Ally Financial Inc.
Form 10-Q
October 31, 2017
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2017, or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number: 1-3754
ALLY FINANCIAL INC.
(Exact name of registrant as specified in its charter)

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

Ally Detroit Center
500 Woodward Ave.
Floor 10, Detroit, Michigan
48226
(Address of principal executive offices)
(Zip Code)
(866) 710-4623
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).
Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a smaller reporting company)		Emerging growth company o

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. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No þ
At October 27, 2017, the number of shares outstanding of the Registrant's common stock was 442,185,905 shares.

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Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
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($ in millions)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,486	$1,307	$4,301	$3,807
Interest and dividends on investment securities and other earning assets	157	101	437	302
Interest on cash and cash equivalents	11	3	23	10
Operating leases	434	649	1,465	2,119
Total financing revenue and other interest income	2,088	2,060	6,226	6,238
Interest expense				
Interest on deposits	285	212	766	608
Interest on short-term borrowings	34	14	94	39
Interest on long-term debt	416	430	1,257	1,308
Total interest expense	735	656	2,117	1,955
Net depreciation expense on operating lease assets	272	408	982	1,352
Net financing revenue and other interest income	1,081	996	3,127	2,931
Other revenue				
Insurance premiums and service revenue earned	252	238	720	704
Gain on mortgage and automotive loans, net	15	—	65	4
Loss on extinguishment of debt	(4)	—	(6)	(4)
Other gain on investments, net	23	52	73	145
Other income, net of losses	95	98	313	289
Total other revenue	381	388	1,165	1,138
Total net revenue	1,462	1,384	4,292	4,069
Provision for loan losses	314	258	854	650
Noninterest expense				
Compensation and benefits expense	264	248	814	742
Insurance losses and loss adjustment expenses	65	69	278	287
Other operating expenses	424	418	1,249	1,189
Total noninterest expense	753	735	2,341	2,218
Income from continuing operations before income tax expense	395	391	1,097	1,201
Income tax expense from continuing operations	115	130	350	336
Net income from continuing operations	280	261	747	865
Income (loss) from discontinued operations, net of tax	2	(52)	1	(46)
Net income	282	209	748	819
Other comprehensive income (loss), net of tax	48	(4)	144	262
Comprehensive income	$330	$205	$892	$1,081

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)
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(in dollars) (a)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Basic earnings per common share				
Net income from continuing operations	$0.62	$0.54	$1.63	$1.73
Income (loss) from discontinued operations, net of tax	—	(0.11)	—	(0.10)
Net income	$0.63	$0.43	$1.63	$1.63
Diluted earnings per common share				
Net income from continuing operations	$0.62	$0.54	$1.63	$1.72
Income (loss) from discontinued operations, net of tax	—	(0.11)	—	(0.10)
Net income	$0.63	$0.43	$1.63	$1.63
Cash dividends declared per common share	$0.12	$0.08	$0.28	$0.08

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

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

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Condensed Consolidated Balance Sheet (unaudited)
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($ in millions, except share data)	September 30, 2017	December 31, 2016
Assets		
Cash and cash equivalents		
Noninterest-bearing	$ 810	$ 1,547
Interest-bearing	3,614	4,387
Total cash and cash equivalents	4,424	5,934
Available-for-sale securities (refer to Note 7 for discussion of investment securities pledged as collateral)	23,099	18,926
Held-to-maturity securities (fair value of $1,807 and $789)	1,839	839
Loans held-for-sale, net	18	—
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	118,871	118,944
Allowance for loan losses	(1,286)	(1,144)
Total finance receivables and loans, net	117,585	117,800
Investment in operating leases, net	8,931	11,470
Premiums receivable and other insurance assets	2,054	1,905
Other assets	6,063	6,854
Total assets	$ 164,013	$ 163,728
Liabilities		
Deposit liabilities		
Noninterest-bearing	$ 129	$ 84
Interest-bearing	89,987	78,938
Total deposit liabilities	90,116	79,022
Short-term borrowings	10,175	12,673
Long-term debt	45,122	54,128
Interest payable	552	351
Unearned insurance premiums and service revenue	2,583	2,500
Accrued expenses and other liabilities	1,892	1,737
Total liabilities	150,440	150,411
Contingencies (refer to Note 25)		
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 489,593,314 and 485,707,644; and outstanding 443,796,233 and 467,000,306)	21,223	21,166
Accumulated deficit	(6,533)	(7,151)
Accumulated other comprehensive loss	(197)	(341)
Treasury stock, at cost (45,797,081 and 18,707,338 shares)	(920)	(357)
Total equity	13,573	13,317
Total liabilities and equity	$ 164,013	$ 163,728

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

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

($ in millions)	September 30, 2017	December 31, 2016
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	$ 20,020	$ 24,630
Allowance for loan losses	(134)	(173)
Total finance receivables and loans, net	19,886	24,457
Investment in operating leases, net	704	1,745
Other assets	1,037	1,390
Total assets	$ 21,627	$ 27,592
Liabilities		
Long-term debt	$ 10,046	$ 13,259
Accrued expenses and other liabilities	10	12
Total liabilities	$ 10,056	$ 13,271

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Condensed Consolidated Statement of Changes in Equity (unaudited)
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($ in millions)	Common stock and paid-in capital	Preferred stock	Accumulated deficit	Accumulated other comprehensive (loss) income	Treasury stock	Total equity
Balance at January 1, 2016	$21,100	$ 696	$ (8,110)	$ (231)	$ (16)	$13,439
Net income			819			819
Preferred stock dividends			(30)			(30)
Series A preferred stock redemption		(696)				(696)
Share-based compensation	49					49
Other comprehensive income				262		262
Common stock repurchases					(173)	(173)
Common stock dividend ($0.08 per share)			(40)			(40)
Balance at September 30, 2016	$21,149	$ —	$ (7,361)	$ 31	$ (189)	$13,630
Balance at January 1, 2017	$21,166	$ —	$ (7,151)	$ (341)	$ (357)	$13,317
Net income			748			748
Share-based compensation	57					57
Other comprehensive income				144		144
Common stock repurchases					(563)	(563)
Common stock dividends ($0.28 per share)			(130)			(130)
Balance at September 30, 2017	$21,223	$ —	$ (6,533)	$ (197)	$ (920)	$13,573

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Nine months ended September 30, ($ in millions)	2017	2016
Operating activities		
Net income	$748	$ 819
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	1,434	1,807
Provision for loan losses	854	650
Gain on mortgage and automotive loans, net	(65)	(4)
Other gain on investments, net	(73)	(145)
Loss on extinguishment of debt	6	4
Originations and purchases of loans held-for-sale	(252)	(141)
Proceeds from sales and repayments of loans originated as held-for-sale	236	184
Net change in		
Deferred income taxes	289	322
Interest payable	202	112
Other assets	(57)	16
Other liabilities	(19)	(65)
Other, net	70	30
Net cash provided by operating activities	3,373	3,589
Investing activities		
Purchases of available-for-sale securities	(9,022)	(11,027)
Proceeds from sales of available-for-sale securities	2,926	8,546
Proceeds from maturities and repayments of available-for-sale securities	2,002	2,411
Purchases of held-to-maturity securities	(709)	(650)
Proceeds from maturities and repayments of held-to-maturity securities	32	—
Purchases of finance receivables and loans held-for-investment	(3,125)	(2,924)
Proceeds from sales of finance receivables and loans originated as held-for-investment	1,323	4,221
Originations and repayments of finance receivables and loans held-for-investment and other, net	1,021	(5,384)
Purchases of operating lease assets	(2,844)	(2,360)
Disposals of operating lease assets	4,409	4,631
Acquisitions, net of cash acquired	—	(309)
Net change in restricted cash	497	622
Net change in nonmarketable equity investments	(20)	(401)
Other, net	(159)	(157)
Net cash used in investing activities	(3,669)	(2,781)

