	23	6
Total	\$ 335	\$ 291	\$ 941	\$ 818

(a) Other financial and insurance products include VMCs, ClearGuard, and other ancillary products.

(b) P&C insurance includes vehicle inventory insurance and dealer ancillary products including property and liability coverage underwritten by a third-party carrier earned on a straight line basis.

(c) Primarily includes non-automotive assumed reinsurance and revenue associated with performing services as an underwriting carrier.

Insurance premiums and service revenue written was \$335 million and \$941 million for the three months and nine months ended September 30, 2023, respectively, compared to \$291 million and \$818 million for the same periods in 2022. The increases were primarily due to higher F&I premiums for other ancillary products in the U.S. and higher volume in Canada, partially offset by a continued shift in VSC product mix toward dealer reinsurance structures, where we earn a fee to administer the contract and cede premium and losses from the contract to the dealer's reinsurance company. Additionally, there were increases in written premiums from our P&C business primarily from rising dealer inventory levels and growth in other dealer property and liability products, as well as, growth in other premium and service revenue written from non-automotive assumed reinsurance business.

Cash and Investments

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 guidelines and strategies for these investments. The guidelines established by this committee reflect our risk appetite, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

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The following table summarizes the composition of our Insurance operations cash and investment portfolio at fair value.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Cash and cash equivalents		
Noninterest-bearing cash	\$ 75	\$ 91
Interest-bearing cash	479	401
Total cash and cash equivalents	554	492
Equity securities	710	675
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	467	485
U.S. States and political subdivisions	366	474
Foreign government	159	146
Agency mortgage-backed residential	914	1,026
Mortgage-backed residential	213	235
Corporate debt	1,703	1,719
Total available-for-sale securities (amortized cost of \$4,474 and \$4,636)	3,822	4,085
Total cash, cash equivalents, and securities	\$ 5,086	\$ 5,252

In addition to these cash and investment securities, the Insurance segment has interest-bearing intercompany arrangements with Corporate and Other, callable on demand. The intercompany loan balance due to Insurance was \$547 million and \$417 million at September 30, 2023, and December 31, 2022, respectively. Related interest income of \$2 million and \$7 million was recognized for both the three months and nine months ended September 30, 2023, and 2022.

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Mortgage Finance

Results of Operations

The following table summarizes the activities of our Mortgage Finance operations. The amounts presented are before the elimination of balances and transactions with our reportable segments.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Favorable/(unfavorable) % change	2023	2022	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Total financing revenue and other interest income	\$ 149	\$ 151	(1)	\$ 453	\$ 420	8
Interest expense	96	94	(2)	293	254	(15)
Net financing revenue and other interest income	53	57	(7)	160	166	(4)
Gain on mortgage loans, net	4	7	(43)	13	25	(48)
Total net revenue	57	64	(11)	173	191	(9)
Provision for credit losses	(2)	2	n/m	(3)	2	n/m
Noninterest expense						
Compensation and benefits expense	5	5	—	16	17	6
Other operating expenses	28	38	26	92	136	32
Total noninterest expense	33	43	23	108	153	29
Income from continuing operations before income tax expense	\$ 26	\$ 19	37	\$ 68	\$ 36	89
Total assets	\$ 18,745	\$ 19,862	(6)	\$ 18,745	\$ 19,862	(6)

n/m = not meaningful

Our Mortgage Finance operations earned income from continuing operations before income tax expense of \$26 million and \$68 million for the three months and nine months ended September 30, 2023, respectively, compared to \$19 million and \$36 million for the three months and nine months ended September 30, 2022. The increases for the three months and nine months ended September 30, 2023, were primarily driven by lower noninterest expense, partially offset by lower net gains on the sale of mortgage loans.

Net financing revenue and other interest income was \$53 million and \$160 million for the three months and nine months ended September 30, 2023, respectively, compared to \$57 million and \$166 million for the three months and nine months ended September 30, 2022. The decreases in net financing revenue and other interest income for the three months and nine months ended September 30, 2023, were primarily driven by a higher interest rate environment, which resulted in a decrease in asset balances and an increase in the cost of funds. This was partially offset by lower prepayment activity, which resulted in lower premium amortization. Premium amortization was \$1 million and \$3 million for the three months and nine months ended September 30, 2023, respectively, compared to \$3 million and \$17 million for the three months and nine months ended September 30, 2022. During the three months and nine months ended September 30, 2023, we purchased \$7 million and \$14 million of mortgage loans that were originated by third parties, respectively, compared to \$1.1 billion and \$2.8 billion during the three months and nine months ended September 30, 2022. We originated \$46 million and \$102 million of mortgage loans held-for-investment during the three months and nine months ended September 30, 2023, respectively, compared to \$105 million and \$1.1 billion during the three months and nine months ended September 30, 2022.

Gain on sale of mortgage loans, net, was \$4 million and \$13 million for the three months and nine months ended September 30, 2023, respectively, compared to \$7 million and \$25 million for the three months and nine months ended September 30, 2022. The decreases for the three months and nine months ended September 30, 2023, were attributable to lower volume on direct-to-consumer mortgage originations and the subsequent sale of these loans to BMC. We originated \$221 million and \$629 million of loans held-for-sale during the three months and nine months ended September 30, 2023, respectively, compared to \$415 million and \$2.0 billion during the three months and nine months ended September 30, 2022.

The provision for credit losses decreased \$4 million and \$5 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The decreases in provision for credit losses for the three months and nine months ended September 30, 2023, were primarily driven by a decrease in asset balances. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Total noninterest expense was \$33 million and \$108 million for the three months and nine months ended September 30, 2023, respectively, compared to \$43 million and \$153 million for the same periods in 2022. The decreases for the three months and nine months ended September 30, 2023, were primarily driven by lower operating expenses due to lower origination volumes. These costs are generally scalable with our origination volume as a result of our strategic partnership with BMC.

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The following table presents the total UPB of purchases and originations of consumer mortgages held-for-investment, by FICO® Score at the time of acquisition.

FICO® Score	Volume (\$ in millions)	% Share of volume
Three months ended September 30, 2023		
740 +	\$ 46	88
720–739	2	4
700–719	3	5
680–699	2	3
Total consumer mortgage financing volume	\$ 53	100
Three months ended September 30, 2022		
740 +	\$ 1,010	82
720–739	111	9
700–719	84	7
680–699	27	2
Total consumer mortgage financing volume	\$ 1,232	100
Nine months ended September 30, 2023		
740 +	\$ 101	87
720–739	7	6
700–719	4	4
680–699	4	3
Total consumer mortgage financing volume	\$ 116	100
Nine months ended September 30, 2022		
740 +	\$ 3,179	83
720–739	387	10
700–719	232	6
680–699	49	1
660–679	2	—
Total consumer mortgage financing volume	\$ 3,849	100

During both the three months and nine months ended September 30, 2023, we purchased and originated fewer consumer mortgage held-for-investment loans, as compared to the same periods in 2022. The decreases were primarily driven by the elevated interest rate environment. When interest rates rise, the likelihood of refinancing decreases and origination volumes tend to decrease.

The following table presents the net UPB, net UPB as a percentage of total, WAC, premium net of discounts, LTV, and FICO® Scores for the products in our Mortgage Finance held-for-investment loan portfolio.

Product	Net UPB (a) (\$ in millions)	% of total net UPB	WAC	Net premium (discount) (\$ in millions)	Average refreshed LTV (b)	Average refreshed FICO® (c)
September 30, 2023						
Adjustable-rate	\$ 398	2	3.51 %	\$ 2	53.09 %	775
Fixed-rate	18,263	98	3.19	(6)	53.11	782
Total	\$ 18,661	100	3.19	\$ (4)	53.11	782
December 31, 2022						
Adjustable-rate	\$ 408	2	3.18 %	\$ 2	52.64 %	771
Fixed-rate	19,039	98	3.18	(4)	54.69	782
Total	\$ 19,447	100	3.18	\$ (2)	54.65	781

(a) Represents UPB, net of charge-offs.

(b) Updated home values were derived using a combination of appraisals, broker price opinions, automated valuation models, and metropolitan statistical area level house price indices.

(c) Updated to reflect changes in credit score since loan origination.

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Corporate Finance

Results of Operations

The following table summarizes the activities of our Corporate Finance operations. The amounts presented are before the elimination of balances and transactions with our reportable segments.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Favorable/(unfavorable) % change	2023	2022	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Interest and fees on finance receivables and loans	\$ 246	\$ 141	74	\$ 704	\$ 336	110
Interest on loans held-for-sale	2	7	(71)	12	11	9
Interest expense	151	68	(122)	424	107	n/m
Net financing revenue and other interest income	97	80	21	292	240	22
Total other revenue	24	54	(56)	81	97	(16)
Total net revenue	121	134	(10)	373	337	11
Provision for credit losses	5	13	62	35	27	(30)
Noninterest expense						
Compensation and benefits expense	16	17	6	61	55	(11)
Other operating expenses	16	13	(23)	49	40	(23)
Total noninterest expense	32	30	(7)	110	95	(16)
Income from continuing operations before income tax expense	\$ 84	\$ 91	(8)	\$ 228	\$ 215	6
Total assets	\$ 10,749	\$ 9,840	9	\$ 10,749	\$ 9,840	9

n/m = not meaningful

Our Corporate Finance operations earned income from continuing operations before income tax expense of \$84 million and \$228 million for the three months and nine months ended September 30, 2023, respectively, compared to income earned of \$91 million and \$215 million for the three months and nine months ended September 30, 2022. The decrease for the three months ended September 30, 2023, was primarily driven by lower total other revenue, partially offset by an increase in net financing revenue and other interest income, as compared to the three months ended September 30, 2022. The increase for the nine months ended September 30, 2023, was primarily due to higher net financing revenue and other interest income, partially offset by lower total other revenue and higher noninterest expense, as compared to the nine months ended September 30, 2022.

Net financing revenue and other interest income was \$97 million and \$292 million for the three months and nine months ended September 30, 2023, respectively, compared to \$80 million and \$240 million for the three months and nine months ended September 30, 2022. The increases for the three months and nine months ended September 30, 2023, were primarily due to higher average assets from continued growth in the portfolio, as well as higher interest income resulting from higher rates and all loans in the portfolio being variable rate. This was partially offset by an increase in interest expense as benchmark interest rates continued to rise.

Other revenue decreased \$30 million and \$16 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The decreases were primarily due to lower net investment gains, driven by a gain from the sale of a previously restructured exposure recognized during the three months and nine months ended September 30, 2022. The decreases were partially offset by higher syndication and fee income for the three months and nine months ended September 30, 2023, as compared to the same periods in 2022.

The provision for credit losses decreased \$8 million for the three months ended September 30, 2023, primarily driven by lower specific reserve activity, compared to the three months ended September 30, 2022. The provision for credit losses increased \$8 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. The increase was driven by reserve reductions in the nine months ended September 30, 2022, related to qualitative reserves established at the onset of the COVID-19 pandemic, partially offset by lower specific reserve activity during the nine months ended September 30, 2023, and lower portfolio loan growth as compared to the same period in 2022. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Total noninterest expense increased \$2 million and \$15 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The increases were primarily due to higher direct and allocated expenses related to the growth of the business.

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Credit Portfolio

The following table presents loans held-for-sale, the amortized cost of finance receivables and loans outstanding, unfunded commitments to lend, and total serviced loans of our Corporate Finance operations. As of September 30, 2023, 61.2% of our loans and lending commitments were asset-based, with 99.9% in a first-lien position.

<i>(\$ in millions)</i>	September 30,		December 31, 2022
	2023		
Loans held-for-sale, net	\$	81	\$ 445
Finance receivables and loans (a)	\$	10,637	\$ 10,147
Unfunded lending commitments (b)	\$	8,436	\$ 6,390
Total serviced loans	\$	15,007	\$ 14,823

- (a) Includes \$9.2 billion and \$9.0 billion of commercial and industrial loans at September 30, 2023, and December 31, 2022, respectively, and \$1.4 billion and \$1.1 billion of commercial real estate loans at September 30, 2023, and December 31, 2022. Our commercial real estate loans are currently focused on lending to skilled nursing facilities, senior housing, and medical office buildings.
- (b) Includes unused revolving credit line commitments for loans held-for-sale and finance receivables and loans, signed commitment letters, and standby letter of credit facilities, which are issued on behalf of clients and may contingently require us to make payments to a third-party beneficiary in the event of a draw by the beneficiary thereunder. As many of these commitments are subject to borrowing base agreements and other restrictive covenants or may expire without being fully drawn, the stated amounts of these unfunded commitments are not necessarily indicative of future cash requirements.

The following table presents the percentage of total finance receivables and loans of our Corporate Finance operations by industry concentration. The finance receivables and loans are reported at amortized cost.

Industry	September 30, 2023	December 31, 2022
Financial services	42.7 %	40.9 %
Services	15.0	13.4
Health services	13.8	14.5
Machinery, equipment, and electronics	7.4	7.3
Automotive and transportation	7.2	8.7
Chemicals and metals	6.5	7.0
Wholesale	2.3	2.6
Other manufactured products	1.5	2.1
Retail trade	1.4	1.7
Other	2.2	1.8
Total finance receivables and loans	100.0 %	100.0 %

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Corporate and Other

The following table summarizes the activities of Corporate and Other, which primarily consist 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 FTP and treasury ALM activities. Corporate and Other also includes certain equity investments, which primarily consist of FHLB and FRB stock as well as other strategic investments through Ally Ventures, the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, the activity related to Ally Invest, Ally Lending, Ally Credit Card, CRA loans and investments, and reclassifications and eliminations between the reportable operating segments. Additionally, Corporate and Other includes costs that are not allocated to our reportable operating segments as part of our COH methodology, which involves management judgment. Refer to Note 22 to the Condensed Consolidated Financial Statements for more information.

