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 March 31, 2021, 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 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
8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 of GMAC Capital Trust I	ALLY PRA	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 April 29, 2021, the number of shares outstanding of the Registrant's common stock was 370,680,573 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
ABS	Asset-backed securities
ALCO	Asset-Liability Committee
ALM	Asset Liability Management
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
BHC Act	Bank Holding Company Act of 1956 as amended
BHC	Bank holding company
BMC	Better Mortgage Company
Board	Ally Board of Directors
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CECL	Accounting Standards Update 2016-13 (and related Accounting Standards Updates), or current expected credit loss
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
EGRRCP Act	Economic Growth, Regulatory Relief, and Consumer Protection Act as amended
ERMC	Enterprise Risk Management Committee
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
IRA	Individual retirement account
LCR	Liquidity coverage ratio
LIBOR	London Interbank Offered Rate
LMI	Low-to-moderate income
LTV	Loan-to-value
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

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Term	Definition
RV	Recreational vehicle
RWA	Risk-weighted asset
SEC	U.S. Securities and Exchange Commission
Series 2 TRUPS	8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 of GMAC Capital Trust I
SOFR	Secured Overnight Financing Rate
SPE	Special-purpose entity
Stellantis	Stellantis N.V.
TDR	Troubled debt restructuring
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)

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	Three months ended March 31,	
($ in millions)	**2021**	2020
Financing revenue and other interest income		
Interest and fees on finance receivables and loans	**$ 1,582**	$ 1,742
Interest on loans held-for-sale	**5**	2
Interest and dividends on investment securities and other earning assets	**131**	226
Interest on cash and cash equivalents	**4**	14
Operating leases	**370**	367
Total financing revenue and other interest income	**2,092**	2,351
Interest expense		
Interest on deposits	**306**	592
Interest on short-term borrowings	**1**	17
Interest on long-term debt	**250**	348
Total interest expense	**557**	957
Net depreciation expense on operating lease assets	**163**	248
Net financing revenue and other interest income	**1,372**	1,146
Other revenue		
Insurance premiums and service revenue earned	**280**	277
Gain (loss) on mortgage and automotive loans, net	**36**	(12)
Loss on extinguishment of debt	**(1)**	—
Other gain (loss) on investments, net	**123**	(79)
Other income, net of losses	**127**	80
Total other revenue	**565**	266
Total net revenue	**1,937**	1,412
Provision for credit losses	**(13)**	903
Noninterest expense		
Compensation and benefits expense	**395**	360
Insurance losses and loss adjustment expenses	**63**	74
Other operating expenses	**485**	486
Total noninterest expense	**943**	920
Income (loss) from continuing operations before income tax expense	**1,007**	(411)
Income tax expense (benefit) from continuing operations	**211**	(92)
Net income (loss) from continuing operations	**796**	(319)
Net income (loss)	**$ 796**	$ (319)
Other comprehensive (loss) income, net of tax	**(604)**	583
Comprehensive income	**$ 192**	$ 264

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)

	Three months ended March 31,	
(in dollars) (a)	**2021**	2020
Basic earnings per common share		
Net income (loss) from continuing operations	**$ 2.12**	$ (0.85)
Net income (loss)	**$ 2.12**	$ (0.85)
Diluted earnings per common share (b)		
Net income (loss) from continuing operations	**$ 2.11**	$ (0.85)
Net income (loss)	**$ 2.11**	$ (0.85)
Cash dividends declared per common share	**$ 0.19**	$ 0.19

(a) Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers.
(b) Due to the antidilutive effect of the net loss from continuing operations for the three months ended March 31, 2020, basic weighted-average common shares outstanding was used to calculate basic and diluted earnings per share.