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

Nine months ended September 30, ($ in millions)	2017	2016
Financing activities		
Net change in short-term borrowings	(2,500)	(1,673)
Net increase in deposits	11,050	9,240
Proceeds from issuance of long-term debt	13,302	11,229
Repayments of long-term debt	(22,376)	(20,758)
Repurchase and redemption of preferred stock	—	(696)
Repurchase of common stock	(563)	(173)
Dividends paid	(130)	(70)
Net cash used in financing activities	(1,217)	(2,901)
Effect of exchange-rate changes on cash and cash equivalents	3	2
Net decrease in cash and cash equivalents	(1,510)	(2,091)
Cash and cash equivalents at beginning of year	5,934	6,380
Cash and cash equivalents at September 30,	$4,424	$4,289
Supplemental disclosures		
Cash paid for		
Interest	$1,910	$1,860
Income taxes	32	16
Noncash items		
Held-to-maturity securities received in consideration for loans sold	56	—
Finance receivables and loans transferred to loans held-for-sale	1,326	4,231
Other disclosures		
Proceeds from repayments of mortgage loans held-for-investment originally designated as held-for-sale	29	28

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

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

Ally Financial Inc. (together with its consolidated subsidiaries unless the context requires otherwise, Ally, the Company, or we, us, or our) is a leading digital financial services company and top 25 U.S. financial holding company (FHC) offering diversified financial products for consumers, businesses, automotive dealers, and corporate clients. Our legacy dates back to 1919, and Ally was redesigned in 2009 with a distinctive brand, innovative approach, and relentless focus on our customers. We reconverted to a Delaware corporation in 2009 and are registered as a bank holding company (BHC) under the Bank Holding Company Act of 1956 as amended and an FHC under the Gramm-Leach-Bliley Act of 1999 as amended. We are one of the largest full service automotive finance operations in the country with a deep expertise in automotive lending and a complementary automotive-focused insurance business. Our wholly-owned banking subsidiary, Ally Bank, has received numerous industry awards for its services and capabilities and is one of the largest and most respected online banks, uniquely positioned for the observed shifting trends in consumer and commercial banking preferences for digital banking. We offer a variety of deposit and banking products including CDs, online savings, money market and checking accounts, IRA products, a cash back credit card, and mortgage lending offerings through Ally Home. We have recently integrated a growing digital wealth management and online brokerage platform to enable consumers to have a variety of options in managing their savings and wealth. Additionally, through our corporate finance business, we offer lending solutions to middle-market companies.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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, legal and regulatory reserves, and the determination of the provision for income taxes.

The Condensed Consolidated Financial Statements at September 30, 2017, and for the three months and nine months ended September 30, 2017, and 2016, 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, 2016, as filed on February 27, 2017, with the U.S. Securities and Exchange Commission (SEC).

Significant Accounting Policies

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification (ASC) 740, Income Taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. This method differs from that described in Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K, which describes our annual significant income tax accounting policy and related methodology.

Securitizations and Variable Interest Entities

We securitize, transfer, and service consumer and commercial automotive loans and operating leases. Securitization transactions typically involve the use of variable interest entities (VIEs) and are accounted for either as sales or secured borrowings. We may retain economic interests in securitized and sold assets, which are generally in the form of senior or subordinated interests, other residual interests, and servicing rights.

In order to conclude whether or not a VIE is required to be consolidated, careful consideration and judgment must be given to our continuing involvement with the VIE. In circumstances where we have both the power to direct the activities of the entity that most significantly impact the entity's performance and the obligation to absorb losses or the right to receive benefits of the entity that could be significant, we would conclude that we are the primary beneficiary of the VIE, and would consolidate the entity. Consolidation of the VIE would also preclude us from recording an accounting sale on the transaction. In the case of a consolidated VIE, the accounting is consistent with a secured borrowing (e.g., we continue to carry the loans and we record the related securitized debt on our Condensed Consolidated Balance Sheet).

In transactions where we are not determined to be the primary beneficiary of the VIE, we must determine whether or not we achieve a sale for accounting purposes. In order to achieve a sale for accounting purposes, the assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond our control. If we were to fail any of these three criteria for sale accounting, the transfer would be accounted for as a secured borrowing consistent with the preceding paragraph. Refer to Note 10 to the Condensed Consolidated Financial Statements for discussion on VIEs.

Gains or losses on off-balance sheet securitizations take into consideration the fair value of any retained interests, including the value of certain servicing assets or liabilities, if any, which are initially recorded at fair value at the date of sale. The estimate of the fair value of the retained interests and servicing requires us to exercise significant judgment about the timing and amount of future cash flows from the interests. Refer to Note 21 to the Condensed Consolidated Financial Statements for a discussion of fair value estimates.

Gains or losses on off-balance sheet securitizations and sales are reported in gain on mortgage and automotive loans, net, in our Condensed Consolidated Statement of Comprehensive Income. Retained interests are classified as securities or as other assets depending on their nature. On December 24, 2016, the risk retention rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010 became effective, requiring us to retain at least five percent of the credit risk of the assets underlying asset-backed securitizations. This note was updated to address the Dodd-Frank Act risk retention rules and differs from our description in Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K.

We retain servicing responsibilities for all of our consumer and commercial automotive loan and operating lease securitizations. We may receive servicing fees for off-balance sheet securitizations based on the securitized loan balances and certain ancillary fees, all of which are reported in servicing fees in the Condensed Consolidated Statement of Comprehensive Income. Typically, the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, does not result in the recognition of a servicing asset or liability.

Whether on- or off-balance sheet, the investors in the securitization trusts generally have no recourse to our assets outside of protections afforded through customary market representation and warranty repurchase provisions.

Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Stock Compensation — Improvements to Employee Share-Based Payment Accounting (ASU 2016-09)

As of December 31, 2016, we adopted Accounting Standards Update (ASU) 2016-09. The amendments in this update changed several aspects of share-based payment accounting. The amendments allowed for an entity-wide accounting policy election to either account for forfeitures as they occur or estimate the number of awards that are expected to vest. We elected to account for forfeitures as they occur. The amendments modified the tax withholding requirements to allow entities to withhold an amount up to the employee’s maximum individual statutory tax rates without resulting in a liability classification of the award as opposed to limiting the withholding to the minimum statutory tax rates as required under previous accounting guidance. The amendments required that all excess tax benefits and tax deficiencies related to share-based payment awards be recognized in income tax expense or benefit in the income statement in the period in which they occur. The amendments also addressed the classification and presentation of certain items on the cash flow statement. Specifically, cash flows related to excess tax benefits should be classified as an operating activity instead of a financing activity and cash flows related to cash paid to a tax authority by an employer when withholding shares from an employee’s award for tax withholding purposes should be classified as a financing activity. The adoption of these amendments did not have a material impact to the financial statements.