(\$ in millions)	Three months ended September 30,			Nine months ended September 30,		
	2023	2022	Favorable/(unfavorable) % change	2023	2022	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Interest and fees on finance receivables and loans (a)	\$ 328	\$ 177	85	\$ 999	\$ 330	n/m
Interest on loans held-for-sale	3	2	50	10	5	100
Interest and dividends on investment securities and other earning assets (b)	235	190	24	660	526	25
Interest on cash and cash equivalents	96	15	n/m	234	22	n/m
Total financing revenue and other interest income	662	384	72	1,903	883	116
Interest expense						
Original issue discount amortization (c)	15	13	(15)	45	39	(15)
Other interest expense (d)	653	116	n/m	1,717	34	n/m
Total interest expense	668	129	n/m	1,762	73	n/m
Net financing revenue and other interest income	(6)	255	(102)	141	810	(83)
Other revenue						
Other (loss) gain on investments, net	(11)	2	n/m	(8)	22	(136)
Other income, net of losses	46	(76)	161	103	29	n/m
Total other revenue	35	(74)	147	95	51	86
Total net revenue	29	181	(84)	236	861	(73)
Provision for credit losses	61	95	36	223	220	(1)
Total noninterest expense (e)	211	237	11	694	669	(4)
Loss from continuing operations before income tax expense	\$ (243)	\$ (151)	(61)	\$ (681)	\$ (28)	n/m
Total assets	\$ 42,732	\$ 41,291	3	\$ 42,732	\$ 41,291	3

n/m = not meaningful

- (a) Includes impacts associated with hedging activities within our automotive loan portfolio, consumer other lending activity, and financing revenue from our legacy mortgage portfolio.
- (b) Includes impacts associated with hedging activities of our available-for-sale securities.
- (c) Amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.
- (d) Includes the residual impacts of our FTP methodology and impacts of hedging activities of certain debt obligations.
- (e) Includes reductions of \$348 million and \$1.0 billion for the three months and nine months ended September 30, 2023, respectively, and \$321 million and \$938 million for the three months and nine months ended September 30, 2022, related to the allocation of COH expenses to other segments. The receiving segments record their allocation of COH expense within other operating expense.

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The following table presents the scheduled remaining amortization of the original issue discount at September 30, 2023.

Year ended December 31, (\$ in millions)	2023	2024	2025	2026	2027	2028 and thereafter (a)	Total
Original issue discount							
Outstanding balance at year end	\$ 831	\$ 763	\$ 689	\$ 607	\$ 513	\$ —	
Total amortization (b)	16	68	74	82	94	513	\$ 847

(a) The maximum annual scheduled amortization for any individual year is \$143 million in 2030.

(b) The amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.

Corporate and Other incurred a loss from continuing operations before income tax expense of \$243 million and \$681 million for the three months and nine months ended September 30, 2023, respectively, compared to a loss of \$151 million and \$28 million for the three months and nine months ended September 30, 2022. The decreases in income for the three months and nine months ended September 30, 2023, were primarily driven by an increase in interest expense due to a higher interest rate environment, partially offset by an increase in total financing revenue and other interest income and total other revenue.

Total financing revenue and other interest income was \$662 million and \$1.9 billion for the three months and nine months ended September 30, 2023, respectively, compared to \$384 million and \$883 million for the three months and nine months ended September 30, 2022. The increases were primarily driven by the impacts of a higher interest rate environment on the investment securities portfolio and hedging activities, in addition to higher interest associated with cash and cash equivalents and growth within unsecured lending.

Total interest expense increased \$539 million and \$1.7 billion for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The increases were primarily driven by a higher interest rate environment, resulting in higher funding costs.

Total other revenue increased \$109 million and \$44 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The increases for the three months and nine months ended September 30, 2023, were primarily driven by net downward adjustments (including impairment) related to equity investments without a readily determinable fair value during the three months and nine months ended September 30, 2022, respectively, that did not reoccur during the current periods.

The provision for credit losses decreased \$34 million for the three months ended September 30, 2023, and increased \$3 million for the nine months ended September 30, 2023, compared to the three months and nine months ended September 30, 2022, respectively. For the three months ended September 30, 2023, the decrease in provision for credit losses was primarily driven by lower portfolio growth within Ally Credit Card and Ally Lending, as compared to the three months ended September 30, 2022. This decrease was partially offset by higher net charge-offs in Ally Lending and Ally Credit Card. For the nine months ended September 30, 2023, the increase in provision for credit losses was primarily driven by higher net charge-offs within Ally Credit Card and Ally Lending, partially offset by lower portfolio growth in Ally Credit Card and Ally Lending as compared to the nine months ended September 30, 2022. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Noninterest expense decreased \$26 million for the three months ended September 30, 2023, and increased \$25 million for the nine months ended September 30, 2023, as compared to the three months and nine months ended September 30, 2022, respectively. For the three months ended September 30, 2023, the decrease was primarily driven by lower marketing expenses and other operating expenses, partially offset by restructuring charges associated with a workforce reduction of \$30 million. For the nine months ended September 30, 2023, the increase was primarily driven by increased compensation and benefits expense inclusive of the aforementioned restructuring charges associated with a workforce reduction as well as other operating expenses.

Total assets were \$42.7 billion as of September 30, 2023, compared to \$41.3 billion as of September 30, 2022. This increase was primarily driven by an increase in our cash and cash equivalents balance within our investment portfolios, along with growth in consumer loans associated with Ally Lending and Ally Credit Card. Additionally, as of September 30, 2023, the amortized cost of the legacy mortgage portfolio was \$238 million, compared to \$306 million at September 30, 2022, which partially offset the increase.

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Cash and Securities

The following table summarizes the composition of the cash and securities portfolio at fair value for Corporate and Other.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Cash and cash equivalents		
Noninterest-bearing cash	\$ 528	\$ 451
Interest-bearing cash	7,433	4,628
Total cash and cash equivalents	7,961	5,079
Equity securities (a)	9	—
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	1,524	1,531
U.S. States and political subdivisions	246	286
Agency mortgage-backed residential	13,722	15,607
Mortgage-backed residential	3,660	4,064
Agency mortgage-backed commercial	3,466	3,535
Asset-backed	354	433
Total available-for-sale securities (amortized cost of \$28,791 and \$30,227)	22,972	25,456
Held-to-maturity securities		
Debt securities		
Agency mortgage-backed residential	779	884
Total held-to-maturity securities (amortized cost of \$1,013 and \$1,062)	779	884
Total cash, cash equivalents, and securities	\$ 31,721	\$ 31,419

(a) Includes a \$9 million investment in BHF as of September 30, 2023, which was recorded as a nonmarketable equity investment as of December 31, 2022 on the Condensed Consolidated Balance Sheet.

Other Investments

The following table summarizes other investments at carrying value for Corporate and Other. Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for further information on these investments.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Other assets		
Investment in qualified affordable housing projects	\$ 1,630	\$ 1,596
Nonmarketable equity investments (a)	799	794
Equity-method investments (b)	592	563
Total other investments	\$ 3,021	\$ 2,953

(a) Includes a \$19 million investment in BMC Holdco as of December 31, 2022, which was transferred to equity securities on the Condensed Consolidated Balance Sheet as of September 30, 2023.
(b) Primarily comprises 59 and 55 investments made in connection with our CRA program at September 30, 2023, and December 31, 2022, respectively. The carrying value of these investments was \$584 million and \$557 million at September 30, 2023, and December 31, 2022, respectively.

Nonmarketable equity investments and equity-method investments include strategic investments made through Ally Ventures. Ally Ventures identifies, invests in, and builds relationships with key startups. At September 30, 2023, the carrying value of investments made through Ally Ventures was \$49 million, comprising 18 investments, as compared to \$81 million comprising 18 investments at December 31, 2022. Refer to Note 10 to the Condensed Consolidated Financial Statements for additional information.

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Ally Invest

Ally Invest is our digital brokerage and personal advice offering, which enables us to complement our competitive deposit products with low-cost and commission-free investing. The following table presents trading days and average customer trades per day, the number of funded accounts, total net customer assets, and total customer cash balances as of the end of each of the last five quarters.

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Trading days (a)	62.5	62.0	62.0	62.5	64.0
Average customer trades per day, (in thousands)	24.9	26.2	29.1	27.1	29.1
Funded accounts (b) (in thousands)	524	521	523	518	521
Total net customer assets (b) (\$ in millions)	\$ 13,981	\$ 14,945	\$ 14,060	\$ 12,834	\$ 13,095
Total customer cash balances (b) (\$ in millions)	\$ 1,363	\$ 1,578	\$ 1,622	\$ 1,757	\$ 1,917

(a) Represents the number of days the New York Stock Exchange and other U.S. stock exchange markets are open for trading. A half day represents a day when the U.S. markets close early.

(b) Represents activity across the brokerage, robo, and personal advice portfolios.

During the three months ended September 30, 2023, total funded accounts increased 1% from both the prior quarter and the third quarter of 2022. Average customer trades per day decreased 5% from the prior quarter and decreased 14% from the third quarter of 2022, driven by continued lower customer engagement. Additionally, net customer assets decreased 6% from the prior quarter and increased 7% from the third quarter of 2022, consistent with changes in equity market valuations.

Ally Lending

Ally Lending is our unsecured personal lending offering, which primarily serves home improvement and medical service providers by enabling promotional and fixed rate installment-loan products through a digital application process at point-of-sale. Active merchants totaled approximately 2,900 as of September 30, 2023. Active borrowers totaled approximately 500,000 as of September 30, 2023, reflecting an increase of 11% compared to September 30, 2022.

The following table presents personal lending originations by average FICO® Score.

(\$ in millions)	Three months ended September 30, 2023		Three months ended September 30, 2022		Nine months ended September 30, 2023		Nine months ended September 30, 2022	
	Volume	Average FICO®	Volume (a)	Average FICO®	Volume	Average FICO®	Volume (a)	Average FICO®
Total personal lending originations	\$ 382	757	\$ 599	735	\$ 1,258	753	\$ 1,632	734

(a) Includes loans for which we have elected the fair value option measurement during the three months and nine months ended September 30, 2022.

During the three months and nine months ended September 30, 2023, respectively, personal lending originations decreased \$217 million and \$374 million to \$382 million and \$1.3 billion, as compared to the three months and nine months ended September 30, 2022.

The carrying value of our personal lending portfolio was \$2.2 billion at September 30, 2023, compared to \$1.8 billion at September 30, 2022, while the associated yield was 9.9% and 10.0% for the three months and nine months ended September 30, 2023, respectively, as compared to 11.0% and 11.8% for the three months and nine months ended September 30, 2022. The decreases in associated yield for the three months and nine months ended September 30, 2023, as compared to the same periods in 2022, were due to increased originations in the home improvement vertical, as well as a shift in origination mix to customers with higher average FICO® scores.

The following table presents the percentage of total finance receivables and loans of Ally Lending by vertical. The finance receivables and loans are reported at amortized cost.

	September 30, 2023	December 31, 2022
Vertical		
Home improvement	72.0 %	61.9 %
Medical	27.8	37.9
Other	0.2	0.2
Total finance receivables and loans (a)	100.0 %	100.0 %

(a) Includes loans for which we have elected the fair value option measurement.

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Ally Credit Card

Ally Credit Card is our scalable, digital-first credit card platform that features leading-edge technology, and a proprietary, analytics-based underwriting model. The following table presents total active cardholders and finance receivables and loans.

	September 30, 2023	December 31, 2022
Total active cardholders (<i>in thousands</i>)	1,199	1,042
Finance receivables and loans (<i>\$ in millions</i>)	\$ 1,872	\$ 1,599

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Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses, and all employees are responsible for managing risk. We use multiple layers of defense to identify, monitor, and manage current and emerging risks.

- **Business lines** — Responsible for owning and managing all the risks that emanate from their risk-taking activities, including business units and support functions.
- **Independent risk management** — Operates independent of the business lines and is responsible for establishing and maintaining our risk-management framework and promulgating it enterprise-wide. Independent risk management also provides an objective, critical assessment of risks and—through oversight, effective challenge, and other means—evaluates whether Ally remains aligned with its risk appetite.
- **Internal audit** — Provides its own independent assessments regarding the quality of our loan portfolios as well as the effectiveness of our risk management, internal controls, and governance. Internal audit includes Audit Services and the Loan Review Group.

Our risk-management framework is overseen by the RC. The RC sets the risk appetite across our company while risk-oriented management committees, the executive leadership team, and our associates identify and monitor current and emerging risks and manage those risks within our risk appetite. Our primary types of risks include credit risk, insurance/underwriting risk, liquidity risk, market risk, business/strategic risk, reputation risk, operational risk, information technology/cybersecurity risk, compliance risk, and conduct risk. For more information on our risk management process, refer to the *Risk Management* MD&A section of our 2022 Annual Report on Form 10-K.

In addition to the primary risks that we manage, climate-related risk has been identified as an emerging risk. Climate-related risk refers to the risk of loss or change in business activities arising from climate change and represents a transverse risk that could impact other risks within Ally's risk-management framework, such as credit risk from negatively impacted borrowers, reputation risk from increased stakeholder concerns, and operational risk from physical climate risks. Refer to section titled *Climate-Related Risk* within this section for more information.

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Loan and Operating Lease Exposure

The following table summarizes the exposures from our loan and operating-lease activities based on our reportable operating segments.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Finance receivables and loans		
Automotive Finance (a)	\$ 106,427	\$ 102,070
Mortgage Finance	18,657	19,445
Corporate Finance	10,637	10,147
Corporate and Other (b)	4,539	4,086
Total finance receivables and loans	140,260	135,748
Loans held-for-sale		
Automotive Finance	21	6
Mortgage Finance (c)	29	13
Corporate Finance	81	445
Corporate and Other	158	190
Total loans held-for-sale	289	654
Total on-balance-sheet loans	140,549	136,402
Whole-loan sales		
Automotive Finance	835	227
Corporate and Other	131	103
Total off-balance-sheet loans (d)	966	330
Operating lease assets		
Automotive Finance	9,569	10,444
Total operating lease assets	9,569	10,444
Total loan and operating lease exposure	\$ 151,084	\$ 147,176

- (a) Includes a liability of \$358 million and \$617 million associated with fair value hedging adjustments at September 30, 2023, and December 31, 2022, respectively. Refer to Note 18 to the Condensed Consolidated Financial Statements for additional information.
- (b) Includes \$238 million and \$290 million of consumer mortgage loans in our legacy mortgage portfolio at September 30, 2023, and December 31, 2022, respectively.
- (c) Represents the current balance of conforming mortgages originated directly to the held-for-sale portfolio.
- (d) Represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions.

The risks inherent in our loan and operating lease exposures are largely driven by changes in the overall economy (including GDP trends and inflationary pressures), used vehicle and housing prices, unemployment levels, real personal income, household savings, and their impact on our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain most of our consumer automotive and credit card loans as they complement our core business model, but we do sell loans from time to time on an opportunistic basis. We ultimately manage the associated risks based on the underlying economics of the exposure. Our operating lease residual risk may be more volatile than credit risk in stressed macroeconomic scenarios. While all operating 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.

Credit Risk

Credit risk is defined as the risk of loss arising from an obligor not meeting its contractual obligations to us. Credit risk includes consumer credit risk, commercial credit risk, and counterparty credit risk.

Credit risk is a major source of potential economic loss to us. Credit risk is monitored by the executive leadership team and our associates, and is regularly reported to and reviewed with the RC. Management oversees credit decisioning, account servicing activities, and credit-risk-management processes, and manages credit risk exposures within our risk appetite. In addition, our Loan Review Group provides an independent assessment of the quality of our credit portfolios and credit-risk-management practices and reports its findings to the RC on a regular basis.