Refer to Note 15 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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($ in millions, except share data)	**March 31, 2021**	December 31, 2020
Assets		
Cash and cash equivalents		
Noninterest-bearing	**$ 747**	$ 724
Interest-bearing	**15,031**	14,897
Total cash and cash equivalents	**15,778**	15,621
Equity securities	**1,068**	1,071
Available-for-sale securities (amortized cost of $33,336 and $28,936) (a)	**33,446**	29,830
Held-to-maturity securities (fair value of $1,250 and $1,331)	**1,197**	1,253
Loans held-for-sale, net	**630**	406
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	**113,076**	118,534
Allowance for loan losses	**(3,152)**	(3,283)
Total finance receivables and loans, net	**109,924**	115,251
Investment in operating leases, net	**9,944**	9,639
Premiums receivable and other insurance assets	**2,725**	2,679
Other assets	**7,167**	6,415
Total assets	**$ 181,879**	$ 182,165
Liabilities		
Deposit liabilities		
Noninterest-bearing	**$ 155**	$ 128
Interest-bearing	**139,430**	136,908
Total deposit liabilities	**139,585**	137,036
Short-term borrowings	**—**	2,136
Long-term debt	**20,503**	22,006
Interest payable	**453**	412
Unearned insurance premiums and service revenue	**3,487**	3,438
Accrued expenses and other liabilities	**3,226**	2,434
Total liabilities	**167,254**	167,462
Contingencies (refer to Note 22)		
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 503,643,221 and 501,237,055; and outstanding 371,804,633 and 374,674,415)	**21,566**	21,544
Accumulated deficit	**(3,555)**	(4,278)
Accumulated other comprehensive income	**27**	631
Treasury stock, at cost (131,838,588 and 126,562,640 shares)	**(3,413)**	(3,194)
Total equity	**14,625**	14,703
Total liabilities and equity	**$ 181,879**	$ 182,165

(a) Refer to Note 6 for discussion of investment securities pledged as collateral.

Statement continues on the next page.

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

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.

($ in millions)	**March 31, 2021**	December 31, 2020
Assets		
Finance receivables and loans, net		
Consumer automotive	**$ 8,551**	$ 7,630
Commercial	**3,911**	5,868
Allowance for loan losses	**(307)**	(285)
Total finance receivables and loans, net	**12,155**	13,213
Other assets	**1,266**	983
Total assets	**$ 13,421**	$ 14,196
Liabilities		
Long-term debt	**$ 3,553**	$ 4,158
Accrued expenses and other liabilities	**4**	3
Total liabilities	**$ 3,557**	$ 4,161

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)	Common stock and paid-in capital	Accumulated deficit	Accumulated other comprehensive income	Treasury stock	Total equity
Balance at December 31, 2019	$ 21,438	$ (4,057)	$ 123	$ (3,088)	$ 14,416
Cumulative effect of changes in accounting principles, net of tax					
Adoption of Accounting Standards Update 2016-13		(1,017)			(1,017)
Balance at January 1, 2020	$ 21,438	$ (5,074)	$ 123	$ (3,088)	$ 13,399
Net loss		(319)			(319)
Share-based compensation	32				32
Other comprehensive income			583		583
Common stock repurchases				(104)	(104)
Common stock dividends ($0.19 per share)		(72)			(72)
Balance at March 31, 2020	$ 21,470	$ (5,465)	$ 706	$ (3,192)	$ 13,519
Balance at December 31, 2020	**$ 21,544**	**$ (4,278)**	**$ 631**	**$ (3,194)**	**$ 14,703**
Net income		**796**			**796**
Share-based compensation	**22**				**22**
Other comprehensive loss			**(604)**		**(604)**
Common stock repurchases				**(219)**	**(219)**
Common stock dividends ($0.19 per share)		**(73)**			**(73)**
Balance at March 31, 2021	**$ 21,566**	**$ (3,555)**	**$ 27**	**$ (3,413)**	**$ 14,625**