Recently Issued Accounting Standards

Revenue from Contracts with Customers (ASU 2014-09) and Revenue from Contracts with Customers — Deferral of the Effective Date (ASU 2015-14)

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09. The purpose of this guidance is to streamline and consolidate existing revenue recognition principles in GAAP and to converge revenue recognition principles with International Financial Reporting Standards (IFRS). The core principle of the amendments is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. The amendments include a five step process for consideration of the core principle, guidance on the accounting treatment for costs associated with a contract, and disclosure requirements related to the revenue process. As originally issued, the amendments in ASU 2014-09 were to be effective beginning on January 1, 2017. However, in August 2015, the FASB issued ASU 2015-14, which deferred the effective date of the guidance until January 1, 2018, and permitted early adoption as of the original effective date in ASU 2014-09. The FASB has issued several additional ASUs to clarify guidance and provide implementation support for ASU 2014-09. Management has considered these additional ASUs when assessing the overall impact of ASU 2014-09. The amendments to the revenue recognition principles can be applied upon adoption either through a full retrospective application or on a modified retrospective basis with a cumulative effect adjustment on the date of initial adoption with certain practical expedients. Our implementation efforts to date related to this standard have included identifying revenue streams that are within the scope of this guidance, the evaluation of associated contracts and accounting policies, the evaluation of processes and systems of internal control, and the assessment of disclosure requirements of the standard. A majority of our revenue streams are not within the scope of this ASU as they are governed by other accounting standards. Management has determined that certain revenue streams and contractual arrangements are in scope of this guidance, including deposit fees, revenue on certain noninsurance contracts, brokering commissions through our insurance operations, sales of off-lease vehicles, remarketing fee income through SmartAuction, and commission and fee income generated through Ally Invest. Management does not expect these amendments to impact current revenue recognition patterns for a majority of the in scope revenue streams and contracts. However, we expect that the application of this guidance to noninsurance contracts within our insurance business will result in the deferral of certain amounts we currently recognize as revenue and expense upon the origination of the contract and the immediate recognition of certain expenses upon the origination of the contract that are currently deferred. Additionally, upon implementation we expect to expand our financial statement disclosures as required by the standard. Our assessment is not final; however, we do not expect the impact of the new guidance to these specific contracts to be material to the financial statements. We currently plan to adopt this guidance as of January 1, 2018, and expect to use the modified retrospective approach.

Financial Instruments — Recognition and Measurement of Financial Assets (ASU 2016-01)

In January 2016, the FASB issued ASU 2016-01. The amendments in this update modify the requirements related to the measurement of certain financial instruments in the statement of financial condition and results of operations. For equity investments (other than investments accounted for using the equity method), entities must measure such instruments at fair value with changes in fair value recognized in net income. Changes in fair value for equity securities will no longer be recognized through other comprehensive income. Reporting entities may continue to elect to measure equity investments that do not have a readily determinable fair value at cost with adjustments for impairment and observable changes in price. In addition, for a liability (other than a derivative liability) that an entity measures at fair value, any change in fair value related to the instrument-specific credit risk, that is the entity's own-credit, should be presented separately in other comprehensive income and not as a component of net income. The amendments are effective on January 1, 2018, with early adoption permitted solely for the provisions pertaining to instrument-specific credit risk for liabilities measured at fair value. The amendments must be applied on a modified retrospective basis with a cumulative effect adjustment as of the beginning of the fiscal year of initial adoption. While the amendment requiring equity investments to be measured at fair value with changes in fair value recognized in net income will create additional volatility in our Condensed Consolidated Statement of Comprehensive Income, we do not anticipate the other amendments will have a material impact to our financial statements. We currently plan to adopt these amendments on January 1, 2018, and expect to use the modified retrospective approach as required.

Leases (ASU 2016-02)

In February 2016, the FASB issued ASU 2016-02. The amendments in this update primarily replace the existing accounting requirements for operating leases for lessees. Lessee accounting requirements for finance leases and lessor accounting requirements for operating leases and sales type and direct financing leases (sales type and direct financing leases were both previously referred to as capital leases) are largely unchanged. The amendments require the lessee of an operating lease to record a balance sheet gross-up upon lease commencement by recognizing a right-of-use asset and lease liability equal to the present value of the lease payments. The right-of-use asset and lease liability should be derecognized in a manner that effectively yields a straight line lease expense over the lease term. In addition to the changes to the lessee operating lease accounting requirements, the amendments also change the types of costs that can be capitalized related to a lease agreement for both lessees and lessors for all types of leases. The amendments also require additional disclosures for all lease types for both lessees and lessors. The amendments are effective on January 1, 2019, with early adoption permitted. The amendments must be applied on a modified retrospective basis with a cumulative adjustment to the beginning of the earliest fiscal year presented in the financial statements in the period of adoption. Management is currently evaluating the impact of these amendments. Upon adoption, we expect to record a balance sheet gross-up, reflecting our right-of-use asset and lease liability for our operating leases where we are the lessee (for example, our facility leases). We are currently reviewing our operating lease contracts where we are the lessee to determine the impact of the gross-up and the changes to capitalizable costs. We are also reviewing our leases where we are the lessor to determine the impact of the changes to capitalizable costs. We currently plan to adopt these amendments on January 1, 2019, and expect to use the modified retrospective approach as required.

Financial Instruments — Credit Losses (ASU 2016-13)

In June 2016, the FASB issued ASU 2016-13. The amendments in this update introduce a new accounting model to measure credit losses for financial assets measured at amortized cost. Credit losses for financial assets measured at amortized cost should be determined based on the total current expected credit losses over the life of the financial asset or group of financial assets. In effect, the financial asset or group of financial assets should be presented at the net amount expected to be collected. Credit losses will no longer be measured as they are incurred for financial assets measured at amortized cost. The amendments also modify the accounting for available-for-sale debt securities whereby credit losses will be recorded through an allowance for credit losses rather than a write-down to the security’s cost basis, which allows for reversals of credit losses when estimated credit losses decline. Credit losses for available-for-sale debt securities should be measured in a manner similar to current GAAP. The amendments are effective on January 1, 2020, with early adoption permitted as of January 1, 2019. The amendments must be applied using a modified retrospective approach with a cumulative-effect adjustment through retained earnings as of the beginning of the fiscal year upon adoption. The new accounting model for credit losses represents a significant departure from existing GAAP, and will likely materially increase the allowance for credit losses with a resulting negative adjustment to retained earnings. Management created a formal working group to govern the implementation of these amendments consisting of key stakeholders from finance, risk, and accounting and is currently evaluating the impact of the amendments. We are in the process of designing and building the models and procedures that will be used to calculate the credit loss reserves in accordance with these amendments. We currently plan to adopt these amendments on January 1, 2020, and expect to use the modified retrospective approach as required.

Statement of Cash Flows — Restricted Cash (ASU 2016-18)

In November 2016, the FASB issued ASU 2016-18. The amendments in this update require that amounts classified as restricted cash and restricted cash equivalents be included within the beginning-of-period and end-of-period amounts along with cash and cash equivalents on the statement of cash flows. Prior to this ASU, specific guidance on the presentation of changes in restricted cash and restricted cash equivalents within the statement of cash flows did not exist. The amendments are effective on January 1, 2018, with early adoption permitted. The amendments must be applied retrospectively to all periods presented within the statement of cash flows upon adoption. The amendments will not impact financial results, but will result in a change in the presentation of restricted cash and restricted cash equivalents within the statement of cash flows. We currently plan to adopt these amendments on January 1, 2018, and expect to use the retrospective approach as required.