To mitigate risk, we have implemented specific policies and practices across business lines, utilizing both qualitative and quantitative analyses. This reflects our commitment to maintaining an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and operating lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, microsegments of the portfolios that are potential problem areas, loans and operating leases with potential credit weaknesses, and the assessment of the adequacy of internal credit risk policies.

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and procedures. Our consumer and commercial loan and operating lease portfolios are subject to periodic stress tests, which include economic scenarios whose severity mirrors those developed and distributed by the FRB to assess how the portfolios may perform in a severe economic downturn. In addition, we establish and maintain underwriting policies and limits across our portfolios and higher risk segments (for example, nonprime) based on our risk appetite.

Another important aspect to managing credit risk involves the need to carefully monitor and manage the performance and pricing of our loan products with the aim of generating appropriate risk-adjusted returns. When considering pricing, various granular risk-based factors are considered such as expected loss rates, loss volatility, anticipated operating costs, and targeted returns on equity. We carefully monitor credit losses and trends in credit losses relative to expected credit losses at contract inception. We closely monitor our loan performance and profitability in light of forecasted economic conditions and manage credit risk and expectations of losses in the portfolio.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market and economic conditions. We monitor the credit risk profile of individual borrowers, various segmentations (for example, geographic region, product type, industry segment), as well as the aggregate portfolio. We perform quarterly analyses of the consumer automotive, consumer mortgage, consumer other, and commercial portfolios to assess the adequacy of the allowance for loan losses based on historical, current, and anticipated trends. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information.

Additionally, we utilize numerous collection strategies to mitigate loss and provide ongoing support to customers in financial distress. We have enhanced our collection strategies to include customized messaging, digital communication, and proactive monitoring of vendor performance. We may offer several types of assistance to aid our customers based on their willingness and ability to repay their loan. As part of certain programs, we offer loan modifications to qualified borrowers, including payment extensions, interest rate concessions, and principal forgiveness.

Furthermore, we manage our credit exposure to financial counterparties based on the risk profile of the counterparty. Within our policies we have established standards and requirements for managing counterparty risk exposures in a safe and sound manner. Counterparty credit risk is derived from multiple exposure types including derivatives, securities trading, securities financing transactions, lending arrangements, and certain cash balances. For more information on derivative counterparty credit risk, refer to Note 18 to the Condensed Consolidated Financial Statements.

We employ an internal team of economists to enhance our planning and forecasting capabilities. This team conducts industry and market research, monitors economic risks, and helps support various forms of scenario planning. This group closely monitors macroeconomic trends given the nature of our business and the potential impacts on our exposure to credit risk. The unemployment rate remained low at 3.8% as of September 30, 2023. Sales of new light vehicles remained at an average annual rate of 15.6 million during the third quarter of 2023. Sales of new light motor vehicles remain below the pre-pandemic annual pace of 17.0 million in 2019, driving an increase in used vehicle values, as further described in the section below titled *Operating Lease Vehicle Terminations and Remarketing*. Additionally, used vehicle values may also be impacted by availability, the price of new vehicles, or changes in customer preferences. However, macroeconomic risks remain elevated.

Consumer Credit Portfolio

During the three months and nine months ended September 30, 2023, the credit performance of the consumer loan portfolio reflected our underwriting strategy to originate a diversified portfolio of consumer automotive loan assets, including new, used, prime and nonprime finance receivables and loans, high-quality jumbo and LMI mortgage loans that are obtained through bulk loan purchases and direct-to-consumer mortgage originations, as well as point-of-sale personal lending through Ally Lending. We also offer revolving, unsecured loans through Ally Credit Card. The carrying value of our nonprime held-for-investment consumer automotive loans before allowance for loan losses represented approximately 10.3% and 10.6% of our total consumer automotive loans at September 30, 2023, and December 31, 2022, respectively. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

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The following table includes consumer finance receivables and loans recorded at amortized cost.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Consumer automotive (c) (d)	\$ 85,370	\$ 83,286	\$ 1,110	\$ 1,187	\$ —	\$ —
Consumer mortgage						
Mortgage Finance	18,657	19,445	33	34	—	—
Mortgage — Legacy	238	290	13	15	—	—
Total consumer mortgage	18,895	19,735	46	49	—	—
Consumer other						
Personal Lending (e)	2,206	1,987	14	13	—	—
Credit Card	1,872	1,599	72	43	—	—
Total consumer other	4,078	3,586	86	56	—	—
Total consumer finance receivables and loans	\$ 108,343	\$ 106,607	\$ 1,242	\$ 1,292	\$ —	\$ —

- (a) Includes nonaccrual TDR loans of \$684 million at December 31, 2022. Refer to Note 1 to the Condensed Consolidated Financial Statements for information of the elimination of TDR recognition in conjunction with the adoption of ASU 2022-02.
- (b) Loans are generally in nonaccrual status when principal or interest has been delinquent for 90 days or more, or when full collection is not expected. Refer to Note 1 for additional information on our accounting policy for finance receivables and loans on nonaccrual status.
- (c) Certain finance receivables and loans are included in fair value hedging relationships. Refer to Note 18 to the Condensed Consolidated Financial Statements for additional information.
- (d) Includes outstanding CSG loans of \$10.3 billion and \$10.0 billion at September 30, 2023, and December 31, 2022, respectively, and RV loans of \$486 million and \$578 million at September 30, 2023, and December 31, 2022.
- (e) Excludes finance receivables of \$3 million at December 31, 2022, for which we have elected the fair value option.

Total consumer finance receivables and loans increased \$1.7 billion at September 30, 2023, compared with December 31, 2022. The increase consists of \$2.1 billion of consumer automotive finance receivables and loans and \$492 million of consumer other finance receivables and loans, primarily due to loan originations outpacing portfolio runoff. These increases were partially offset by a decrease of \$840 million of consumer mortgage finance receivables and loans, which resulted from portfolio runoff outpacing originations and purchases. When interest rates rise, the likelihood of refinancing decreases and origination volumes tend to decrease.

Total consumer nonperforming finance receivables and loans at September 30, 2023, decreased \$50 million to \$1.2 billion from December 31, 2022. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.1% and 1.2% at September 30, 2023, and December 31, 2022, respectively.

Consumer automotive loans accruing and past due 30 days or more increased \$328 million at September 30, 2023, compared with December 31, 2022, as delinquencies have increased amid deterioration in macroeconomic conditions, driven by persistent inflation. During the nine months ended September 30, 2023, we observed a slowing rate of increase in delinquency trends within our consumer automotive loan portfolio, as compared to the nine months ended September 30, 2022.

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The following table includes consumer net charge-offs from finance receivables and loans at amortized cost and related ratios.

(\$ in millions)	Three months ended September 30,				Nine months ended September 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2023	2022	2023	2022	2023	2022	2023	2022
Consumer automotive	\$ 393	\$ 217	1.8 %	1.1 %	\$ 1,021	\$ 438	1.6 %	0.7 %
Consumer mortgage								
Mortgage Finance	—	1	—	—	—	—	—	—
Mortgage — Legacy	(2)	(2)	(3.0)	(3.1)	(4)	(7)	(2.1)	(2.9)
Total consumer mortgage	(2)	(1)	—	—	(4)	(7)	—	(0.1)
Consumer other								
Personal Lending	29	16	5.3	3.9	86	44	5.4	4.3
Credit Card	39	13	8.4	4.0	104	32	8.0	3.7
Total consumer other	68	29	6.7	4.0	190	76	6.6	4.0
Total consumer finance receivables and loans	\$ 459	\$ 245	1.7	0.9	\$ 1,207	\$ 507	1.5	0.7

(a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

Our net charge-offs from total consumer finance receivables and loans were \$459 million and \$1.2 billion for the three months and nine months ended September 30, 2023, respectively, compared to net charge-offs of \$245 million and \$507 million for the three months and nine months ended September 30, 2022. Net charge-offs for our consumer automotive portfolio increased by \$176 million and \$583 million for the three months and nine months ended September 30, 2023, respectively, compared to the same periods in 2022, as delinquencies have increased amid deterioration in macroeconomic conditions, driven by persistent inflation. During the nine months ended September 30, 2023, we observed a slowing rate of increase in delinquency trends within our consumer automotive loan portfolio, as compared to the nine months ended September 30, 2022.

The following table summarizes total consumer loan originations for the periods shown. Total consumer loan originations include loans classified as finance receivables and loans held-for-sale during the period.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Consumer automotive (a)	\$ 10,076	\$ 11,323	\$ 28,862	\$ 34,264
Consumer mortgage (b)	267	521	731	3,086
Consumer other (c) (d)	382	599	1,258	1,632
Total consumer loan originations	\$ 10,725	\$ 12,443	\$ 30,851	\$ 38,982

(a) Includes loans purchased under forward flow agreements with automotive retailers, as well as \$224 million and \$694 million of loans originated as held-for-sale for the three months and nine months ended September 30, 2023, respectively, and \$63 million for both the three months and nine months ended September 30, 2022.

(b) Excludes bulk loan purchases associated with our Mortgage Finance operations, and includes \$221 million and \$629 million of loans originated as held-for-sale for the three months and nine months ended September 30, 2023, respectively, and \$415 million and \$2.0 billion for the three months and nine months ended September 30, 2022.

(c) Includes loans related to our Ally Lending business for which we have elected the fair value option measurement during the three months and nine months ended September 30, 2022.

(d) Excludes credit card loans which are revolving in nature.

Total consumer loan originations decreased \$1.7 billion and \$8.1 billion for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The decreases were primarily due to decreased loan originations within the consumer automotive portfolio, as a result of our dynamic underwriting strategies, including strategic pricing and curtailment actions to optimize our risk appetite and returns. The decreases were also impacted by decreased loan originations within the consumer mortgage portfolio, due to a higher interest rate environment.

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The following table shows the percentage of consumer finance receivables and loans by state concentration based on amortized cost.

	September 30, 2023 (a)			December 31, 2022		
	Consumer automotive	Consumer mortgage	Consumer other	Consumer automotive	Consumer mortgage	Consumer other (b)
California	8.6 %	39.1 %	7.4 %	8.7 %	38.8 %	8.4 %
Texas	13.7	7.3	7.6	13.6	7.3	7.7
Florida	9.5	6.5	7.8	9.5	6.6	7.8
Pennsylvania	4.5	2.1	4.4	4.5	2.1	4.6
Georgia	4.1	2.9	3.4	4.1	2.9	3.5
North Carolina	4.3	1.9	4.9	4.1	1.9	4.6
New York	3.6	1.9	4.4	3.6	1.9	4.8
Illinois	3.3	2.8	4.2	3.5	2.8	4.3
New Jersey	3.2	2.4	3.6	3.2	2.4	3.6
Ohio	3.4	0.4	3.6	3.4	0.4	3.6
Other United States	41.8	32.7	48.7	41.8	32.9	47.1
Total consumer loans	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at September 30, 2023.

(b) Excludes \$3 million of finance receivables at December 31, 2022, for which we have elected the fair value option.

We monitor our consumer loan portfolio for concentration risk across the states in which we lend. The highest concentrations of consumer loans are in California and Texas, which represented an aggregate of 26.1% and 26.5% of our total outstanding consumer finance receivables and loans at September 30, 2023, and December 31, 2022, respectively. Our consumer mortgage loan portfolio concentration within California, which is primarily composed of high-quality jumbo mortgage loans, generally aligns to the California share of jumbo mortgages nationally.

Repossessed and Foreclosed Assets

We classify a repossessed or foreclosed asset as held-for-sale, which is included in other assets on our Condensed Consolidated Balance Sheet, when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

Repossessed automotive loan assets in our Automotive Finance operations were \$207 million and \$183 million at September 30, 2023, and December 31, 2022, respectively, and foreclosed mortgage assets were \$1 million and \$2 million at September 30, 2023, and December 31, 2022.

Commercial Credit Portfolio

During the three months and nine months ended September 30, 2023, the credit performance of the commercial portfolio remained strong. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

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The following table includes total commercial finance receivables and loans reported at amortized cost.

(\$ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Commercial						
Commercial and industrial						
Automotive	\$ 16,605	\$ 14,595	\$ 96	\$ 5	\$ —	\$ —
Other (c)	9,376	9,154	159	157	—	—
Commercial real estate	5,936	5,389	3	—	—	—
Total commercial finance receivables and loans	\$ 31,917	\$ 29,138	\$ 258	\$ 162	\$ —	\$ —

- (a) Includes nonaccrual TDR loans of \$157 million at December 31, 2022. Refer to Note 1 to the Condensed Consolidated Financial Statements for information of the elimination of TDR recognition in conjunction with the adoption of ASU 2022-02.
- (b) Loans are generally in nonaccrual status when principal or interest has been delinquent for 90 days or more, or when full collection is not expected. Refer to Note 1 for additional information on our accounting policy for finance receivables and loans on nonaccrual status.
- (c) Other commercial and industrial primarily includes senior secured commercial lending largely associated with our Corporate Finance operations.

Total commercial finance receivables and loans outstanding increased \$2.8 billion from December 31, 2022, to \$31.9 billion at September 30, 2023. Results were driven by a \$2.3 billion increase in our Automotive Finance segment, primarily within the commercial and industrial receivables class.

Total commercial nonperforming finance receivables and loans were \$258 million at September 30, 2023, reflecting an increase of \$96 million compared to December 31, 2022. Nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans was 0.8% and 0.6% at September 30, 2023, and December 31, 2022, respectively.

The following table includes total commercial net charge-offs from finance receivables and loans at amortized cost and related ratios.

(\$ in millions)	Three months ended September 30,				Nine months ended September 30,			
	Net charge-offs (recoveries)		Net charge-off ratios (a)		Net charge-offs (recoveries)		Net charge-off ratios (a)	
	2023	2022	2023	2022	2023	2022	2023	2022
Commercial								
Commercial and industrial								
Automotive	\$ —	\$ —	—%	—%	\$ 4	\$ (1)	—%	—%
Other	(3)	31	(0.1)	1.6	53	57	0.8	1.0
Commercial real estate	—	—	—	—	—	(1)	—	—
Total commercial finance receivables and loans	\$ (3)	\$ 31	—	0.5	\$ 57	\$ 55	0.3	0.3

- (a) Net charge-off ratios are calculated as net charge-offs divided by average outstanding finance receivables and loans excluding loans measured at fair value and loans held-for-sale during the period for each loan category.

We had net recoveries of \$3 million and net charge-offs of \$57 million from total commercial finance receivables and loans for the three months and nine months ended September 30, 2023, respectively, compared to net charge-offs of \$31 million and \$55 million for the three months and nine months ended September 30, 2022. The decrease for the three months ended September 30, 2023, was primarily driven by a partial charge-off of one exposure in our Corporate Finance operations during the three months ended September 30, 2022.