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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Three months ended March 31, *($ in millions)*	**2021**	2020
Operating activities		
Net income (loss)	**$ 796**	$ (319)
Reconciliation of net income (loss) to net cash provided by operating activities		
Depreciation and amortization	**373**	386
Provision for credit losses	**(13)**	903
(Gain) loss on mortgage and automotive loans, net	**(36)**	12
Other (gain) loss on investments, net	**(123)**	79
Loss on extinguishment of debt	**1**	—
Originations and purchases of loans held-for-sale	**(1,175)**	(366)
Proceeds from sales and repayments of loans held-for-sale	**1,137**	300
Net change in		
Deferred income taxes	**(19)**	(87)
Interest payable	**41**	69
Other assets	**78**	44
Other liabilities	**105**	(290)
Other, net	**5**	83
Net cash provided by operating activities	**1,170**	814
Investing activities		
Purchases of equity securities	**(472)**	(625)
Proceeds from sales of equity securities	**589**	117
Purchases of available-for-sale securities	**(10,116)**	(4,565)
Proceeds from sales of available-for-sale securities	**2,327**	3,817
Proceeds from repayments of available-for-sale securities	**3,612**	1,623
Purchases of held-to-maturity securities	**(63)**	—
Proceeds from repayments of held-to-maturity securities	**118**	70
Purchases of finance receivables and loans held-for-investment	**(930)**	(925)
Proceeds from sales of finance receivables and loans initially held-for-investment	**164**	1
Originations and repayments of finance receivables and loans held-for-investment and other, net	**5,783**	900
Purchases of operating lease assets	**(1,269)**	(1,138)
Disposals of operating lease assets	**780**	568
Net change in nonmarketable equity investments	**29**	(92)
Other, net	**(100)**	(76)
Net cash provided by (used in) investing activities	**452**	(325)

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)

Three months ended March 31, *($ in millions)*	**2021**	2020
Financing activities		
Net change in short-term borrowings	**(2,136)**	3,963
Net increase in deposits	**2,545**	1,565
Proceeds from issuance of long-term debt	**56**	788
Repayments of long-term debt	**(1,340)**	(3,939)
Repurchases of common stock	**(219)**	(104)
Dividends paid	**(73)**	(72)
Net cash (used in) provided by financing activities	**(1,167)**	2,201
Effect of exchange-rate changes on cash and cash equivalents and restricted cash	**2**	(4)
Net increase in cash and cash equivalents and restricted cash	**457**	2,686
Cash and cash equivalents and restricted cash at beginning of year	**16,574**	4,380
Cash and cash equivalents and restricted cash at March 31,	**$ 17,031**	$ 7,066
Supplemental disclosures		
Cash paid for		
Interest	**$ 492**	$ 869
Income taxes	**4**	2
Noncash items		
Loans held-for-sale transferred to finance receivables and loans held-for-investment	**4**	11
Additions of property and equipment	**46**	—
Finance receivables and loans held-for-investment transferred to loans held-for-sale	**329**	—

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.

March 31, *($ in millions)*	**2021**	2020
Cash and cash equivalents on the Condensed Consolidated Balance Sheet	**$ 15,778**	$ 6,161
Restricted cash included in other assets on the Condensed Consolidated Balance Sheet (a)	**1,253**	905
Total cash and cash equivalents and restricted cash in the Condensed Consolidated Statement of Cash Flows	**$ 17,031**	$ 7,066

(a) Restricted cash balances relate primarily to Ally 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.

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, or we, us, or our) is a leading digital financial-services company. As a customer-centric company with passionate customer service and innovative financial solutions, we are relentlessly focused on "Doing it Right" and being a trusted financial-services provider to our consumer, commercial, and corporate customers. We are one of the largest full-service automotive finance operations in the United States and offer a wide range of financial services and insurance products to automotive dealerships and consumers. Our award-winning digital direct bank (Ally Bank, Member FDIC and Equal Housing Lender) offers mortgage lending, point-of-sale personal lending, and a variety of deposit and other banking products, including savings, money-market, and checking accounts, CDs, and IRAs. Additionally, we offer securities-brokerage and investment-advisory services through Ally Invest. Our corporate-finance business offers capital for equity sponsors and middle-market companies. We are a Delaware corporation and are 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 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 March 31, 2021, and for the three months ended March 31, 2021, and 2020, 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, 2020, as filed on February 24, 2021, with the SEC.