Receivables — Nonrefundable Fees and Other Costs: Premium Amortization on Purchased Callable Debt Securities (ASU 2017-08)

In March 2017, the FASB issued ASU 2017-08. The amendments in this update require premiums on purchased callable debt securities to be amortized to the security's earliest call date. Prior to this ASU, premiums and discounts on purchased callable debt securities were generally required to be amortized to the security's maturity date. The amendments do not require an accounting change for securities held at a discount. The amendments are effective on January 1, 2019, with early adoption permitted. The amendments must be applied using a modified retrospective approach with a cumulative-effect adjustment through retained earnings as of the beginning of the fiscal year upon adoption. Management is currently evaluating the impact of these amendments. We currently plan to adopt these amendments on January 1, 2019, and expect to use the modified retrospective approach as required.

Derivatives and Hedging — Targeted Improvements to Accounting for Hedging Activities (ASU 2017-12)

In August 2017, the FASB issued ASU 2017-12, which enhances the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements and make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The amendments in this update better align an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The amendments are effective on January 1, 2019, with early adoption permitted. Entities must apply the amendments to cash flow and net investment hedge relationships that exist on the date of adoption using a modified retrospective approach. All transition requirements and elections must be applied to hedging relationships existing as of the adoption date and the effect of adoption should be reflected as of the beginning of the fiscal year of adoption. The presentation and disclosure requirements must be applied prospectively. We are currently evaluating the impact these amendments will have to our financial statements and are evaluating the potential of early adopting the standard on January 1, 2018.

2. Acquisitions

On June 1, 2016, we acquired 100% of the equity of TradeKing Group, Inc. (TradeKing), a digital wealth management company with an online broker-dealer, digital portfolio management platform, and educational content for $298 million in cash. TradeKing, which has been rebranded as Ally Invest, operates as a wholly-owned subsidiary of Ally Financial Inc. The addition of brokerage and wealth management is a natural extension of our online banking franchise, creating a full suite of financial products for savings and investments. We applied the acquisition method of accounting to this transaction, which generally requires the initial recognition of assets acquired, including identifiable intangible assets, and liabilities assumed at their respective fair value. Goodwill is recognized as the excess of the acquisition price after the recognition of the net assets, including the identifiable intangible assets. Beginning in June 2016, financial information related to Ally Invest is included within Corporate and Other.

The following table summarizes the allocation of cash consideration paid for TradeKing and the amounts of the identifiable assets acquired and liabilities assumed recognized at the acquisition date.

($ in millions)	
Purchase price	
Cash consideration	$298
Allocation of purchase price to net assets acquired	
Intangible assets (a)	82
Cash and short-term investments (b)	50
Other assets	14
Deferred tax asset, net	4

Employee compensation and benefits	(41)
Other liabilities	(4)
Goodwill	$ 193

(a) We recorded $3 million and $8 million of amortization on these intangible assets during the three months and nine months ended September 30, 2017, respectively, and $3 million during both the three months and nine months ended September 30, 2016.

(b) Includes $40 million in cash proceeds from the acquisition transaction in order to pay employee compensation and benefits that vested upon acquisition as a result of the change in control.

The goodwill of $193 million arising from the acquisition consists largely of expected growth of the business as we leverage the Ally brand and our marketing capabilities to scale the acquired technology platform and expand the suite of financial products we offer to our existing growing customer base. None of the goodwill recognized is expected to be deductible for income tax purposes. Refer to Note 12 for the carrying amount of goodwill at the beginning and end of the reporting period.

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On August 1, 2016, we acquired assets that constitute a business from Blue Yield, an online automotive lender exchange which we rebranded as Clearlane, as we continue to expand our automotive finance offerings to include a direct-to-consumer option. We completed the acquisition for $28 million of total consideration. As a result of the purchase, we recognized $20 million of goodwill within Automotive Finance operations.

3. Discontinued Operations

Prior to the adoption of ASU 2014-08, which was prospectively applied only to newly identified disposals that qualify as discontinued operations beginning after January 1, 2015, we have classified operations as discontinued when operations and cash flows will be eliminated from our ongoing operations and we do not expect to retain any significant continuing involvement in their operations after the respective sale or disposal transactions. For all periods presented, the operating results for these discontinued operations have been removed from continuing operations and presented separately as discontinued operations, net of tax, in the Condensed Consolidated Statement of Comprehensive Income. The Notes to the Condensed Consolidated Financial Statements have been adjusted to exclude discontinued operations unless otherwise noted.

Our discontinued operations relate to previous discontinued operations in our Automotive Finance operations, Insurance operations, and Corporate Finance operating segments, and other operations for which we continue to have wind-down, legal, and minimal operational costs. Select financial information of discontinued operations is summarized below.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Pretax loss	$(1)	$(46)	$(2)	$(44)
Tax (benefit) expense	(3)	6	(3)	2

4. Other Income, Net of Losses

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Remarketing fees	$ 26	$ 26	$ 82	$ 79
Late charges and other administrative fees	25	25	77	72
Servicing fees	11	18	41	49
Income from equity-method investments	7	3	12	14
Other, net	26	26	101	75
Total other income, net of losses	$ 95	$ 98	$ 313	$ 289

5. Reserves for Insurance Losses and Loss Adjustment Expenses

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

($ in millions)	2017	2016
Total gross reserves for insurance losses and loss adjustment expenses at January 1,	$149	$169
Less: Reinsurance recoverable	108	120
Net reserves for insurance losses and loss adjustment expenses at January 1,	41	49
Net insurance losses and loss adjustment expenses incurred related to:		
Current year	276	291
Prior years (a)	2	(4)
Total net insurance losses and loss adjustment expenses incurred	278	287
Net insurance losses and loss adjustment expenses paid or payable related to:		
Current year	(248)	(266)
Prior years	(31)	(27)
Total net insurance losses and loss adjustment expenses paid or payable	(279)	(293)
Foreign exchange and other	1	1
Net reserves for insurance losses and loss adjustment expenses at September 30,	41	44
Plus: Reinsurance recoverable	132	106
Total gross reserves for insurance losses and loss adjustment expenses at September 30,	$173	$150

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

6. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Insurance commissions	$106	$99	$309	$290
Technology and communications	72	70	212	203
Lease and loan administration	41	34	116	100
Advertising and marketing	33	27	96	75
Vehicle remarketing and repossession	29	24	82	70
Regulatory and licensing fees	27	26	82	68
Professional services	28	25	81	75
Premises and equipment depreciation	22	19	67	61
Occupancy	11	13	34	38
Non-income taxes	6	10	22	27
Other	49	71	148	182
Total other operating expenses	$424	$418	$1,249	$1,189

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7. Investment Securities

Our portfolio of securities includes bonds, equity securities, asset-backed securities, commercial and residential mortgage-backed securities, and other investments. The cost, fair value, and gross unrealized gains and losses on investment securities were as follows.