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Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. Commercial real estate finance receivables and loans were \$5.9 billion and \$5.4 billion at September 30, 2023, and December 31, 2022, respectively, which represented 4.2% and 4.0% of total outstanding finance receivables and loans at September 30, 2023, and December 31, 2022. There were \$4.5 billion and \$4.2 billion of commercial real estate loans included in the Automotive Finance segment at September 30, 2023, and December 31, 2022, respectively, and \$1.4 billion and \$1.1 billion of commercial real estate loans included in the Corporate Finance segment at September 30, 2023, and December 31, 2022.

The following table presents the percentage of total commercial real estate finance receivables and loans by state concentration based on amortized cost.

	September 30, 2023	December 31, 2022
Florida	18.7 %	17.9 %
Texas	14.1	14.9
California	7.6	8.4
Ohio	5.5	4.2
North Carolina	5.1	5.3
New York	5.1	6.3
Michigan	3.8	4.2
Tennessee	3.6	1.2
Georgia	3.0	3.1
Missouri	2.7	2.6
Other United States	30.8	31.9
Total commercial real estate finance receivables and loans	100.0 %	100.0 %

Commercial Criticized Exposure

Finance receivables and loans classified as special mention, substandard, or doubtful are reported as criticized. These classifications are based on regulatory definitions and generally represent finance receivables and loans within our portfolio that have a higher default risk or have already defaulted. These finance receivables and loans require additional monitoring and review including specific actions to mitigate our potential loss.

Total criticized exposures decreased \$437 million from December 31, 2022, to \$2.2 billion at September 30, 2023. The decrease in total criticized exposures was primarily driven by a decrease in Special Mention loans within the commercial and industrial portfolio class of our Automotive Finance operations. Total criticized exposures were 6.9% and 9.1% of total commercial finance receivables and loans at September 30, 2023, and December 31, 2022, respectively, representing strong overall credit performance as the commercial loan portfolio continues to grow.

The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentration based on amortized cost.

	September 30, 2023	December 31, 2022
Industry		
Automotive	50.0 %	53.4 %
Services	15.3	6.5
Electronics	13.9	11.9
Other	20.8	28.2
Total commercial criticized finance receivables and loans	100.0 %	100.0 %

Allowance for Loan Losses

Our quantitatively determined allowance under CECL is impacted by certain forecasted economic factors as further described in Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K. For example, our consumer automotive allowance for loan losses is most sensitive to state-level unemployment rates. Our process for determining the allowance for loan losses considers a borrower's willingness and ability to pay and considers other factors, including loan modification programs. In addition to our quantitative allowance for loan losses, we also incorporate qualitative adjustments that may relate to idiosyncratic risks, weather-related events, changes in current economic conditions that may not be reflected in quantitatively derived results, and other macroeconomic uncertainty. We also monitor model performance, using model error and related assessments, and we may incorporate qualitative reserves to adjust our

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quantitatively determined allowance if we observe deterioration in model performance. Additionally, we perform a sensitivity analysis of our allowance utilizing varying macroeconomic scenarios, as described further within *Critical Accounting Estimates — Allowance for Credit Losses* within the MD&A in our 2022 Annual Report on Form 10-K.

Through September 30, 2023, forecasted economic variables incorporated into our quantitative allowance processes were updated to include the current macroeconomic environment and our future expectations reflecting slow GDP growth in the near term. This included (but were not limited to) the following: the unemployment rate rising to approximately 4.3% in the third quarter of 2024, before reverting to the historical mean of approximately 6.2% by the third quarter of 2026, GDP growth slowing as measured on a quarter-over-quarter seasonally adjusted annualized rate basis through the first quarter of 2024, before reverting to the historical mean of approximately 1.9% by the third quarter of 2026, and increases in new light vehicle sales on a seasonally adjusted annualized rate basis of approximately 16 million units by the third quarter of 2024, before reverting to the historical mean of 15 million units by the third quarter of 2026. Additionally, we maintain a qualitative allowance framework to account for ongoing uncertainty and volatility in the macroeconomic environment (including the impact of inflationary pressures) that could adversely impact frequency of loss and LGD. Our overall allowance for loan losses increased \$56 million from the prior quarter to \$3.8 billion at September 30, 2023, representing 2.7% as a percentage of total finance receivables at both September 30, 2023, and December 31, 2022.

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans for the three months and nine months ended September 30, 2023, and September 30, 2022, respectively.

Three months ended September 30, 2023 (\$ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
Allowance at July 1, 2023	\$ 3,064	\$ 23	\$ 476	\$ 3,563	\$ 218	\$ 3,781
Charge-offs (a)	(602)	—	(74)	(676)	(1)	(677)
Recoveries	209	2	6	217	4	221
Net charge-offs	(393)	2	(68)	(459)	3	(456)
Provision due to change in portfolio size	36	—	21	57	6	63
Provision due to incremental charge-offs	393	(2)	68	459	(3)	456
Provision due to all other factors	4	(2)	(21)	(19)	12	(7)
Total provision for credit losses (b)	433	(4)	68	497	15	512
Other	—	1	(2)	(1)	1	—
Allowance at September 30, 2023	\$ 3,104	\$ 22	\$ 474	\$ 3,600	\$ 237	\$ 3,837
Net charge-offs to average finance receivables and loans outstanding for the three months ended September 30, 2023	1.8 %	— %	6.7 %	1.7 %	— %	1.3 %
Ratio of allowance for loan losses to annualized net charge-offs at September 30, 2023	2.0	(2.8)	1.8	2.0	(17.9)	2.1

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for information regarding our charge-off policies.

(b) Excludes \$4 million of benefit for credit losses related to our reserve for unfunded commitments. The liability related to the reserve for unfunded commitments is included in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet.

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Nine months ended September 30, 2023 (\$ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
Allowance at January 1, 2023	\$ 3,020	\$ 27	\$ 426	\$ 3,473	\$ 238	\$ 3,711
Charge-offs (a)	(1,634)	(3)	(208)	(1,845)	(62)	(1,907)
Recoveries	613	7	18	638	5	643
Net charge-offs	(1,021)	4	(190)	(1,207)	(57)	(1,264)
Provision due to change in portfolio size	66	(1)	61	126	9	135
Provision due to incremental charge-offs	1,021	(4)	190	1,207	57	1,264
Provision due to all other factors	19	(4)	(12)	3	(12)	(9)
Total provision for credit losses (b)	1,106	(9)	239	1,336	54	1,390
Other	(1)	—	(1)	(2)	2	—
Allowance at September 30, 2023	\$ 3,104	\$ 22	\$ 474	\$ 3,600	\$ 237	\$ 3,837
Net charge-offs to average finance receivables and loans outstanding for the nine months ended September 30, 2023	1.6 %	— %	6.6 %	1.5 %	0.3 %	1.2 %
Ratio of allowance for loan losses to annualized net charge-offs at September 30, 2023	2.3	(4.0)	1.9	2.2	3.1	2.3

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for information regarding our charge-off policies.

(b) Excludes \$9 million of benefit for credit losses related to our reserve for unfunded commitments. The liability related to the reserve for unfunded commitments is included in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet.

Three months ended September 30, 2022 (\$ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
Allowance at July 1, 2022	\$ 2,885	\$ 26	\$ 303	\$ 3,214	\$ 236	\$ 3,450
Charge-offs (a)	(381)	(1)	(33)	(415)	(32)	(447)
Recoveries	164	2	4	170	1	171
Net charge-offs	(217)	1	(29)	(245)	(31)	(276)
Provision due to change in portfolio size	67	1	55	123	10	133
Provision due to incremental charge-offs	217	(2)	29	244	31	275
Provision due to all other factors	42	—	15	57	(27)	30
Total provision for credit losses	326	(1)	99	424	14	438
Other	(1)	1	(1)	(1)	—	(1)
Allowance at September 30, 2022	\$ 2,993	\$ 27	\$ 372	\$ 3,392	\$ 219	\$ 3,611
Net charge-offs to average finance receivables and loans outstanding for the three months ended September 30, 2022	1.1 %	— %	4.0 %	0.9 %	0.5 %	0.8 %
Ratio of allowance for loan losses to annualized net charge-offs at September 30, 2022	3.4	(3.8)	3.1	3.5	1.8	3.3

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for information regarding our charge-off policies.

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Nine months ended September 30, 2022 (\$ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
Allowance at January 1, 2022	\$ 2,769	\$ 27	\$ 221	\$ 3,017	\$ 250	\$ 3,267
Charge-offs (a)	(934)	(3)	(84)	(1,021)	(58)	(1,079)
Recoveries	496	10	8	514	3	517
Net charge-offs	(438)	7	(76)	(507)	(55)	(562)
Provision due to change in portfolio size	204	3	141	348	19	367
Provision due to incremental charge-offs	438	(8)	76	506	55	561
Provision due to all other factors	21	(2)	11	30	(51)	(21)
Total provision for credit losses (b)	663	(7)	228	884	23	907
Other	(1)	—	(1)	(2)	1	(1)
Allowance at September 30, 2022	\$ 2,993	\$ 27	\$ 372	\$ 3,392	\$ 219	\$ 3,611
Net charge-offs to average finance receivables and loans outstanding for the nine months ended September 30, 2022	0.7 %	(0.1)%	4.0 %	0.7 %	0.3 %	0.6 %
Ratio of allowance for loan losses to annualized net charge-offs at September 30, 2022	5.1	(2.7)	3.7	5.0	3.0	4.8

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K for information regarding our charge-off policies.

(b) Excludes \$2 million of provision for credit losses related to our reserve for unfunded commitments. The liability related to the reserve for unfunded commitments is included in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet.

(\$ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
September 30, 2023						
Allowance for loan losses to finance receivables and loans outstanding (a)	3.6 %	0.1 %	11.6 %	3.3 %	0.7 %	2.7 %
Allowance for loan losses to total nonperforming finance receivables and loans (a)	279.6 %	47.1 %	549.1 %	289.7 %	91.6 %	255.6 %
Nonaccrual loans to finance receivables and loans outstanding	1.3 %	0.2 %	2.1 %	1.1 %	0.8 %	1.1 %
September 30, 2022						
Allowance for loan losses to finance receivables and loans outstanding (a)	3.6 %	0.1 %	11.5 %	3.2 %	0.9 %	2.7 %
Allowance for loan losses to total nonperforming finance receivables and loans (a)	265.1 %	49.9 %	n/m	278.1 %	134.0 %	261.1 %
Nonaccrual loans to finance receivables and loans outstanding	1.4 %	0.3 %	1.1 %	1.1 %	0.6 %	1.0 %

n/m = not meaningful

(a) Coverage percentages are based on the allowance for loan losses related to finance receivables and loans excluding those loans held at fair value as a percentage of the amortized cost.

The allowance for consumer loan losses as of September 30, 2023, increased \$208 million compared to September 30, 2022, reflecting an increase of \$111 million in the consumer automotive allowance, along with an increase of \$102 million in the consumer other allowance, partially offset by a decrease of \$5 million in our consumer mortgage allowance. The increase in our consumer automotive allowance was primarily driven by portfolio growth and a higher coverage rate. The increase in the consumer other allowance was primarily driven by continued portfolio growth in Ally Lending and Ally Credit Card.

The allowance for commercial loan losses as of September 30, 2023, increased \$18 million compared to September 30, 2022. The increase was primarily driven by higher severity of recent defaults in the commercial and industrial portfolio class of our Automotive Finance operations and specific reserve builds in our Corporate Finance operations.

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Provision for Loan Losses

The following table summarizes the provision for loan losses by loan portfolio class.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Consumer automotive	\$ 433	\$ 326	\$ 1,106	\$ 663
Consumer mortgage				
Mortgage Finance	(2)	2	(3)	2
Mortgage — Legacy	(2)	(3)	(6)	(9)
Total consumer mortgage	(4)	(1)	(9)	(7)
Consumer other				
Personal Lending	23	42	95	109
Credit Card	45	57	144	119
Total consumer other	68	99	239	228
Total consumer	497	424	1,336	884
Commercial				
Commercial and industrial				
Automotive	11	—	20	(1)
Other	5	13	37	29
Commercial real estate	(1)	1	(3)	(5)
Total commercial	15	14	54	23
Total provision for loan losses (a)	\$ 512	\$ 438	\$ 1,390	\$ 907

(a) Excludes \$4 million and \$9 million of benefit for credit losses related to our reserve for unfunded commitments during the three months and nine months ended September 30, 2023, respectively, and \$2 million of provision for credit losses related to our reserve for unfunded commitments during the nine months ended September 30, 2022.

The provision for consumer credit losses increased \$73 million and \$452 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The increases in provision for consumer credit losses for the three months and nine months ended September 30, 2023, were primarily driven by higher net charge-offs across our consumer portfolios.

The provision for commercial credit losses increased \$1 million and \$31 million for the three months and nine months ended September 30, 2023, respectively, compared to the three months and nine months ended September 30, 2022. The increases in provision for commercial credit losses during the nine months ended September 30, 2023, were primarily driven by reserve reductions in the nine months ended September 30, 2022, related to qualitative reserves established at the onset of the COVID-19 pandemic within our Corporate Finance operations, in addition to higher provisions on specific exposures within our Automotive Finance operations during the nine months ended September 30, 2023.

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Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by loan portfolio class.

September 30, (\$ in millions)	2023			2022		
	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of total allowance for loan losses	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of total allowance for loan losses
Consumer automotive	\$ 3,104	3.6	80.8	\$ 2,993	3.6	82.9
Consumer mortgage						
Mortgage Finance	19	0.1	0.5	21	0.1	0.6
Mortgage — Legacy	3	1.3	0.1	6	1.9	0.1
Total consumer mortgage	22	0.1	0.6	27	0.1	0.7
Consumer other						
Personal Lending	202	9.2	5.3	167	9.2	4.6
Credit Card	272	14.5	7.1	205	14.4	5.7
Total consumer other	474	11.6	12.4	372	11.5	10.3
Total consumer loans	3,600	3.3	93.8	3,392	3.2	93.9
Commercial						
Commercial and industrial						
Automotive	30	0.2	0.8	12	0.1	0.4
Other	174	1.9	4.5	171	2.0	4.7
Commercial real estate	33	0.6	0.9	36	0.7	1.0
Total commercial loans	237	0.7	6.2	219	0.9	6.1
Total allowance for loan losses	\$ 3,837	2.7	100.0	\$ 3,611	2.7	100.0

Market Risk

Our financing, investing, and insurance activities give rise to market risk, or the potential change in the value of our assets (including securities, assets held-for-sale, loans and operating leases) and liabilities (including deposits and debt) due to movements in market variables, such as interest rates, spreads, foreign-exchange rates, equity prices, off-lease vehicle prices, and other equity investments.