Significant Accounting Policies

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 2020 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 2020 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Reference Rate Reform (ASU 2021-01)

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*: *Scope*, which clarified the scope of ASU 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, indicating that certain optional expedients and exceptions included in ASU 2020-04 are applicable to derivative instruments affected by the market-wide change in interest rates used for discounting, margining, or contract price alignment. We adopted the amendments in this ASU immediately upon issuance in January 2021 on a prospective basis and will apply this guidance, along with the guidance from ASU 2020-04, as contracts are modified through December 2022. The adoption did not have an immediate direct impact on our financial statements. We do not expect there to be a material impact to our financial statements.

2. Revenue from Contracts with Customers

Our primary revenue sources, which include financing revenue and other interest income, are addressed by other GAAP 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 GAAP 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.

The following table presents 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 2020 Annual Report on Form 10-K.

Three months ended March 31, *($ in millions)*	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated
2021						
Revenue from contracts with customers						
Noninsurance contracts (a) (b) (c)	**$ —**	**$ 155**	**$ —**	**$ —**	**$ —**	**$ 155**
Remarketing fee income	**27**	**—**	**—**	**—**	**—**	**27**
Brokerage commissions and other revenue	**—**	**—**	**—**	**—**	**20**	**20**
Deposit account and other banking fees	**—**	**—**	**—**	**—**	**6**	**6**
Brokered/agent commissions	**—**	**4**	**—**	**—**	**—**	**4**
Other	**6**	**—**	**—**	**—**	**—**	**6**
Total revenue from contracts with customers	**33**	**159**	**—**	**—**	**26**	**218**
All other revenue	**29**	**220**	**40**	**26**	**32**	**347**
Total other revenue (d)	**$ 62**	**$ 379**	**$ 40**	**$ 26**	**$ 58**	**$ 565**
2020						
Revenue from contracts with customers						
Noninsurance contracts (a) (b) (c)	$ —	$ 143	$ —	$ —	$ —	$ 143
Remarketing fee income	17	—	—	—	—	17
Brokerage commissions and other revenue	—	—	—	—	13	13
Deposit account and other banking fees	—	—	—	—	4	4
Brokered/agent commissions	—	4	—	—	—	4
Other	5	—	—	—	—	5
Total revenue from contracts with customers	22	147	—	—	17	186
All other revenue (e)	25	(10)	10	13	42	80
Total other revenue (d)	$ 47	$ 137	$ 10	$ 13	$ 59	$ 266

(a) We had opening balances of $3.0 billion and $2.9 billion in unearned revenue associated with outstanding contracts at December 31, 2020, and December 31, 2019, respectively, and $225 million and $214 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 March 31, 2021, and March 31, 2020, respectively.

(b) At March 31, 2021, we had unearned revenue of $3.0 billion associated with outstanding contracts, and with respect to this balance we expect to recognize revenue of $620 million in 2021, $757 million in 2022, $659 million in 2023, $483 million in 2024, and $513 million thereafter. At March 31, 2020, we had unearned revenue of $2.9 billion associated with outstanding contracts.

(c) We had deferred insurance assets of $1.8 billion at both December 31, 2020, and March 31, 2021, and recognized $132 million of expense during the three months ended March 31, 2021. We had deferred insurance assets of $1.7 billion at both December 31, 2019, and March 31, 2020, and recognized $125 million of expense during the three months ended March 31, 2020.

(d) Represents a component of total net revenue. Refer to Note 21 for further information on our reportable operating segments.

(e) Insurance operations for the three months ended March 31, 2020, include $132 million of insurance premiums and service revenue earned and $142 million of net losses on investment securities.

In addition to the components of other revenue presented above, as part of our Automotive Finance operations, we recognized net remarketing gains of $64 million for the three months ended March 31, 2021, and $2 million for the three months ended March 31, 2020, 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.

	Three months ended March 31,	
($ in millions)	**2021**	2020
Late charges and other administrative fees	**$ 31**	$ 21
Remarketing fees	**27**	17
Income (loss) from equity-method investments	**14**	(1)
Gain on nonmarketable equity investments, net	**4**	—
Other, net	**51**	43
Total other income, net of losses	**$ 127**	$ 80

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.