	September 30, 2017				December 31, 2016			
	Amortized	Gross unrealized		Fair	Amortized	Gross unrealized		Fair
($ in millions)	cost	gains	losses	value	cost	gains	losses	value
Available-for-sale securities								
Debt securities								
U.S. Treasury (a)	$2,112	$ —	$ (39)	$2,073	$1,680	$ —	$ (60)	$1,620
U.S. States and political subdivisions	849	12	(10)	851	794	7	(19)	782
Foreign government	157	2	(2)	157	157	5	—	162
Agency mortgage-backed residential	14,423	54	(133)	14,344	10,473	29	(212)	10,290
Mortgage-backed residential	2,326	16	(32)	2,310	2,162	5	(70)	2,097
Mortgage-backed commercial	509	2	(2)	509	537	2	(2)	537
Asset-backed	1,036	4	(1)	1,039	1,396	6	(2)	1,400
Corporate debt	1,291	10	(10)	1,291	1,452	7	(16)	1,443
Total debt securities (b) (c)	22,703	100	(229)	22,574	18,651	61	(381)	18,331
Equity securities	563	12	(50)	525	642	7	(54)	595
Total available-for-sale securities	$23,266	$ 112	$ (279)	$23,099	$19,293	$ 68	$ (435)	$18,926
Held-to-maturity securities								
Debt securities								
Agency mortgage-backed residential (d)	$1,799	$ 4	$ (36)	$1,767	$839	$ —	$ (50)	$789
Asset-backed retained notes	40	—	—	40	—	—	—	—
Total held-to-maturity securities	$1,839	$ 4	$ (36)	$1,807	$839	$ —	$ (50)	$789

(a) Includes $304 million of U.S. Treasury securities that are included in a fair value hedging relationship as of September 30, 2017. Refer to Note 19 for additional information.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $12 million and $14 million at September 30, 2017, and December 31, 2016, respectively.

(c) Investment securities with a fair value of $6,705 million and $4,881 million at September 30, 2017, and December 31, 2016, respectively, were pledged to secure advances from the Federal Home Loan Bank (FHLB), short-term borrowings or repurchase agreements, or for other purposes as required by contractual obligation or law. Under these agreements, we have granted the counterparty the right to sell or pledge $1,339 million and $737 million of the underlying investment securities at September 30, 2017, and December 31, 2016, respectively.

(d) Agency mortgage-backed residential debt securities are held for liquidity risk management purposes. Securities with a fair value of $115 million and $87 million at September 30, 2017, and December 31, 2016, respectively, were pledged to secure advances from the FHLB.

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

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
September 30, 2017										
Fair value of available-for-sale debt securities (a)										
U.S. Treasury	$2,073	1.8 %	$—	— %	$467	1.7 %	$1,606	1.8 %	$—	— %
U.S. States and political subdivisions	851	2.9	69	1.6	35	2.4	197	2.7	550	3.2
Foreign government	157	2.5	—	—	69	2.6	88	2.4	—	—
Agency mortgage-backed residential	14,344	3.1	—	—	—	—	3	2.9	14,341	3.1
Mortgage-backed residential	2,310	3.0	—	—	—	—	—	—	2,310	3.0
Mortgage-backed commercial	509	3.1	—	—	—	—	31	2.9	478	3.1
Asset-backed	1,039	3.0	2	1.6	762	3.1	137	3.1	138	2.7
Corporate debt	1,291	2.9	135	2.5	595	2.6	515	3.2	46	4.9
Total available-for-sale debt securities	$22,574	2.9	$206	2.2	$1,928	2.6	$2,577	2.2	$17,863	3.1
Amortized cost of available-for-sale debt securities	$22,703		$206		$1,929		$2,609		$17,959	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	$1,799	3.1 %	$—	— %	$—	— %	$—	— %	$1,799	3.1 %
Asset-backed retained notes	40	1.7	—	—	39	1.6	1	3.0	—	—
Total held-to-maturity securities	$1,839	3.1	$—	—	$39	1.6	$1	3.0	$1,799	3.1
December 31, 2016										
Fair value of available-for-sale debt securities (a)										
U.S. Treasury	$1,620	1.7 %	$2	4.6 %	$60	1.6 %	$1,558	1.7 %	$—	— %
U.S. States and political subdivisions	782	3.1	64	1.7	29	2.3	172	2.8	517	3.4
Foreign government	162	2.6	—	—	58	2.8	104	2.4	—	—
Agency mortgage-backed residential	10,290	2.9	—	—	—	—	29	2.6	10,261	2.9
Mortgage-backed residential	2,097	2.9	—	—	—	—	—	—	2,097	2.9
Mortgage-backed commercial	537	2.6	—	—	—	—	3	2.8	534	2.6
Asset-backed	1,400	2.8	—	—	1,059	2.8	143	3.2	198	2.6
Corporate debt	1,443	2.8	72	2.2	840	2.6	489	3.2	42	4.7
Total available-for-sale debt securities	$18,331	2.8	$138	2.0	$2,046	2.7	$2,498	2.2	$13,649	2.9
Amortized cost of available-for-sale debt securities	$18,651		$138		$2,040		$2,563		$13,910	
Amortized cost of held-to-maturity securities (b)	$839	2.9 %	$—	— %	$—	— %	$—	— %	$839	2.9 %

(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)

Our held-to-maturity securities portfolio as of December 31, 2016, consisted of agency mortgage-backed residential debt securities.

The balances of cash equivalents were $304 million and $291 million at September 30, 2017, and December 31, 2016, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents interest and dividends on investment securities.

($ in millions)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Taxable interest	$141	$93	$390	$276
Taxable dividends	3	4	8	13
Interest and dividends exempt from U.S. federal income tax	6	4	17	13
Interest and dividends on investment securities	$150	$101	$415	$302

The following table presents gross gains and losses realized upon the sales of available-for-sale securities. There were no other-than-temporary impairments upon the sales of available-for-sale securities for either period.

($ in millions)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Gross realized gains	$24	$52	$75	$146
Gross realized losses (a)	(1)	—	(2)	(1)
Other gain on investments, net	$23	$52	$73	$145

(a) Certain available-for-sale securities were sold at a loss in 2017 and 2016 as a result of market conditions within these respective periods (e.g., a downgrade in the rating of a debt security). Any such sales were made in accordance with our risk management policies and practices.

The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the assessment of whether such losses were deemed to be other-than-temporary, we believe that the unrealized losses are not indicative of an other-than-temporary impairment of these securities. As of September 30, 2017, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis, and we expect to recover the entire amortized cost basis of the securities. As of September 30, 2017, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at September 30, 2017. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	September 30, 2017				December 31, 2016			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								

U.S. Treasury	$2,029	$ (39)	$—	$ —	$1,612	$ (60)	$—	$ —
U.S. States and political subdivisions	311	(4)	138	(6)	524	(19)	—	—
Foreign government	78	(2)	—	—	38	—	—	—
Agency mortgage-backed residential	7,444	(115)	730	(18)	8,052	(196)	587	(16)
Mortgage-backed residential	103	(1)	825	(31)	813	(17)	860	(53)
Mortgage-backed commercial	164	(2)	15	—	47	(1)	149	(1)
Asset-backed	341	(1)	86	—	375	(2)	127	—
Corporate debt	388	(6)	108	(4)	744	(14)	46	(2)
Total temporarily impaired debt securities	10,858	(170)	1,902	(59)	12,205	(309)	1,769	(72)
Temporarily impaired equity securities	101	(8)	119	(42)	151	(8)	269	(46)
Total temporarily impaired available-for-sale securities	$10,959	$ (178)	$2,021	$ (101)	$12,356	$ (317)	$2,038	$ (118)

8. Finance Receivables and Loans, Net

The composition of finance receivables and loans reported at gross carrying value was as follows.