The impact of changes in benchmark interest rates on our assets and liabilities (interest rate risk) represents an exposure to market risk and can affect interest rate sensitivities and cash flows when compared to our expectations. We primarily use interest rate derivatives to manage our interest rate risk exposure.

During the nine months ended September 30, 2023, the Federal Reserve increased the federal funds target range to 5.25–5.50% to address the elevated inflation levels, with future rate increases still possible. Refer to the section below titled *Net Financing Revenue Sensitivity Analysis* for additional information on how future rate changes may impact net financing revenue.

The fair value of our spread-sensitive assets is also exposed to spread risk. Spread is the amount of additional return over the benchmark interest rates that an investor would demand for taking exposure to primarily credit and liquidity risk of an instrument. Generally, an increase in spreads would result in a decrease in fair value measurement.

We are also exposed to foreign-currency risk primarily from Canadian denominated assets and liabilities. We enter into foreign currency hedges to mitigate foreign exchange risk.

We have exposure to changes in the value of equity securities. We have exposure to equity securities with readily determinable fair values primarily related to our Insurance operations. For such equity securities, we use equity derivatives to manage our exposure to equity price fluctuations.

As part of our CRA program, we make investments in CRA-eligible funds that do not qualify for LIHTCs. Many of these CRA funds feature private equity or venture capital structures, and are accounted for using the equity method of accounting. We recognize our share of the investee's earnings based on the performance of the funds. During the three months and nine months ended September 30, 2023, we recognized losses of \$1 million and \$18 million, respectively, related to these investments. The losses for the three months and nine months ended September 30, 2023, were primarily due to broader real estate market trends adversely impacting certain funds. There were no indications of impairment within our portfolio of CRA-eligible funds as of September 30, 2023.

In addition, we are exposed to changes in the value of other nonmarketable equity investments without readily determinable fair market values, which may cause volatility in our earnings.

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As of September 30, 2023, we had \$4.8 billion of cumulative net unrealized losses on our available-for-sale securities. During the three months and nine months ended September 30, 2023, we recorded \$886 million and \$672 million of net unrealized losses, respectively, on our available-for-sale securities. Unrealized gains and losses are recorded in other comprehensive income within our Condensed Consolidated Statement of Comprehensive Income, and are generally not realized unless we sell the securities prior to their stated maturity date. As of September 30, 2023, and December 31, 2022, we did not have the intent to sell the available-for-sale securities with an unrealized loss position and we do not believe it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. For the three months and nine months ended September 30, 2023, management determined that there were no expected credit losses for securities in an unrealized loss position. Refer to Note 6 and Note 15 to the Condensed Consolidated Financial Statements for additional information.

The composition of our balance sheet, including shorter-duration consumer automotive loans and variable-rate commercial loans, along with our primary funding source of retail deposits, partially mitigates market risk. Additionally, we maintain risk-management controls that measure and monitor market risk using a variety of analytical techniques including market value and sensitivity analysis. Refer to Note 18 to the Condensed Consolidated Financial Statements for additional information. For information regarding our insured and uninsured deposit liabilities, refer to the section below titled *Response to Banking Industry Failures*.

LIBOR Transition

In recognition of the significance of LIBOR cessation, in July 2018, Ally formed an enterprise-wide LIBOR transition program that devotes numerous resources throughout all levels of the organization to facilitate the transition to alternative reference rates. Our program spans impacted business lines and functions to evaluate risks associated with the transition, while taking into account specific considerations related to our customers, products and instruments, and counterparty exposures. Through this program, we planned for and guided the transition away from LIBOR to alternative reference rates, and continue to evaluate the impacts and potential impacts to our existing and future contracts with customers and counterparties, financial forecasts, operational processes, technology, modeling, and vendor relationships. Our program is also subject to the governance and oversight of our Board through the RC and certain executive committees, including the ALCO and the ERM. For a more detailed discussion of our transition away from LIBOR, refer to the section titled *Risk Management—LIBOR Transition* in our 2022 Annual Report on Form 10-K.

The publication of the 1-week and 2-month U.S. dollar LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. The remaining U.S. dollar LIBOR settings ceased to be provided or ceased to be representative as of June 30, 2023. Our transition efforts included developing new products and agreements that utilize alternative reference rates, such as Prime and SOFR, and engaging our commercial customers with transitioning their existing financing agreements from LIBOR to alternative rates, as appropriate. Since the end of 2021, we have not entered into new contracts that use U.S. dollar LIBOR as a reference rate, in alignment with guidance from U.S. banking regulators. Except for certain adjustable-rate mortgage loans described in the following paragraph, we transitioned all remaining contracts away from LIBOR during the first half of 2023.

The LIBOR Act, enacted in March 2022, provides a uniform approach for replacing LIBOR as a reference interest rate in tough legacy contracts—that is, contracts that do not include effective fallback provisions—when LIBOR is no longer published or is no longer representative. Under the LIBOR Act, references to the most common tenors of LIBOR in these contracts will be replaced as a matter of law, without the need to be amended by the parties, to instead reference benchmark interest rates based on SOFR that will be identified by the FRB. The FRB issued a final rule effective February 2023, to implement the LIBOR Act. We plan to rely on the LIBOR Act and the FRB's final rule on our LIBOR-linked contracts for a smaller portfolio of adjustable-rate mortgage loans that utilize contracts containing LIBOR-based reference rates still remaining as of September 30, 2023.

Net Financing Revenue Sensitivity Analysis

Interest rate risk represents one of our most significant exposures to market risk. We actively monitor the level of exposure to movements in interest rates and take actions to mitigate adverse impacts these movements may have on future earnings. We use a sensitivity analysis of net financing revenue as our primary metric to measure and manage the interest rate risk of our financial instruments.

The execution of our current business strategy generally results in shorter-duration, fixed-rate consumer automotive loans comprising the majority of our assets and liquid, floating-rate retail deposits comprising the majority of our liabilities. This, in turn, results in a structurally liability sensitive balance sheet as our floating-rate retail deposits reprice faster than our fixed-rate consumer automotive loans when interest rates change. We prepare forward-looking baseline forecasts of pretax net financing revenue as well as anticipated future business growth, actions to alter our asset/liability positioning, and interest rates based on the implied forward curve. The analysis is highly dependent upon a variety of assumptions, one of the most significant being the repricing characteristics of retail deposits with both contractual and non-contractual maturities. We monitor industry and competitive repricing activity along with other business and market factors when developing deposit pricing assumptions.

Modeled simulations are then used to assess changes in pretax net financing revenue in multiple interest rate scenarios relative to the baseline forecast. The changes in net financing revenue relative to the baseline are defined as the sensitivity. Our simulations incorporate contractual cash flows and assumed repricing characteristics for assets, liabilities, and off-balance sheet exposures and incorporate the assumed effects of changing interest rates on the prepayment and attrition rates of certain assets and liabilities. Our simulations do not assume any specific future actions are taken to mitigate the impacts of changing interest rates.

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These simulations measure the potential changes in our pretax net financing revenue over the following 12 months. We test a number of alternative rate scenarios, including immediate and gradual parallel shocks to the implied forward curve. We also evaluate nonparallel shocks to interest rates and stresses to certain term points on the yield curve in isolation to capture and monitor a variety of risks.

Simulation results are driven by underlying models and assumptions that are based on trend behavior and other historical information. The underlying models and assumptions, including retail deposit pricing, are regularly monitored, evaluated, and may be updated accordingly as observed trends materialize. As a result, if future trends or behaviors deviate from those reflected in the models, actual sensitivities may vary—perhaps significantly—from those that are modeled. For example, the pace and magnitude of changes in the federal-funds rate during the last two years has challenged models like ours whose historical data is largely derived from a more stable rate environment. Actual sensitivities may differ for other reasons as well, including unplanned changes in balance sheet composition, timing of asset and liability repricing, the yield curve, customer behavior, macroeconomic conditions, the competitive environment, and management strategies. Accordingly, we do not treat the sensitivities as forecasts of net financing revenue but instead use them as a tool in managing interest rate risk.

In a stable rate scenario that assumes spot rates as of September 30, 2023, remain constant through the simulation, net financing revenue over the next 12 months is expected to increase by \$41 million versus the baseline forecast, due to the shape of the implied forward curve.

The following table presents the pretax dollar impact to baseline forecasted net financing revenue over the next 12 months assuming various parallel shocks to the implied forward curve as of September 30, 2023, and December 31, 2022.

	September 30, 2023		December 31, 2022	
	Gradual (a)	Instantaneous	Gradual (a)	Instantaneous
	(\$ in millions)		(\$ in millions)	
Change in interest rates				
+200 basis points	\$ 211	\$ 193	\$ 18	\$ (76)
+100 basis points	97	101	3	(37)
-100 basis points	(111)	(100)	(21)	21

(a) Gradual changes in interest rates are recognized over 12 months.

Since December 31, 2022, the implied forward curve has increased and steepened modestly. During the first three quarters of 2023, our floating-rate commercial balances and cash balances increased, and we saw a shift from liquid deposits to CDs, increased our pay-fixed swap position, and incrementally added interest rate floor contracts that will provide benefit in certain lower-rate scenarios. The impact of these changes is reflected in our baseline net financing revenue forecast. As of September 30, 2023, we expect to modestly benefit in the near-term if rates were to move higher than the forward curve implies. This short-term asset sensitivity is the result of the assumed repricing of our assets and pay-fixed swap position outpacing the assumed repricing of our liabilities. Within the 12-month horizon, we expect a reversion to liability sensitivity and, as a result, a negative effect on net financing revenue.

Our interest-rate risk position is influenced by the impact of hedging activity, which primarily consists of interest rate swaps designated as fair value hedges of certain fixed-rate assets and fixed-rate debt instruments. Additionally, we use interest rate floor contracts designated as cash flow hedges on certain floating-rate assets. The size, maturity, and mix of our hedging activities are adjusted as our balance sheet, ALM objectives, and the interest rate environment evolve over time. Our hedging strategies, however, are not designed to eliminate all interest-rate risk, and we were adversely affected from rising interest rates in 2022 and 2023.

Operating Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer operating lease portfolio. This operating lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. Our operating lease portfolio, net of accumulated depreciation was \$9.6 billion and \$10.4 billion as of September 30, 2023, and December 31, 2022, respectively. The expected lease residual value of our operating lease portfolio at scheduled termination was \$7.7 billion and \$8.3 billion as of September 30, 2023, and December 31, 2022, respectively. For information on our valuation of automotive operating lease residuals including periodic revisions through adjustments to depreciation expense based on current and forecasted market conditions, refer to the section titled *Critical Accounting Estimates—Valuation of Automotive Operating Lease Assets and Residuals* within the MD&A in our 2022 Annual Report on Form 10-K.

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Operating Lease Vehicle Terminations and Remarketing

The following table summarizes the volume of operating lease terminations and average gain per vehicle, as well as our methods of vehicle sales at lease termination, stated as a percentage of total operating lease vehicle disposals.

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Off-lease vehicles terminated (<i>in units</i>)	29,484	29,562	83,519	89,715
Average gain per vehicle (<i>\$ per unit</i>)	\$ 1,944	\$ 1,325	\$ 2,080	\$ 1,547
Method of vehicle sales				
Sale to dealer, lessee, and other	78 %	90 %	79 %	89 %
Auction				
Internet	17	7	16	8
Physical	5	3	5	3

We recognized an average gain per vehicle of \$1,944 and \$2,080 for the three months and nine months ended September 30, 2023, respectively, compared to an average gain per vehicle of \$1,325 and \$1,547 for the same periods in 2022. The increases in remarketing performance during the three months and nine months ended September 30, 2023, were primarily due to normalizing volume trends in the contractually priced buyout channels. Off-lease vehicles sold to lessees and dealers decreased 13% and 11% for the three months and nine months ended September 30, 2023, respectively, as compared to the same periods in 2022. The number of off-lease vehicles remarketed during the nine months ended September 30, 2023, decreased 7% compared to the same period in 2022, due to lower termination volume, in alignment with lower lease origination volume during the first half of 2020 resulting from the COVID-19 pandemic.

Operating Lease Portfolio Mix

We monitor the concentration of our outstanding operating leases. Our exposure to Stellantis vehicles represented approximately 78% of our operating lease units as of both September 30, 2023, and 2022.

The following table presents the mix of operating lease assets by vehicle type, based on volume of units outstanding.

September 30,	2023	2022
Sport utility vehicle	67 %	63 %
Truck	28	31
Car	5	6

Climate-Related Risk

We have identified and defined climate-related risk as an emerging risk. Pursuant to our risk-management framework, emerging risks include those that have yet to create a material impact or would only arise during stressful or unlikely circumstances. Refer to the section titled *Risk Factors* in Part I, Item 1A of our 2022 Annual Report on Form 10-K for information on climate-related risks.

Climate-related risk is generally categorized into two major categories: (1) risk related to the transition to a lower-carbon economy (transition risk) and (2) risk related to the physical impacts of climate change. Transition risk considers how changes in policy, technology, and market preference could pose operational, financial, and reputational risk to companies. Physical risk from climate change can be acute or chronic. Acute physical risk refers to risks that are event-driven such as increased severity of extreme weather events, including tornadoes, hurricanes, or floods. Chronic physical risks refer to long-term shifts in climate patterns, such as sustained higher temperatures, that may, for example, cause sea levels to rise. We manage risks related to the physical impacts of climate change through the active engagement of our business continuity program, which is intended to limit disruptions during acute climate-related events. Additionally, we use excess of loss reinsurance to help mitigate risk of weather losses within our P&C business for our vehicle inventory program. We also use loss control techniques such as storm path monitoring to assist dealers in preparing for severe weather help to mitigate loss potential.

As the impacts of climate change become more evident, we have recognized (1) the importance of understanding, preparing for and taking timely preventive action against potentially material climate-change impacts, (2) increasing investor demand for consistent and comparable climate-change risk data, (3) changing federal policy focus as a result of rejoining the Paris Climate Agreement and an increase in regulatory discussion about potential requirements and oversight, and (4) that Ally's commitment to "Do It Right" extends to the conservation of environmental resources to promote a sustainable future for our customers, employees, stockholders, and the communities in which we live and operate. For additional information, refer to the *Risk Management* MD&A section of our 2022 Annual Report on Form 10-K.

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Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to enable us to meet loan and operating lease demand, debt maturities, deposit withdrawals, and other cash commitments under both normal operating conditions as well as periods of economic or financial stress. Our primary objective is to maintain cost-effective, stable and diverse sources of funding capable of sustaining the organization throughout all market cycles. Sources of funding include both retail and brokered deposits and secured and unsecured market-based funding across various maturity, interest rate, and investor profiles. Additional liquidity is available through a pool of unencumbered highly liquid securities, repurchase agreements, and advances from the FHLB of Pittsburgh.