($ in millions)	**2021**	2020
Total gross reserves for insurance losses and loss adjustment expenses at January 1,	**$ 129**	$ 122
Less: Reinsurance recoverable	**90**	88
Net reserves for insurance losses and loss adjustment expenses at January 1,	**39**	34
Net insurance losses and loss adjustment expenses incurred related to:		
Current year	**64**	72
Prior years (a)	**(1)**	2
Total net insurance losses and loss adjustment expenses incurred	**63**	74
Net insurance losses and loss adjustment expenses paid or payable related to:		
Current year	**(36)**	(46)
Prior years	**(23)**	(24)
Total net insurance losses and loss adjustment expenses paid or payable	**(59)**	(70)
Net reserves for insurance losses and loss adjustment expenses at March 31,	**43**	38
Plus: Reinsurance recoverable	**89**	104
Total gross reserves for insurance losses and loss adjustment expenses at March 31,	**$ 132**	$ 142

(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.

($ in millions)	Three months ended March 31, 2021	2020
Insurance commissions	**$ 136**	$ 126
Technology and communications	**78**	79
Lease and loan administration	**55**	38
Advertising and marketing	**41**	44
Property and equipment depreciation	**36**	34
Professional services	**33**	31
Vehicle remarketing and repossession	**21**	23
Regulatory and licensing fees	**18**	29
Occupancy	**15**	16
Non-income taxes	**6**	7
Amortization of intangible assets	**5**	5
Other	**41**	54
Total other operating expenses	**$ 485**	$ 486

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.

	March 31, 2021				December 31, 2020			
		Gross unrealized				Gross unrealized		
($ in millions)	**Amortized cost**	**gains**	**losses**	**Fair value**	Amortized cost	gains	losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	**$ 1,743**	**$ 7**	**$ (44)**	**$ 1,706**	$ 783	$ 20	$ —	$ 803
U.S. States and political subdivisions	**1,031**	**36**	**(3)**	**1,064**	1,046	50	(1)	1,095
Foreign government	**169**	**5**	**(2)**	**172**	167	9	—	176
Agency mortgage-backed residential	**21,346**	**395**	**(223)**	**21,518**	18,053	538	(3)	18,588
Mortgage-backed residential	**2,284**	**30**	**(2)**	**2,312**	2,595	49	(4)	2,640
Agency mortgage-backed commercial	**4,272**	**74**	**(194)**	**4,152**	4,063	139	(13)	4,189
Asset-backed	**470**	**4**	**—**	**474**	420	5	—	425
Corporate debt	**2,021**	**53**	**(26)**	**2,048**	1,809	105	—	1,914
Total available-for-sale securities (a) (b) (c) (d) (e)	**$ 33,336**	**$ 604**	**$ (494)**	**$ 33,446**	$ 28,936	$ 915	$ (21)	$ 29,830
Held-to-maturity securities								
Debt securities								
Agency mortgage-backed residential	**$ 1,197**	**$ 66**	**$ (13)**	**$ 1,250**	$ 1,253	$ 79	$ (1)	$ 1,331
Total held-to-maturity securities (e) (f)	**$ 1,197**	**$ 66**	**$ (13)**	**$ 1,250**	$ 1,253	$ 79	$ (1)	$ 1,331

(a) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $13 million at both March 31, 2021, and December 31, 2020.
(b) Certain available-for-sale securities are included in fair value hedging relationships. Refer to Note 17 for additional information.
(c) Available-for-sale securities with a fair value of $163 million and $145 million at March 31, 2021, and December 31, 2020, respectively, were pledged for purposes as required by contractual obligation or law. Under these agreements, we granted the counterparty the right to sell or pledge the underlying investment securities.
(d) Totals do not include accrued interest receivable, which was $92 million and $90 million at March 31, 2021, and December 31, 2020, respectively. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet.
(e) There was no allowance for credit losses recorded at March 31, 2021, or December 31, 2020, as management determined that there were no expected credit losses in our portfolio of available-for-sale and held-to-maturity securities.
(f) Totals do not include accrued interest receivable, which was $3 million at both March 31, 2021, and December 31, 2020. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet.