($ in millions)	September 30, 2017	December 31, 2016
Consumer automotive (a)	$ 67,077	$ 65,793
Consumer mortgage		
Mortgage Finance (b)	9,760	8,294
Mortgage — Legacy (c)	2,255	2,756
Total consumer mortgage	12,015	11,050
Total consumer	79,092	76,843
Commercial		
Commercial and industrial		
Automotive	31,985	35,041
Other	3,774	3,248
Commercial real estate — Automotive	4,020	3,812
Total commercial	39,779	42,101
Total finance receivables and loans (d)	$ 118,871	$ 118,944

(a) Includes $24 million and $43 million of fair value adjustment for loans in hedge accounting relationships at September 30, 2017, and December 31, 2016, respectively. Refer to Note 19 for additional information.

(b) Includes loans originated as interest-only mortgage loans of $24 million and $30 million at September 30, 2017, and December 31, 2016, respectively, 35% of which are expected to start principal amortization in 2019, and 44% in 2020. The remainder of these loans have already exited the interest-only period.

(c) Includes loans originated as interest-only mortgage loans of $538 million and $714 million at September 30, 2017, and December 31, 2016, respectively, 2% of which are expected to start principal amortization in 2018, and 1% beyond 2020. The remainder of these loans have already exited the interest-only period.

(d) Totals include net increases of $494 million and $359 million at September 30, 2017, and December 31, 2016, respectively, for unearned income, unamortized premiums and discounts, and deferred fees and costs.

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

Three months ended September 30, 2017 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at July 1, 2017	$ 1,002	$ 83	$ 140	$ 1,225
Charge-offs (a)	(327)	(7)	(10)	(344)
Recoveries	85	6	—	91
Net charge-offs	(242)	(1)	(10)	(253)
Provision for loan losses	314	—	—	314
Other	—	(1)	1	—
Allowance at September 30, 2017	$ 1,074	$ 81	$ 131	$ 1,286

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

Three months ended September 30, 2016 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at July 1, 2016	$ 862	$ 109	$ 118	$ 1,089

Charge-offs (a)	(293)	(10)	—	(303)
Recoveries	74	16	—	90
Net charge-offs	(219)	6	—	(213)
Provision for loan losses	269	(15)	4	258
Allowance at September 30, 2016	$ 912	$ 100	$ 122	$1,134

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

Nine months ended September 30, 2017 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2017	$ 932	$ 91	$ 121	$ 1,144
Charge-offs (a)	(958)	(22)	(10)	(990)
Recoveries	266	19	—	285
Net charge-offs	(692)	(3)	(10)	(705)
Provision for loan losses	841	(6)	19	854
Other (b)	(7)	(1)	1	(7)
Allowance at September 30, 2017	$ 1,074	$ 81	$ 131	$ 1,286
Allowance for loan losses at September 30, 2017				
Individually evaluated for impairment	$ 35	$ 30	$ 21	$ 86
Collectively evaluated for impairment	1,039	51	110	1,200
Finance receivables and loans at gross carrying value				
Ending balance	$ 67,077	$ 12,015	$ 39,779	$ 118,871
Individually evaluated for impairment	403	237	146	786
Collectively evaluated for impairment	66,674	11,778	39,633	118,085

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

(b) Primarily related to the transfer of finance receivables and loans from held-for-investment to held-for-sale.

Nine months ended September 30, 2016 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2016	$ 834	$ 114	$ 106	$ 1,054
Charge-offs (a)	(773)	(29)	(1)	(803)
Recoveries	233	25	1	259
Net charge-offs	(540)	(4)	—	(544)
Provision for loan losses	644	(10)	16	650
Other (b)	(26)	—	—	(26)
Allowance at September 30, 2016	$ 912	$ 100	$ 122	$ 1,134
Allowance for loan losses at September 30, 2016				
Individually evaluated for impairment	$ 24	$ 35	$ 25	$ 84
Collectively evaluated for impairment	888	65	97	1,050
Finance receivables and loans at gross carrying value				
Ending balance	$ 64,816	$ 10,857	$ 39,286	$ 114,959
Individually evaluated for impairment	349	251	111	711
Collectively evaluated for impairment	64,467	10,606	39,175	114,248

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

(b) Primarily related to the transfer of finance receivables and loans from held-for-investment to held-for-sale.

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Consumer automotive	$ 28	$ 57	$1,326	$4,216
Consumer mortgage	3	6	9	12
Commercial	—	—	—	28
Total sales and transfers	$ 31	$ 63	$1,335	$4,256

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

($ in millions)	Three months ended September 30, 2017	2016	Nine months ended September 30, 2017	2016
Consumer automotive	$83	$—	$762	$—
Consumer mortgage	1,183	467	2,319	2,855
Total purchases of finance receivables and loans	$1,266	$467	$3,081	$2,855

The following table presents an analysis of our past due finance receivables and loans recorded at gross carrying value.

($ 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, 2017						
Consumer automotive	$ 1,742	$ 414	$ 261	$ 2,417	$64,660	$ 67,077
Consumer mortgage						
Mortgage Finance	75	1	5	81	9,679	9,760
Mortgage — Legacy	40	21	58	119	2,136	2,255
Total consumer mortgage	115	22	63	200	11,815	12,015
Total consumer	1,857	436	324	2,617	76,475	79,092
Commercial						
Commercial and industrial						
Automotive	16	—	13	29	31,956	31,985
Other	—	—	8	8	3,766	3,774
Commercial real estate — Automotive	3	—	—	3	4,017	4,020
Total commercial	19	—	21	40	39,739	39,779
Total consumer and commercial	$ 1,876	$ 436	$ 345	$ 2,657	$116,214	$ 118,871
December 31, 2016						
Consumer automotive	$ 1,850	$ 428	$ 302	$ 2,580	$63,213	$ 65,793
Consumer mortgage						
Mortgage Finance	39	6	4	49	8,245	8,294
Mortgage — Legacy	45	18	57	120	2,636	2,756
Total consumer mortgage	84	24	61	169	10,881	11,050
Total consumer	1,934	452	363	2,749	74,094	76,843
Commercial						
Commercial and industrial						
Automotive	3	—	7	10	35,031	35,041
Other	—	—	—	—	3,248	3,248
Commercial real estate — Automotive	—	—	—	—	3,812	3,812
Total commercial	3	—	7	10	42,091	42,101
Total consumer and commercial	$ 1,937	$ 452	$ 370	$ 2,759	$116,185	$ 118,944

The following table presents the gross carrying value of our finance receivables and loans on nonaccrual status.

($ in millions)	September 30, 2017	December 31, 2016
Consumer automotive	$ 573	$ 598
Consumer mortgage		
Mortgage Finance	7	10
Mortgage — Legacy	81	89
Total consumer mortgage	88	99
Total consumer	661	697
Commercial		
Commercial and industrial		
Automotive	78	33
Other	61	84
Commercial real estate — Automotive	7	5
Total commercial	146	122
Total consumer and commercial finance receivables and loans	$ 807	$ 819

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

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at gross carrying value. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is not expected. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information.

	September 30, 2017			December 31, 2016		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automotive	$66,504	$ 573	$67,077	$65,195	$ 598	$65,793
Consumer mortgage						
Mortgage Finance	9,753	7	9,760	8,284	10	8,294
Mortgage — Legacy	2,174	81	2,255	2,667	89	2,756
Total consumer mortgage	11,927	88	12,015	10,951	99	11,050
Total consumer	$78,431	$ 661	$79,092	$76,146	$ 697	$76,843

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans recorded at gross carrying value.