We define liquidity risk as the risk that an institution's financial condition or overall safety and soundness is adversely affected by the actual or perceived inability to liquidate assets or obtain adequate funding or to easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions. Liquidity risk can arise from a variety of institution-specific or market-related events that could have a negative impact on cash flows available to the organization. Effective management of liquidity risk positions an organization to meet cash flow obligations caused by unanticipated events. Managing liquidity needs and contingent funding exposures has proven essential to the solvency of financial institutions.

The ALCO, chaired by the Corporate Treasurer, is responsible for overseeing our funding and liquidity strategies. Corporate Treasury is responsible for managing our liquidity positions within limits approved by ALCO, the ERM, and the RC. As part of managing liquidity risk, Corporate Treasury prepares monthly forecasts depicting anticipated funding needs and sources of funds, executes our funding strategies, and manages liquidity under normal as well as more severely stressed macroeconomic environments. Oversight and monitoring of liquidity risk are provided by Independent Risk Management.

The monthly liquidity forecasts demonstrate our ability to generate and obtain adequate amounts of cash to meet loan and operating lease demand, debt maturities, deposit withdrawals, and other cash commitments under normal operating conditions throughout the forecast horizon (currently through December 2026). Refer to Note 12 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt as of September 30, 2023. In recent years, we have become less reliant on market-based funding, reducing our exposure to disruptions in wholesale funding markets.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on the timely and cost-effective access to retail deposits and funding in various segments of the capital markets. We focus on maintaining diversified funding sources across a broad base of depositors, lenders, and investors to meet liquidity needs throughout different economic cycles, including periods of financial distress. These funding sources include retail and brokered deposits, public and private asset-backed securitizations, unsecured debt, FHLB advances, and repurchase agreements. Our access to diversified funding sources enhances funding flexibility and results in a more cost-effective funding strategy over the long term. We evaluate funding markets on an ongoing basis to achieve an appropriate balance of unsecured and secured funding sources and maturity profiles.

We manage our funding to achieve a well-balanced portfolio across a spectrum of risk, maturity, and cost-of-funds characteristics. Optimizing funding at Ally Bank continues to be a key part of our long-term liquidity strategy. We optimize our funding sources at Ally Bank by prioritizing retail deposits, maintaining an active securitization program, managing the maturity profile of our brokered deposit portfolio, utilizing repurchase agreements, and continuing to access funds from the FHLB.

Assets are primarily originated by Ally Bank to reduce parent company exposures and funding requirements, and to utilize our growing consumer deposit-taking capabilities. This allows us to use bank funding for substantially all our automotive finance and other assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Liquidity Risk Management

Multiple metrics are used to measure liquidity risk, manage the liquidity position, identify related trends, and monitor these trends and metrics against established limits. These metrics include comprehensive stress tests that measure the sufficiency of the liquidity portfolio over stressed horizons ranging from overnight to 12 months, stability ratios that measure longer-term structural liquidity, and concentration ratios that enable prudent funding diversification. In addition, we have established internal management routines designed to review all aspects of liquidity and funding plans, evaluate the adequacy of liquidity buffers, review stress testing results, and assist management in the execution of its funding strategy and risk-management accountabilities.

Our liquidity stress testing is designed to allow us to operate our businesses and to meet our contractual and contingent obligations, including unsecured debt maturities, for at least 12 months, assuming our normal access to funding is disrupted by severe market-wide and enterprise-specific events. We maintain available liquidity in the form of cash, unencumbered highly liquid securities, available FHLB capacity, and available FRB Discount Window capacity. This available liquidity is held at various legal entities and is subject to regulatory restrictions and tax implications that may limit our ability to transfer funds across entities.

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The following table summarizes our total available liquidity.

<i>(\$ in millions)</i>	September 30, 2023	December 31, 2022
Liquid cash and equivalents (a)	\$ 7,992	\$ 5,111
FHLB unused pledged borrowing capacity (b)	10,996	11,148
Unencumbered highly liquid securities (c)	19,573	22,155
FRB Discount Window pledged capacity (d)	25,585	2,038
Total available liquidity	\$ 64,146	\$ 40,452

(a) Excludes restricted cash and foreign currency cash balances.

(b) Pledged assets are primarily composed of consumer mortgage finance receivables and loans, as well as real-estate-backed loans within our Automotive Finance and Corporate Finance businesses, and non-agency mortgage-backed securities.

(c) Includes unencumbered U.S. federal government, U.S. agency, and highly liquid corporate debt securities.

(d) Pledged assets are composed of consumer automotive finance receivables and loans. Refer to Note 12 to the Condensed Consolidated Financial Statements for information on assets pledged to the FRB.

Recent Funding and Liquidity Developments

Key funding highlights from January 1, 2023, to date were as follows:

- In February 2023, Ally Financial Inc. accessed the unsecured debt capital markets and raised \$500 million through the issuance of subordinated notes. In June 2023, Ally Financial Inc. raised \$850 million through the issuance of unsecured senior notes. Based on the proposed rule requiring Category II, III, and IV firms to maintain minimum amounts of eligible long-term debt, we would expect both issuances to qualify under the requirement for covered bank holding companies. Refer to the section below titled *Response to Banking Industry Failures* for more information about the proposed rule.
- We raised \$1.6 billion through the completion of term securitization transactions backed by consumer automotive loans.
- We issued \$9.7 billion of brokered CDs.
- We increased our total available funding capacity through the FRB Discount Window by \$23.5 billion during the nine months ended September 30, 2023, to \$25.6 billion as of September 30, 2023. The increase in FRB Discount Window capacity reflects our strategy to maintain increased contingent liquidity following the bank failures of early 2023 and to further align with the *Addendum to the Interagency Policy Statement on Funding and Liquidity Risk Management: Importance of Contingency Funding Plans* released in July 2023.
- We increased and diversified repurchase agreement transaction funding with our counterparties.

Response to Banking Industry Failures

In March 2023, the FDIC was appointed as receiver for SVB and Signature after they experienced runs on deposits and other liquidity constraints. At the time, SVB and Signature were the 16th and 29th largest banks in the United States, respectively, as measured by total assets as of December 31, 2022. Also during March 2023, UBS Group AG announced the acquisition of Credit Suisse Group AG, with the support of the Swiss government.

Our liquidity position fundamentally differs from those of SVB and Signature before their failures. For example, more than 92% of deposits at Ally Bank were FDIC-insured as of September 30, 2023, compared to 12% for SVB and 10% for Signature as of December 31, 2022. Additionally, our deposit portfolio is primarily composed of granular and diversified retail customer accounts, as opposed to SVB and Signature who had large uninsured commercial deposits. Because of the market turbulence and uncertainty, however, we activated existing internal incident response procedures specifically designed to increase governance and monitoring of Ally Bank's depositor behavior, liquidity position, and risk exposure, including frequent ongoing dialogue with the Board and supervisory authorities.

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We also took specific funding actions. Even before these failures, in response to the unprecedented pace of monetary tightening in 2022 and the resultant macroeconomic uncertainty, we had increased cash and available liquidity. Refer to the section above titled *Recent Funding Developments*. After the failures, we continued to do so by optimizing brokered CD issuances, borrowing from the FHLB, managing securities collateral pledged to the FHLB, maintaining competitive retail deposit pricing, and managing new loan origination volumes. We had \$64.1 billion of total available liquidity as of September 30, 2023, which included \$11.0 billion of available FHLB capacity and \$25.6 billion of available FRB Discount Window capacity. Refer to the section above titled *Liquidity Risk Management*. FHLB funding provides us with a stable funding source, and can be drawn upon on a same-day basis if sufficiently secured with available collateral.

In support of American businesses and households, the FRB created the BTFP in March 2023 to make additional funding available to eligible depository institutions in order to help assure that banks have the ability to meet the needs of all of their depositors. The BTFP is a further source of liquidity against high-quality securities and contributes to financial stability by eliminating a bank's need to quickly sell those securities in times of stress. Under the BTFP, depository institutions may borrow funds by pledging collateral eligible for purchase by the FRB in open market operations, such as U.S. Treasuries and agency debt and mortgage-backed securities, in each case valued at par. We did not borrow from the BTFP through September 30, 2023. As of September 30, 2023, we had \$25.6 billion in total available funding capacity through the FRB Discount Window, with no debt outstanding during the nine months ended September 30, 2023.

Following the failures of SVB and Signature, on May 1, 2023, First Republic Bank was closed by the California Department of Financial Protection and Innovation, which appointed the FDIC as receiver. The FDIC entered into a purchase and assumption agreement with JPMorgan Chase Bank to assume all the deposits and substantially all the assets of First Republic Bank. We continue to monitor and assess the impact of these failures on Category IV firms like Ally.

In April 2023, in a statement accompanying the review of the FRB's supervision and regulation of SVB, FRB Vice Chair for Supervision Barr highlighted a plan to revisit the Tailoring Rules and develop stronger capital, liquidity, stress-testing, and other standards for Category IV firms like Ally. In July 2023, the U.S. banking agencies issued a proposed rule to customize and implement revisions to the global Basel III capital framework that had been approved by the Basel Committee in December 2017 (commonly known as the Basel III endgame or as Basel IV). For regulatory capital, the proposed rule would eliminate the effect of the Tailoring Rules by requiring the recognition of most elements of accumulated other comprehensive income and loss and the application of deductions, limitations, and criteria for specified capital investments, minority interests, and TLAC holdings. For each of the risk-based capital ratios, a large banking organization like Ally would calculate and be bound by the lower of two alternatives: one version of the ratio based on an expanded risk-based approach prescribed in the proposed rule and one version of the ratio based on the standardized approach as modified by the proposed rule. All capital buffer requirements, including the stress capital buffer requirement, would apply regardless of whether the expanded risk-based approach or the standardized approach produces the lower ratio. Under the expanded risk-based approach, total RWAs would equal the sum of the RWAs for credit risk, equity risk, operational risk, market risk, and CVA risk as set forth in the proposed rule minus any amount of the banking organization's adjusted allowance for credit losses that is not included in Tier 2 capital and any amount of allocated transfer risk reserves. Under the standardized approach, total RWAs would be calculated using the existing rules with a revised methodology for determining market risk-weighted assets and a required application of the standardized approach for counterparty credit risk for derivative exposures. Category IV firms would be further required under the proposed rule to project their risk-based capital ratios under baseline conditions in their capital plans and related reports using the RWA-calculation approach that results in their binding risk-based capital ratios as of the start of the projection horizon. The proposed rule also would roll back additional elements of the Tailoring Rules by applying to Category IV firms the supplementary leverage ratio, the countercyclical capital buffer, and enhanced public disclosure and reporting requirements. Under the proposed rule, a three-year transition period from July 1, 2025, to June 30, 2028, would apply to the recognition of accumulated other comprehensive income and loss in regulatory capital and the use of the expanded risk-based approach. The phase-in of accumulated other comprehensive income and loss is expected to significantly affect our levels of regulatory capital. While we believe that this would be manageable, we also anticipate that our levels of regulatory capital would need to be gradually increased in advance of and during the proposed transition period. As for the proposed changes to RWAs, while we continue to evaluate the effects of individual provisions and the interplay among them as well as potential management actions in response, the impact is not currently expected to be significant in the aggregate if the proposed rule were adopted in its existing form. We are actively engaged with research and advocacy groups to inform the rulemaking process and better understand the impacts of the proposed rule on banking organizations of various sizes and complexities—as well as the competitive environment more broadly—and likewise encourage the U.S. banking agencies to closely study these impacts and their wider implications.

In August 2023, the U.S. banking agencies issued two proposed rules to improve the resolvability of Category IV firms like Ally. The first proposed rule would require Category II, III, and IV firms, their large consolidated banks, and other institutions to issue and maintain minimum amounts of eligible long-term debt in an amount that is the greater of (i) 6 percent of total RWAs, (ii) 3.5 percent of average total consolidated assets, and (iii) 2.5 percent of total leverage exposure. Covered insured depository institutions, like Ally Bank, that are consolidated subsidiaries of covered entities, like Ally, would be required to issue eligible long-term debt internally to a company that consolidates the covered insured depository institution, which would in turn be required to purchase that long-term debt. Only long-term debt instruments that are most readily able to absorb losses in a resolution proceeding would qualify, and the operations of covered entities would be subject to clean-holding-company requirements such as prohibitions and limitations on their liabilities to unaffiliated entities. Under the proposed rule, a transition period would apply with 25, 50, and 100 percent of the long-term-debt requirements coming into effect by the end of the first, second, and third years, respectively, after finalization of the rule. The second proposed rule, which was issued solely by the FDIC, would require each insured depository institution with \$100 billion or more in total assets, like Ally Bank, to submit a full resolution plan with an identified strategy for ensuring timely access to insured deposits, maximizing value from the disposition of assets, minimizing

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any losses realized by creditors, and addressing potential financial-stability risks. Each resolution plan also would be subject to more stringent standards on its assumptions, content, and reviews. Covered insured depository institutions would need to submit a full resolution plan every two years with interim supplements in non-submission years. We are still assessing the impact of these two proposed rules but, due to the current structure and amount of debt instruments issued by Ally and Ally Bank, expect the long-term-debt rule in particular to significantly affect us.

Whether and when final rules related to these proposals may be adopted and take effect, as well as what changes to the proposed rules may be reflected in any final rules after the comment periods, remain unclear. Also, beyond these proposed rules, more stringent and less tailored liquidity, stress-testing, and other standards for Category IV firms like Ally may be forthcoming, including those that may reinstate the LCR, require more rigorous liquidity stress testing, and return Ally to supervisory stress testing on an annual cycle. Refer to Note 17 to the Condensed Consolidated Financial Statements for additional information.

In August 2023, citing macroeconomic trends impacting the banking industry, such as increased costs of funding and rapid tightening in monetary policy, Moody's downgraded the credit ratings of a number of banks. Additionally, Moody's downgraded the outlook of a number of banks, including Ally, where the outlook was lowered from Stable to Negative. Refer to the section below titled *Credit Ratings* for additional information.

Funding Sources

The following table summarizes our sources of funding and the amount outstanding under each category for the periods shown.

(\$ in millions)	September 30, 2023		December 31, 2022	
	On-balance sheet funding	% Share of funding	On-balance sheet funding	% Share of funding
Deposits	\$ 152,835	87	\$ 152,297	88
Debt				
Secured financings	11,690	7	10,124	6
Institutional term debt	10,253	6	9,678	6
Retail term notes	563	—	359	—
Total debt (a)	22,506	13	20,161	12
Total on-balance-sheet funding	\$ 175,341	100	\$ 172,458	100

(a) Includes hedge basis adjustments as described in Note 18 to the Condensed Consolidated Financial Statements.

Refer to Note 12 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at September 30, 2023.