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.

	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
March 31, 2021										
Fair value of available-for-sale securities (a)										
U.S. Treasury and federal agencies	**$ 1,706**	**1.1 %**	**$ 12**	**0.1 %**	**$ 495**	**1.0 %**	**$ 1,199**	**1.1 %**	**$ —**	**— %**
U.S. States and political subdivisions	**1,064**	**3.0**	**44**	**1.5**	**106**	**2.5**	**227**	**2.6**	**687**	**3.2**
Foreign government	**172**	**1.9**	**14**	**1.8**	**94**	**1.9**	**64**	**1.9**	**—**	**—**
Agency mortgage-backed residential	**21,518**	**2.7**	**—**	**—**	**—**	**—**	**33**	**2.0**	**21,485**	**2.7**
Mortgage-backed residential	**2,312**	**3.0**	**—**	**—**	**—**	**—**	**32**	**2.9**	**2,280**	**3.0**
Agency mortgage-backed commercial	**4,152**	**1.9**	**—**	**—**	**—**	**—**	**1,675**	**2.3**	**2,477**	**1.7**
Asset-backed	**474**	**2.5**	**—**	**—**	**338**	**2.8**	**111**	**1.3**	**25**	**3.2**
Corporate debt	**2,048**	**2.4**	**127**	**2.8**	**804**	**2.5**	**1,097**	**2.4**	**20**	**2.3**
Total available-for-sale securities	**$ 33,446**	**2.5**	**$ 197**	**2.3**	**$ 1,837**	**2.1**	**$ 4,438**	**2.0**	**$ 26,974**	**2.6**
Amortized cost of available-for-sale securities	**$ 33,336**		**$ 195**		**$ 1,797**		**$ 4,423**		**$ 26,921**	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	**$ 1,197**	**3.0 %**	**$ —**	**— %**	**$ —**	**— %**	**$ —**	**— %**	**$ 1,197**	**3.0 %**
Total held-to-maturity securities	**$ 1,197**	**3.0**	**$ —**	**—**	**$ —**	**—**	**$ —**	**—**	**$ 1,197**	**3.0**
December 31, 2020										
Fair value of available-for-sale securities (a)										
U.S. Treasury and federal agencies	$ 803	1.2 %	$ 13	0.1 %	$ 708	1.1 %	$ 82	1.7 %	$ —	— %
U.S. States and political subdivisions	1,095	3.0	49	1.4	103	2.3	228	2.7	715	3.3
Foreign government	176	2.1	9	1.7	86	2.3	81	1.9	—	—
Agency mortgage-backed residential	18,588	3.1	—	—	—	—	37	2.0	18,551	3.1
Mortgage-backed residential	2,640	3.1	—	—	—	—	36	2.9	2,604	3.1
Agency mortgage-backed commercial	4,189	1.9	—	—	—	—	1,628	2.3	2,561	1.7
Asset-backed	425	2.9	—	—	349	3.0	49	1.8	27	3.1
Corporate debt	1,914	2.7	155	2.7	625	2.9	1,077	2.6	57	2.1
Total available-for-sale securities	$ 29,830	2.8	$ 226	2.3	$ 1,871	2.2	$ 3,218	2.4	$ 24,515	3.0
Amortized cost of available-for-sale securities	$ 28,936		$ 224		$ 1,808		$ 3,022		$ 23,882	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	$ 1,253	3.0 %	$ —	— %	$ —	— %	$ —	— %	$ 1,253	3.0 %
Total held-to-maturity securities	$ 1,253	3.0	$ —	—	$ —	—	$ —	—	$ 1,253	3.0

(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.

The balances of cash equivalents were $20 million and $25 million at March 31, 2021, and December 31, 2020, respectively, and were composed primarily of money-market funds and short-term securities, including U.S. Treasury bills.