	September 30, 2017			December 31, 2016		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial and industrial						
Automotive	$30,189	$ 1,796	$31,985	$33,160	$ 1,881	$35,041
Other	2,913	861	3,774	2,597	651	3,248
Commercial real estate — Automotive	3,891	129	4,020	3,653	159	3,812
Total commercial	$36,993	$ 2,786	$39,779	$39,410	$ 2,691	$42,101

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

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K.

The following table presents information about our impaired finance receivables and loans.

($ in millions)	Unpaid principal balance (a)	Gross carrying value	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
September 30, 2017					
Consumer automotive	$ 411	$ 403	$ 86	$ 317	$ 35
Consumer mortgage					
Mortgage Finance	8	8	4	4	—
Mortgage — Legacy	234	229	56	173	30
Total consumer mortgage	242	237	60	177	30
Total consumer	653	640	146	494	65
Commercial					
Commercial and industrial					
Automotive	78	78	51	27	3
Other	70	61	10	51	17
Commercial real estate — Automotive	7	7	3	4	1
Total commercial	155	146	64	82	21
Total consumer and commercial finance receivables and loans	$ 808	$ 786	$ 210	$ 576	$ 86
December 31, 2016					
Consumer automotive	$ 407	$ 370	$ 131	$ 239	$ 28
Consumer mortgage					
Mortgage Finance	8	8	3	5	—
Mortgage — Legacy	243	239	56	183	34
Total consumer mortgage	251	247	59	188	34
Total consumer	658	617	190	427	62
Commercial					
Commercial and industrial					
Automotive	33	33	7	26	3
Other	99	84	—	84	19
Commercial real estate — Automotive	5	5	2	3	1
Total commercial	137	122	9	113	23
Total consumer and commercial finance receivables and loans	$ 795	$ 739	$ 199	$ 540	$ 85

(a) Adjusted for charge-offs.

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

Three months ended September 30, ($ in millions)	2017 Average balance	2017 Interest income	2016 Average balance	2016 Interest income
Consumer automotive	$389	$ 5	$347	$ 4
Consumer mortgage				
Mortgage Finance	8	—	8	—
Mortgage — Legacy	231	2	245	2
Total consumer mortgage	239	2	253	2
Total consumer	628	7	600	6
Commercial				
Commercial and industrial				
Automotive	77	1	48	1
Other	63	—	63	—
Commercial real estate — Automotive	7	—	6	—
Total commercial	147	1	117	1
Total consumer and commercial finance receivables and loans	$775	$ 8	$717	$ 7

Nine months ended September 30, ($ in millions)	2017 Average balance	2017 Interest income	2016 Average balance	2016 Interest income
Consumer automotive	$368	$ 15	$340	$ 12
Consumer mortgage				
Mortgage Finance	8	—	8	—
Mortgage — Legacy	236	7	250	7
Total consumer mortgage	244	7	258	7
Total consumer	612	22	598	19
Commercial				
Commercial and industrial				
Automotive	55	2	35	1
Other	73	8	58	1
Commercial real estate — Automotive	6	—	6	—
Total commercial	134	10	99	2
Total consumer and commercial finance receivables and loans	$746	$ 32	$697	$ 21

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. For automotive loans, we may offer several types of assistance to aid our customers, including extension of the loan maturity date and rewriting the loan terms. Additionally, for mortgage loans, as part of certain programs, we offer mortgage loan modifications to qualified borrowers. These programs are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates. Total TDRs recorded at gross carrying value were $715 million and $663 million at September 30, 2017, and December 31, 2016, respectively. Commercial commitments to lend additional funds to borrowers whose terms had been modified in a TDR were $7 million and $2 million at September 30, 2017, and December 31, 2016, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information.

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

	2017			2016		
Three months ended September 30, ($ in millions)	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value
Consumer automotive	7,165	$ 80	$ 75	4,427	$ 70	$ 58
Consumer mortgage						
Mortgage Finance	2	—	—	2	—	—
Mortgage — Legacy	37	4	4	35	6	6
Total consumer mortgage	39	4	4	37	6	6
Total consumer	7,204	84	79	4,464	76	64
Commercial						
Commercial and industrial						
Automotive	3	13	13	—	—	—
Commercial real estate — Automotive	1	3	3	—	—	—
Total commercial	4	16	16	—	—	—
Total consumer and commercial finance receivables and loans	7,208	$ 100	$ 95	4,464	$ 76	$ 64

	2017			2016		
Nine months ended September 30, ($ in millions)	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value	Number of loans	Pre-modification gross carrying value	Post-modification gross carrying value
Consumer automotive	19,374	$ 298	$ 262	14,816	$ 238	$ 202
Consumer mortgage						
Mortgage Finance	3	—	—	5	2	2
Mortgage — Legacy	109	19	18	92	14	14
Total consumer mortgage	112	19	18	97	16	16
Total consumer	19,486	317	280	14,913	254	218
Commercial						
Commercial and industrial						
Automotive	3	13	13	—	—	—
Other	2	44	44	—	—	—
Commercial real estate — Automotive	1	3	3	—	—	—
Total commercial	6	60	60	—	—	—
Total consumer and commercial finance receivables and loans	19,492	$ 377	$ 340	14,913	$ 254	$ 218

The following tables present information about finance receivables and loans recorded at gross carrying value that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (refer to Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

Three months ended September 30, ($ in millions)	2017 Number of loans	2017 Gross carrying value	2017 Charge-off amount	2016 Number of loans	2016 Gross carrying value	2016 Charge-off amount
Consumer automotive	2,222	$ 25	$ 18	1,959	$ 23	$ 14
Consumer mortgage						
Mortgage Finance	—	—	—	—	—	—
Mortgage — Legacy	1	—	—	1	—	—
Total consumer finance receivables and loans	2,223	$ 25	$ 18	1,960	$ 23	$ 14

Nine months ended September 30, ($ in millions)	2017 Number of loans	2017 Gross carrying value	2017 Charge-off amount	2016 Number of loans	2016 Gross carrying value	2016 Charge-off amount
Consumer automotive	6,354	$ 74	$ 51	5,617	$ 69	$ 39
Consumer mortgage						
Mortgage Finance	1	1	—	—	—	—
Mortgage — Legacy	1	—	—	4	—	—
Total consumer finance receivables and loans	6,356	$ 75	$ 51	5,621	$ 69	$ 39

9. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	September 30, 2017	December 31, 2016
Vehicles	$ 11,001	$ 14,584
Accumulated depreciation	(2,070)	(3,114)
Investment in operating leases, net	$ 8,931	$ 11,470

Depreciation expense on operating lease assets includes remarketing gains and losses recognized on the sale of operating lease assets. The following summarizes the components of depreciation expense on operating lease assets.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
Depreciation expense on operating lease assets (excluding remarketing gains)	$323	$470	$1,062	$1,555
Remarketing gains	(51)	(62)	(80)	(203)
Net depreciation expense on operating lease assets	$272	$408	$982	$1,352

10. Securitizations and Variable Interest Entities

We are involved in several types of securitization and financing transactions that utilize special-purpose entities (SPEs). A 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 and operating lease assets.

The transaction-specific SPEs involved in our securitization and other financing transactions are often considered VIEs. VIEs are entities that have either a total equity investment at risk that is insufficient to permit the entity to finance its activities without additional subordinated financial support or whose equity investors at risk lack the ability to control the entity's activities.