Deposits

Ally Bank is a digital direct bank with no branch network that obtains retail deposits directly from customers. We offer competitive rates and fees on a full spectrum of retail deposit products, including savings accounts, money-market demand accounts, CDs, interest-bearing spending accounts, trust accounts, and IRAs. Our primary funding source is retail deposits, which we believe at scale are the most efficient and stable source of funding for us when compared to other funding sources. Retail deposits constituted 80% of our total funding sources at September 30, 2023. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries.

As of September 30, 2023, and December 31, 2022, we had \$11.4 billion and \$15.2 billion, respectively, of deposit liabilities that are uninsured by the FDIC, excluding affiliate and intercompany deposits.

The following table shows Ally Bank's total primary retail deposit customers and deposit balances as of the end of each of the last five quarters.

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
Total primary retail deposit customers (<i>in thousands</i>)	2,989	2,894	2,808	2,681	2,597
Deposits (\$ in millions)					
Retail	\$ 140,100	\$ 138,983	\$ 138,497	\$ 137,684	\$ 133,878
Brokered	11,264	13,677	13,801	12,590	9,617
Other (a)	1,471	1,650	1,715	2,023	2,256
Total deposits	\$ 152,835	\$ 154,310	\$ 154,013	\$ 152,297	\$ 145,751

(a) Other deposits include mortgage escrow deposits. Other deposits also include a deposit related to Ally Invest customer cash balances deposited at Ally Bank by a third party of \$1.3 billion as of September 30, 2023, \$1.5 billion as of both June 30, 2023 and March 31, 2023, \$1.8 billion as of December 31, 2022, and \$2.0 billion as of September 30, 2022.

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During the nine months ended September 30, 2023, our total deposit base increased \$538 million, and we added approximately 307,000 retail deposit customers, ending with approximately 3.0 million retail deposit customers as of September 30, 2023. Total retail deposits increased \$2.4 billion during the nine months ended September 30, 2023, bringing the total retail deposits portfolio to \$140.1 billion as of September 30, 2023, primarily driven by an increase in retail deposit customers. We have maintained competitive deposit rates in response to higher benchmark interest rates and changes in product offerings by banks and nonbanks. Additionally, brokered deposits decreased \$1.3 billion during the nine months ended September 30, 2023. During the nine months ended September 30, 2023, our CD deposit liabilities increased \$12.2 billion and our savings, money market, and spending account deposit liabilities decreased \$11.6 billion. This trend was primarily due to customer migration from liquid savings to fixed-rate CDs, as observed across the industry. Overall, strong customer acquisition and retention rates continue to deliver a favorable funding mix.

Following the failures of SVB and Signature, we briefly experienced elevated two-way deposit flows. Uninsured deposit outflows were more than offset by inflows from new and existing customers. Approximately 92% of retail deposits at Ally Bank were FDIC-insured as of September 30, 2023. Our total available liquidity exceeded our uninsured deposit liabilities by \$52.8 billion as of September 30, 2023.

We continue to advance our digital capabilities and deliver incremental value to our retail deposit customers beyond competitive rates and low fees. Notably, our digital tools (e.g. Savings & Spend Buckets) improve the digital banking experience across the entire customer journey, and additional account features like CoverDraft and early direct deposit further bolster our "Do It Right" commitment for our customers.

We continue to be recognized for the totality of experience and value we provide our customers. In April 2023, Forbes again named Ally to its "World's Best Banks" list followed by The Wall Street Journal's BuySide recognition of Ally Bank as the "Best Online Bank of 2023." In October 2023, MONEY® Magazine named Ally to its "Best Online Bank" list for the sixth consecutive year, as well as the eleventh time in the past thirteen years. In January 2023, Bankrate named Ally Bank the "Best Bank Overall." For additional information on our deposit funding by type, refer to Note 11 to the Condensed Consolidated Financial Statements.

Securitized and Secured Financings

In addition to building a larger deposit base in recent years, we maintain a presence in the securitization markets to finance our automotive loan portfolios. Securitizations and secured funding transactions, collectively referred to as securitization transactions due to their similarities, allow us to convert our automotive-finance receivables into cash earlier than what would have occurred in the normal course of business. For additional details surrounding our securitization activities, refer to the section titled *Liquidity Management, Funding, and Regulatory Capital* in our 2022 Annual Report on Form 10-K.

During the nine months ended September 30, 2023, we raised \$1.6 billion through the completion of term securitization transactions backed by consumer automotive loans.

We have access to funding through advances with the FHLB. These advances are primarily secured by consumer and commercial mortgage finance receivables and loans and investment securities. As of September 30, 2023, we had pledged \$27.9 billion of assets to the FHLB resulting in \$18.8 billion in total funding capacity with \$7.8 billion of debt outstanding.

At September 30, 2023, \$72.1 billion of our total assets were restricted as collateral for the payment of debt obligations accounted for as secured borrowings. Refer to Note 12 to the Condensed Consolidated Financial Statements for further discussion.

Unsecured Financings

We have short-term and long-term unsecured debt outstanding from retail term note programs. These programs are composed of callable fixed-rate instruments with fixed maturity dates. There were \$563 million of retail term notes outstanding at September 30, 2023. The remainder of our unsecured debt is composed of institutional term debt. In February 2023, we accessed the unsecured debt capital markets and raised \$500 million through the issuance of subordinated notes. In June 2023, we raised \$850 million through the issuance of unsecured senior notes. Refer to Note 12 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt.

Other Secured and Unsecured Short-term Borrowings

We have access to repurchase agreements. A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. The securities sold in repurchase agreements include U.S. government and federal agency obligations. As of September 30, 2023, we had \$735 million debt outstanding under repurchase agreements.

Additionally, we have access to the FRB Discount Window and can borrow funds to meet short-term liquidity demands. The FRB, however, is not a primary source of funding for day-to-day business. Instead, it is a liquidity source that can be accessed in stressed environments or periods of market disruption. As of September 30, 2023, we had assets pledged and restricted as collateral to the FRB totaling \$34.0 billion, resulting in \$25.6 billion in total funding capacity with no debt outstanding. For information on our ability to access the BTFP, refer to the section above titled *Response to Banking Industry Failures*.

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Guaranteed Securities

Certain senior notes (collectively, the Guaranteed Notes) issued by Ally Financial Inc. (referred to within this section as the Parent) are unconditionally guaranteed on a joint and several basis by IB Finance, a subsidiary of the Parent and the direct parent of Ally Bank, and Ally US LLC, a subsidiary of the Parent (together, the Guarantors, and the guarantee provided by each such Guarantor, the Note Guarantees). The Guarantors are primary obligors with respect to payment when due, whether at maturity, by acceleration or otherwise, of all payment obligations of the Parent in respect of the Guaranteed Notes pursuant to the terms of the applicable indenture. At both September 30, 2023, and December 31, 2022, the outstanding principal balance of the Guaranteed Notes was \$2.0 billion, with the last scheduled maturity to take place in 2031.

The Note Guarantees rank equally in right of payment with the applicable Guarantor's existing and future unsubordinated unsecured indebtedness and are subordinate to any secured indebtedness of the applicable Guarantor to the extent of the value of the assets securing such indebtedness. The Note Guarantees are structurally subordinate to indebtedness and other liabilities (including trade payables and lease obligations, and in the case of Ally Bank, its deposits) of any nonguarantor subsidiaries of the applicable Guarantor to the extent of the value of the assets of such subsidiaries.

The Note Guarantees and all other obligations of the Guarantors will terminate and be of no further force or effect (i) upon a permissible sale, disposition, or other transfer (including through merger or consolidation) of a majority of the equity interests (including any sale, disposition or other transfer following which the applicable Guarantor is no longer a subsidiary of the Parent), of the applicable Guarantor, or (ii) upon the discharge of the Parent's obligations related to the Guaranteed Notes.

The following tables present summarized financial data for the Parent and the Guarantors on a combined basis. The Guarantors, both of which the Parent is deemed to possess control over, are fully consolidated after eliminating intercompany balances and transactions. Summarized financial data for nonguarantor subsidiaries is excluded.

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net financing loss and other interest income (a)	\$ (242)	\$ (246)	\$ (718)	\$ (783)
Dividends from bank subsidiaries	500	900	1,000	2,300
Dividends from nonbank subsidiaries	—	—	250	1
Total other revenue (loss)	33	(75)	123	50
Total net revenue	291	579	655	1,568
Provision for credit losses	(14)	(4)	(15)	(24)
Total noninterest expense	91	168	346	478
Income from continuing operations before income tax benefit	214	415	324	1,114
Income tax benefit from continuing operations (b)	(188)	(92)	(336)	(248)
Net income from continuing operations	402	507	660	1,362
Loss from discontinued operations, net of tax	—	(1)	(1)	(1)
Net income (c)	\$ 402	\$ 506	\$ 659	\$ 1,361

- (a) Net financing loss and other interest income is primarily driven by interest expense on long-term debt. Refer to Note 12 to the Condensed Consolidated Financial Statements for further discussion.
- (b) There is a significant variation in the customary relationship between pretax income and income tax benefit due to our accounting policy elections and consolidated tax adjustments. The income tax benefit excludes tax effects on dividends from subsidiaries.
- (c) Excludes the Parent's and Guarantors' share of income of all nonguarantor subsidiaries.

(\$ in millions)	September 30, 2023	December 31, 2022
Total assets (a)	\$ 6,913	\$ 5,467
Total liabilities	\$ 12,074	\$ 10,996

- (a) Excludes investments in all nonguarantor subsidiaries.

Cash Flows

The following summarizes the activity reflected in the Condensed Consolidated Statement of Cash Flows. While this information may be helpful to highlight certain macro trends and business strategies, the cash flow analysis may not be as helpful when analyzing changes in our net earnings and net assets. We believe that in addition to the traditional cash flow analysis, the discussion related to liquidity, dividends, and ALM herein may provide more useful context in evaluating our liquidity position and related activity.

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Net cash provided by operating activities was \$4.7 billion and \$5.1 billion for the nine months ended September 30, 2023, and 2022, respectively. Operating cash inflows were lower versus the prior year due to unfavorable market conditions as a result of the current macroeconomic environment. Refer to the *Consolidated Results of Operations* section of this MD&A for further discussion.

Net cash used in investing activities was \$4.2 billion and \$13.9 billion for the nine months ended September 30, 2023, and 2022, respectively. The change was primarily due to a \$5.8 billion increase in net cash inflows related to loans held-for-investment and a \$3.4 billion increase in net cash inflows related to available-for-sale securities.

Net cash provided by financing activities for the nine months ended September 30, 2023, was \$2.4 billion, compared to \$8.9 billion for the same period in 2022. The change was primarily attributable to a decrease in net cash inflows of \$7.2 billion related to short-term borrowings and a decrease in deposits of \$3.6 billion. The decrease was partially offset by decreases in cash outflows, including lower repayments of long-term debt of \$2.7 billion and lower repurchases of common stock of \$1.6 billion.

Capital Planning and Stress Tests

Under the Tailoring Rules, we are generally subject to supervisory stress testing on a two-year cycle and exempted from mandated company-run capital stress testing requirements. We are also required to submit an annual capital plan to the FRB. Our annual 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 our capital. The plan must also include a detailed description of our process for assessing capital adequacy, including a discussion of how we, under expected and stressful conditions, will maintain capital commensurate with our risks and above the minimum regulatory capital ratios, will serve as a source of strength to Ally Bank, and will maintain sufficient capital to continue our operations by maintaining ready access to funding, meeting our obligations to creditors and other counterparties, and continuing to serve as a credit intermediary.

The Tailoring Rules align capital planning, supervisory stress testing, and stress capital buffer requirements for large banking organizations like Ally. As a Category IV firm, Ally is expected to have the ability to elect to participate in the supervisory stress test—and receive a correspondingly updated stress capital buffer requirement—in a year in which Ally would not generally be subject to the supervisory stress test. Refer to the section titled *Basel Capital Framework* in Note 17 to the Condensed Consolidated Financial Statements for further discussion about our stress capital buffer requirements. During a year in which Ally does not undergo a supervisory stress test, we would receive an updated stress capital buffer requirement only to reflect our updated planned common-stock dividends. Ally was subject to the 2022 supervisory stress test and did not elect to participate in the 2023 supervisory stress test.

On January 10, 2022, our Board authorized a stock-repurchase program, permitting us to repurchase up to \$2.0 billion of our common stock from time to time from the first quarter of 2022 through the fourth quarter of 2022 subject to restrictions imposed by the FRB, and an increase in our cash dividend on common stock from \$0.25 per share for the fourth quarter of 2021 to \$0.30 per share for the first quarter of 2022. During the year ended December 31, 2022, we repurchased \$1.65 billion of common stock under our stock-repurchase program. Since the commencement of our initial stock-repurchase program in the third quarter of 2016, we have reduced the number of outstanding shares of our common stock by 38%, from 484 million as of June 30, 2016, to 302 million as of September 30, 2023. At this time, the Board has not authorized a stock-repurchase program for 2023 or 2024.

We submitted our 2022 capital plan to the FRB on April 5, 2022. Ally received an updated preliminary stress capital buffer requirement from the FRB in June 2022, which was determined to be 2.5% and reflected a decline of 100 basis points relative to our prior requirement. The updated 2.5% stress capital buffer requirement was finalized in August 2022 and became effective on October 1, 2022. In February 2023, we accessed the unsecured debt capital markets and issued \$500 million of additional subordinated notes, which qualify as Tier 2 capital for Ally under U.S. Basel III. We submitted our 2023 capital plan to the FRB on April 5, 2023, and received in June 2023 an updated preliminary stress capital buffer requirement that remained unchanged at 2.5%. The 2.5% stress capital buffer requirement was finalized in July 2023 and became effective on October 1, 2023.

Our ability to make capital distributions, including our ability to pay dividends or repurchase shares of our common stock, will continue to be subject to the FRB's review and our internal governance requirements, including approval by our Board. The amount and size of any future dividends and share repurchases also will be subject to various factors, including Ally's capital and liquidity positions, accounting and regulatory considerations (including any restrictions that may be imposed by the FRB and any changes to capital, liquidity, and other regulatory requirements that may be proposed or adopted by the U.S. banking agencies), the taxation of share repurchases, financial and operational performance, alternative uses of capital, common-stock price, and general market conditions, and may be extended, modified, or discontinued at any time.

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Regulatory Capital

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—were subject to phase-in periods. For further information on U.S. Basel III, refer to Note 17 to the Condensed Consolidated Financial Statements. The following table presents selected regulatory capital data under U.S. Basel III.