We securitize consumer and commercial automotive loans, and operating leases through private-label securitizations. We often securitize these loans and notes secured by operating leases (collectively referred to as financial assets) through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet.

The pretax gain on sales of financial assets into nonconsolidated consumer automotive securitization trusts was $0 million and $2 million for the three months and nine months ended September 30, 2017, respectively. There were no pretax gains or losses for the three months and nine months ended September 30, 2016.

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 have involvement 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 11 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K for further description of our securitization activities and our involvement with VIEs.

The following table presents our involvement in consolidated and nonconsolidated VIEs in which we hold variable interests. For additional detail related to the assets and liabilities of consolidated variable interest entities refer to the Condensed Consolidated Balance Sheet.

($ in millions)	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, 2017							
On-balance sheet variable interest entities							
Consumer automotive	$17,462	(b)	$7,529	(c)			
Commercial automotive	12,590		2,557				
Off-balance sheet variable interest entities							
Consumer automotive	42	(d)	—		$ 2,293	$ 2,334	(e)
Commercial other	575	(f)	238	(g)	—	756	(h)
Total	$30,669		$10,324		$ 2,293	$ 3,090	
December 31, 2016							
On-balance sheet variable interest entities							
Consumer automotive	$20,869	(b)	$8,557	(c)			
Commercial automotive	16,278		4,764				
Off-balance sheet variable interest entities							
Consumer automotive	24	(f)	—		$ 2,899	$ 2,923	(e)
Commercial other	460	(f)	169	(g)	—	651	(h)
Total	$37,631		$13,490		$ 2,899	$ 3,574	

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

(b) Includes $8.4 billion and $9.6 billion of assets that are not encumbered by VIE beneficial interests held by third parties at September 30, 2017, and December 31, 2016, respectively. Ally or consolidated affiliates hold the interests in these assets.

(c) Includes $30 million and $50 million of liabilities that are not obligations to third-party beneficial interest holders at September 30, 2017, and December 31, 2016, respectively.

(d) Represents retained notes and certificated residual interests, of which $40 million is classified as held-to-maturity securities and $2 million is classified as other assets at September 30, 2017. These assets represent our compliance with the risk retention rules under the Dodd-Frank Act, requiring us to retain at least five percent of the credit risk of the assets underlying asset-backed securitizations, which became effective on December 24, 2016.

(e) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans, retained notes, certificated residual interests, as well as certain noncertificated interests retained from the sale of automotive finance receivables. This measure is based on the very unlikely event that all of our sold loans have defects that would trigger a representation and warranty provision and the underlying collateral supporting the loans becomes worthless. This required disclosure is not an indication of our expected loss.

(f) Amounts are classified as other assets.

(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 underlying properties cease generating yield to investors and 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.

Cash Flows with Off-balance Sheet Securitization Entities

The following table summarizes cash flows received and paid related to securitization entities and asset-backed financings where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the nine months ended September 30, 2017, and 2016. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Nine months ended September 30, ($ in millions)	Consumer automotive
2017	
Cash proceeds from transfers completed during the period	$ 1,187
Cash disbursements for repurchases during the period (a)	(491)
Servicing fees	25
Cash flows received on retained interests in securitization entities	16
Other cash flows	4
2016	
Cash proceeds from transfers completed during the period	$ 1,659
Servicing fees	27
Other cash flows	6

(a) During the second quarter of 2017, we elected to not renew a retail automotive credit conduit facility and also purchased the related retail automotive loans and settled associated retained interests.

Delinquencies and Net Credit Losses

The following tables represent on-balance sheet finance receivables and loans, off-balance sheet securitizations, and whole-loan sales where we have continuing involvement. The tables present quantitative information about delinquencies and net credit losses.

	Total amount		Amount 60 days or more past due	
($ in millions)	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
On-balance sheet finance receivables and loans				
Consumer automotive	$67,077	$ 65,793	$ 675	$ 730
Consumer mortgage	12,015	11,050	85	85
Commercial automotive	36,005	38,853	13	7
Commercial other	3,774	3,248	8	—
Total on-balance sheet finance receivables and loans	118,871	118,944	781	822
Off-balance sheet securitization entities				
Consumer automotive	2,293	2,392	14	13
Total off-balance sheet securitization entities	2,293	2,392	14	13
Whole-loan sales (a)	1,655	3,164	4	6
Total	$122,819	$ 124,500	$ 799	$ 841

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

	Net credit losses			
	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2017	2016	2017	2016
On-balance sheet finance receivables and loans				
Consumer automotive	$242	$219	$692	$540
Consumer mortgage	1	(6)	3	4
Commercial automotive	1	—	1	—
Commercial other	9	—	9	—
Total on-balance sheet finance receivables and loans	253	213	705	544
Off-balance sheet securitization entities				
Consumer automotive	3	2	9	6
Total off-balance sheet securitization entities	3	2	9	6
Whole-loan sales (a)	1	1	3	2
Total	$257	$216	$717	$552

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

11. Servicing Activities

Automotive Finance Servicing Activities

We service consumer automotive contracts. Historically, we have sold a portion of our consumer automotive contracts. With respect to contracts we sell, we generally retain the right to service and earn a servicing fee for our servicing function. We have concluded that the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automotive servicing fee income of $11 million and $41 million during the three months and nine months ended September 30, 2017, respectively, compared to $18 million and $49 million during the three months and nine months ended September 30, 2016.

Automotive Finance Serviced Assets

The current unpaid principal balance and any related unamortized deferred fees and costs of total serviced automotive finance loans and leases outstanding were as follows.

($ in millions)	September 30, 2017	December 31, 2016
On-balance sheet automotive finance loans and leases		
Consumer automotive	$ 66,721	$ 65,646
Commercial automotive	36,005	38,853
Operating leases	8,853	11,311
Other	71	67
Off-balance sheet automotive finance loans		
Securitizations	2,312	2,412
Whole-loan sales	1,668	3,191
Total serviced automotive finance loans and leases	$ 115,630	$ 121,480

12. Other Assets

The components of other assets were as follows.

($ in millions)	September 30, 2017	December 31, 2016
Property and equipment at cost	$ 1,024	$ 901
Accumulated depreciation	(587)	(525)
Net property and equipment	437	376
Restricted cash collections for securitization trusts (a)	1,260	1,694
Nonmarketable equity investments (b)	1,065	1,046
Net deferred tax assets	659	994
Accrued interest and rent receivables	508	476
Goodwill (c)	240	240
Other accounts receivable	212	100
Cash reserve deposits held for securitization trusts (d)	120	184
Restricted cash and cash equivalents	112	111
Fair value of derivative contracts in receivable position (e)	37	95
Cash collateral placed with counterparties	20	167
Other assets	1,393	1,371
Total other assets	$ 6,063	$ 6,854

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

(b)

Includes investments in FHLB stock of $581 million and $577 million at September 30, 2017, and December 31, 2016, respectively; and Federal Reserve Bank (FRB) stock of $445 million and $435 million at September 30, 2017, and December 31, 2016, respectively.

(c) Includes goodwill of $27 million within our Insurance operations at both September 30, 2017, and December 31, 2016; $193 million within Corporate and Other at both September 30, 2017, and December 31, 2016; and $20 million within Automotive Finance operations at both September 30, 2017, and December 31, 2016. No changes to the carrying amount of goodwill were recorded during the nine months ended September 30, 2017.

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

(e) For additional information on derivative instruments and hedging activities, refer to Note 19.

13. Deposit Liabilities