(\$ in millions)	September 30,	
	2023	2022
Common Equity Tier 1 capital ratio	9.31 %	9.30 %
Tier 1 capital ratio	10.71 %	10.77 %
Total capital ratio	12.49 %	12.39 %
Tier 1 leverage ratio (to adjusted quarterly average assets) (a)	8.60 %	8.78 %
Total equity	\$ 12,825	\$ 12,434
CECL phase-in adjustment (b)	591	887
Preferred stock (c)	(2,324)	(2,324)
Goodwill and certain other intangibles	(878)	(910)
Deferred tax assets arising from net operating loss and tax credit carryforwards (d)	(5)	(4)
AOCl-related adjustments (e)	4,785	4,358
Common Equity Tier 1 capital	14,994	14,441
Preferred stock (c)	2,324	2,324
Other adjustments	(61)	(49)
Tier 1 capital	17,257	16,716
Qualifying subordinated debt and other instruments qualifying as Tier 2	903	624
Qualifying allowance for loan losses and other adjustments	1,966	1,898
Total capital	\$ 20,126	\$ 19,238
Risk-weighted assets (f)	\$ 161,076	\$ 155,214

- (a) Tier 1 leverage ratio equals Tier 1 capital divided by adjusted quarterly average total assets, which both reflect adjustments for disallowed goodwill, certain intangible assets, and disallowed deferred tax assets.
- (b) We elected to delay recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extended through December 31, 2021. Beginning on January 1, 2022, we phased in 25% of the previously deferred estimated capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025. Refer to Note 17 to the Condensed Consolidated Financial Statements for further information.
- (c) Refer to Note 14 to the Condensed Consolidated Financial Statements for additional details about our non-cumulative perpetual preferred stock.
- (d) Contains deferred tax assets required to be deducted from capital under U.S. Basel III.
- (e) Comprises adjustments related to our accumulated other comprehensive income opt-out election, which allows us to exclude most elements of accumulated other comprehensive income from regulatory capital.
- (f) Risk-weighted assets are defined by regulation and are generally determined by allocating assets and specified off-balance sheet exposures to various risk categories.

Credit Ratings

The cost and availability of unsecured financing are influenced by credit ratings, which are intended to be an indicator of the creditworthiness of a particular company, security, or obligation. Lower ratings result in higher borrowing costs and reduced access to capital markets. This is particularly true for certain institutional investors whose investment guidelines require investment-grade ratings on term debt and the two highest rating categories for short-term debt (particularly money-market investors).

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Nationally recognized statistical rating organizations rate substantially all our debt. The following table summarizes our current ratings and outlook by the respective nationally recognized rating agencies.

Rating agency	Short-term	Senior unsecured debt	Outlook
Fitch (a)	F3	BBB-	Stable
Moody's (b)	P-3	Baa3	Negative
S&P (c)	A-3	BBB-	Stable
DBRS (d)	R-2 (high)	BBB	Stable

- (a) Fitch affirmed our senior unsecured debt rating of BBB-, short-term rating of F3, and affirmed the outlook of Stable on March 20, 2023.
(b) Moody's affirmed our senior unsecured rating of Baa3, affirmed our short-term rating of P-3, and changed our outlook to Negative from Stable on August 7, 2023.
(c) Standard & Poor's affirmed our senior unsecured debt rating of BBB-, affirmed our short-term rating of A-3, and changed the outlook to Stable from Negative on March 25, 2021.
(d) DBRS upgraded our senior unsecured debt rating to BBB from BBB (Low), upgraded our short-term rating to R-2 (high) from R-3, and affirmed the outlook of Stable on March 6, 2023.

As illustrated by the issuer ratings above, as of September 30, 2023, Ally holds an investment-grade rating from all the respective nationally recognized rating agencies.

Rating agencies indicate that they base their ratings on many quantitative and qualitative factors, which may include capital adequacy, liquidity, asset quality, business mix, level and quality of earnings, and the current operating, legislative, and regulatory environment. Rating agencies themselves could make or be required to make substantial changes to their ratings policies and practices—particularly in response to legislative and regulatory changes. Potential changes in rating methodology, as well as in the legislative and regulatory environment, and the timing of those changes could impact our ratings, which as noted above could increase our borrowing costs and reduce our access to capital.

A credit rating is not a recommendation to buy, sell, or hold securities, and the ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each rating should be evaluated independently of any other rating.

Critical Accounting Estimates

We identified critical accounting estimates that, as a result of judgments, uncertainties, uniqueness, and complexities of the underlying accounting standards and operations involved could result in material changes to our financial condition, results of operations, or cash flows under different conditions or using different assumptions.

Our most critical accounting estimates are as follows:

- Allowance for loan losses
- Valuation of automotive lease assets and residuals
- Fair value of financial instruments
- Determination of provision for income taxes

We did not substantively change any material aspect of our methodologies and processes used in developing any of the estimates described above from what was described in the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

Refer to Note 1 to the Condensed Consolidated Financial Statements for further discussion regarding the methodology used in calculating the provision for income taxes for interim financial reporting.

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Statistical Table

The accompanying supplemental information should be read in conjunction with the more detailed information, including our Condensed Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Net Interest Margin Table

The following tables present an analysis of net yield on interest-earning assets (or net interest margin) excluding discontinued operations for the periods shown.

Three months ended September 30, (\$ in millions)	2023			2022			Increase (decrease) due to		
	Average balance (a)	Interest income/interest expense	Yield/rate	Average balance (a)	Interest income/interest expense	Yield/rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	\$ 8,308	\$ 99	4.73 %	\$ 3,627	\$ 16	1.73 %	\$ 21	\$ 62	\$ 83
Investment securities (b)	29,640	256	3.43	33,220	206	2.47	(22)	72	50
Loans held-for-sale, net	278	7	9.14	748	10	5.27	(6)	3	(3)
Finance receivables and loans, net (b) (c)	139,153	2,837	8.09	129,996	2,120	6.47	149	568	717
Investment in operating leases, net (d)	9,817	173	7.00	10,588	159	5.98	(12)	26	14
Other earning assets	724	11	6.02	946	12	4.81	(3)	2	(1)
Total interest-earning assets	187,920	3,383	7.14	179,125	2,523	5.59			860
Noninterest-bearing cash and cash equivalents	335			503					
Other assets	10,925			10,338					
Allowance for loan losses	(3,820)			(3,494)					
Total assets	\$ 195,360			\$ 186,472					
Liabilities and equity									
Interest-bearing deposit liabilities (b)	\$ 153,345	\$ 1,563	4.04 %	\$ 142,586	\$ 567	1.58 %	\$ 43	\$ 953	\$ 996
Short-term borrowings	948	13	5.80	6,266	43	2.77	(36)	6	(30)
Long-term debt	20,315	274	5.35	16,798	194	4.59	41	39	80
Total interest-bearing liabilities	174,608	1,850	4.21	165,650	804	1.93			1,046
Noninterest-bearing deposit liabilities	181			207					
Total funding sources	174,789	1,850	4.21	165,857	804	1.93			
Other liabilities (e)	6,503	—	—	6,435	—	—	—	—	—
Total liabilities	181,292			172,292					
Total equity	14,068			14,180					
Total liabilities and equity	\$ 195,360			\$ 186,472					
Net financing revenue and other interest income		\$ 1,533			\$ 1,719				\$ (186)
Net interest spread (f)			2.93 %			3.66 %			
Net yield on interest-earning assets (g)			3.24 %			3.81 %			

(a) Average balances are calculated using an average daily balance methodology.

(b) Includes the effects of derivative financial instruments designated as hedges. Refer to Note 18 to the Condensed Consolidated Financial Statements for further information about the effects of our hedging activities.

(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Condensed Consolidated Financial Statements.

(d) Yield includes gains on the sale of off-lease vehicles of \$57 million and \$39 million for the three months ended September 30, 2023, and 2022, respectively. Excluding these gains on sale, the annualized yield was 4.69% and 4.52% for the three months ended September 30, 2023, and 2022, respectively.

(e) Represents interest expense on tax liabilities included in other liabilities on the Condensed Consolidated Balance Sheet. The interest expense on tax liabilities is included in the net yield on interest-earning assets and excluded from the interest spread. For more information on our accounting policies regarding income taxes, refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

(f) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

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

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Nine months ended September 30, (\$ in millions)	2023			2022			Increase (decrease) due to		
	Average balance (a)	Interest income/interest expense	Yield/rate	Average balance (a)	Interest income/interest expense	Yield/rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	\$ 7,156	\$ 242	4.52 %	\$ 3,804	\$ 23	0.81 %	\$ 20	\$ 199	\$ 219
Investment securities (b)	30,650	720	3.14	34,282	584	2.28	(62)	198	136
Loans held-for-sale, net	477	29	8.00	580	18	4.14	(3)	14	11
Finance receivables and loans, net (b) (c)	137,398	8,133	7.91	126,159	5,676	6.02	506	1,951	2,457
Investment in operating leases, net (d)	10,119	541	7.15	10,693	522	6.54	(28)	47	19
Other earning assets	700	32	6.06	879	25	3.76	(5)	12	7
Total interest-earning assets	186,500	9,697	6.95	176,397	6,848	5.19			2,849
Noninterest-bearing cash and cash equivalents	343			423					
Other assets	10,841			10,226					
Allowance for loan losses	(3,775)			(3,371)					
Total assets	\$ 193,909			\$ 183,675					
Liabilities and equity									
Interest-bearing deposit liabilities (b)	\$ 152,715	\$ 4,198	3.68 %	\$ 141,206	\$ 1,041	0.99 %	\$ 85	\$ 3,072	\$ 3,157
Short-term borrowings	935	36	5.52	4,333	67	2.11	(53)	22	(31)
Long-term debt	19,660	753	5.12	16,481	563	4.57	109	81	190
Total interest-bearing liabilities	173,310	4,987	3.85	162,020	1,671	1.38			3,316
Noninterest-bearing deposit liabilities	174			186					
Total funding sources	173,484	4,987	3.85	162,206	1,671	1.38			
Other liabilities (e)	6,641	2	n/m	6,537	1	n/m	n/m	n/m	1
Total liabilities	180,125			168,743					
Total equity	13,784			14,932					
Total liabilities and equity	\$ 193,909			\$ 183,675					
Net financing revenue and other interest income		\$ 4,708			\$ 5,176				\$ (468)
Net interest spread (f)			3.10 %			3.81 %			
Net yield on interest-earning assets (g)			3.37 %			3.92 %			

n/m = not meaningful

(a) Average balances are calculated using an average daily balance methodology.

(b) Includes the effects of derivative financial instruments designated as hedges. Refer to Note 18 to the Condensed Consolidated Financial Statements for further information about the effects of our hedging activities.

(c) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Condensed Consolidated Financial Statements.

(d) Yield includes gains on the sale of off-lease vehicles of \$174 million and \$139 million for the nine months ended September 30, 2023, and 2022, respectively. Excluding these gains on sale, the annualized yield was 4.85% and 4.80% for the nine months ended September 30, 2023, and 2022, respectively.

(e) Represents interest expense on tax liabilities included in other liabilities on the Condensed Consolidated Balance Sheet. The interest expense on tax liabilities is included in the net yield on interest-earning assets and excluded from the interest spread. For more information on our accounting policies regarding income taxes, refer to Note 1 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

(f) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.

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

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk

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Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk section of Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Controls and Procedures

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), to allow for timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of internal control including the possibility of human error or the circumvention or overriding of controls through individual actions or collusion. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) and concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

In the normal course of business, we review our controls and procedures and make enhancements or modifications intended to support the quality of our financial reporting. There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2023, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

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Item 1. Legal Proceedings

Refer to Note 23 to the Condensed Consolidated Financial Statements (incorporated herein by reference) for a discussion related to our legal proceedings, which supplements the discussion of legal proceedings set forth in Note 29 to the Consolidated Financial Statements in our 2022 Annual Report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors described in our 2022 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not have any unregistered sales of equity securities during the three months ended September 30, 2023.

Purchases of Equity Securities by the Issuer

The following table presents repurchases of our common stock, by month, for the three months ended September 30, 2023.

Three months ended September 30, 2023	Total number of shares repurchased (a) (in thousands)	Weighted-average price paid per share (a) (in dollars)
July 2023	—	\$ —
August 2023	3	27.37
September 2023	2	29.06
Total	5	28.02

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

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) Director or Executive Officer Rule 10b5-1 and Non-Rule 10b5-1 Trading Arrangements

During the three months ended September 30, 2023, none of our directors or executive officers, as defined in Rule 16a-1 under the Exchange Act, adopted, terminated, or modified a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” as such terms are defined under Item 408 of Regulation S-K.

Item 6. Exhibits

The exhibits listed on the following index of exhibits are filed as a part of this report.

Exhibit	Description	Method of Filing
10.1	Letter Agreement, dated October 10, 2023, between Ally Financial Inc. and Jeffrey J. Brown accepting Mr. Brown's Notice of Intent to Retire	Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated as of October 11, 2023, (File No. 1-03754) , incorporated herein by reference.
22.1	Subsidiary Guarantors	Filed as Exhibit 22 to the Company's Quarterly Report for the period ended March 31, 2020, on Form 10-Q (File No. 1-3754) , incorporated herein by reference.
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)	Filed herewith.
32	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350	Filed herewith.
101	The following information from our Form 10-Q for the quarter ended September 30, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Statement of Comprehensive Income (unaudited), (ii) Condensed Consolidated Balance Sheet (unaudited), (iii) Condensed Consolidated Statement of Changes in Equity (unaudited), (iv) Condensed Consolidated Statement of Cash Flows (unaudited), and (v) the Notes to the Condensed Consolidated Financial Statements (unaudited)	Filed herewith.
104	The cover page of our Form 10-Q for the quarter ended September 30, 2023, (formatted in Inline XBRL and contained in Exhibit 101)	Filed herewith.

Signatures

Ally Financial Inc. • Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, this 31st day of October, 2023.

Ally Financial Inc.
(Registrant)

/S/ RUSSELL E. HUTCHINSON

Russell E. Hutchinson
Chief Financial Officer

/S/ DAVID J. DEBRUNNER

David J. DeBrunner
Vice President, Controller, and Chief Accounting Officer

Exhibit 31.1

Ally Financial Inc.

I, Jeffrey J. Brown, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2023

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
Chief Executive Officer

Exhibit 31.2

Ally Financial Inc.

I, Russell E. Hutchinson, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2023

/s/ RUSSELL E. HUTCHINSON

Russell E. Hutchinson
Chief Financial Officer

Exhibit 32

Ally Financial Inc.

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Ally Financial Inc. (the Company) on Form 10-Q for the period ending September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the Report), each of the undersigned officers of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to the best of their knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Chief Executive Officer
October 31, 2023

/S/ RUSSELL E. HUTCHINSON

Russell E. Hutchinson
Chief Financial Officer
October 31, 2023

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Ally Financial Inc. and will be furnished to the Securities and Exchange Commission or its staff upon request.