The following table presents interest and dividends on investment securities.

	Three months ended March 31,	
($ in millions)	**2021**	2020
Taxable interest	**$ 114**	$ 205
Taxable dividends	**5**	5
Interest and dividends exempt from U.S. federal income tax	**5**	3
Interest and dividends on investment securities	**$ 124**	$ 213

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.

	Three months ended March 31,	
($ in millions)	**2021**	2020
Available-for-sale securities		
Gross realized gains	**$ 32**	$ 105
Net realized gains on available-for-sale securities	**32**	105
Net realized gain on equity securities	**74**	1
Net unrealized gain (loss) on equity securities	**17**	(185)
Other gain (loss) on investments, net	**$ 123**	$ (79)

The following table presents the credit quality of our held-to-maturity securities, based on the latest available information as of March 31, 2021, and December 31, 2020. The credit ratings are sourced from nationally recognized statistical rating organizations, which include S&P, Moody's, and Fitch. They represent a composite of the ratings or, where credit ratings cannot be sourced from the agencies, are presented based on the asset type. All of our held-to-maturity securities were current in their payment of principal and interest as of March 31, 2021, and December 31, 2020. We have not recorded any interest income reversals on our held-to-maturity securities during the three months ended March 31, 2021, or 2020.

	March 31, 2021		December 31, 2020	
($ in millions)	**AA**	**Total (a)**	AA	Total (a)
Debt securities				
Agency mortgage-backed residential	**$ 1,197**	**$ 1,197**	$ 1,253	$ 1,253
Total held-to-maturity securities	**$ 1,197**	**$ 1,197**	$ 1,253	$ 1,253

(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.

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 2020 Annual Report on Form 10-K. As of March 31, 2021, and December 31, 2020, 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. As a result of this evaluation, management determined that no credit reserves were required at March 31, 2021, or December 31, 2020. We have not recorded any interest income reversals on our available-for-sale securities during the three months ended March 31, 2021, or 2020.

	March 31, 2021				December 31, 2020			
	Less than 12 months		**12 months or longer**		Less than 12 months		12 months or longer	
($ in millions)	**Fair value**	**Unrealized loss**	**Fair value**	**Unrealized loss**	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	**$ 1,297**	**$ (44)**	**$ —**	**$ —**	$ 3	$ —	$ —	$ —
U.S. States and political subdivisions	**186**	**(3)**	**—**	**—**	83	(1)	—	—
Foreign government	**46**	**(2)**	**—**	**—**	7	—	—	—
Agency mortgage-backed residential	**9,289**	**(223)**	**—**	**—**	1,225	(3)	—	—
Mortgage-backed residential	**361**	**(2)**	**5**	**—**	316	(4)	—	—
Agency mortgage-backed commercial	**2,731**	**(194)**	**—**	**—**	926	(13)	—	—
Asset-backed	**68**	**—**	**—**	**—**	11	—	—	—
Corporate debt	**785**	**(26)**	**4**	**—**	59	—	5	—
Total available-for-sale securities	**$ 14,763**	**$ (494)**	**$ 9**	**$ —**	$ 2,630	$ (21)	$ 5	$ —

During the three months ended March 31, 2021, and 2020, 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.

7. Finance Receivables and Loans, Net

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

($ in millions)	March 31, 2021	December 31, 2020
Consumer automotive (a)	$ 73,998	$ 73,668
Consumer mortgage		
Mortgage Finance (b)	12,445	14,632
Mortgage — Legacy (c)	458	495
Total consumer mortgage	12,903	15,127
Consumer other (d)	490	407
Total consumer	87,391	89,202
Commercial		
Commercial and industrial		
Automotive	15,132	19,082
Other	5,541	5,242
Commercial real estate	5,012	5,008
Total commercial	25,685	29,332
Total finance receivables and loans (e) (f)	$ 113,076	$ 118,534

(a) Certain finance receivables and loans are included in fair value hedging relationships. Refer to Note 17 for additional information.
(b) Includes loans originated as interest-only mortgage loans of $7 million and $8 million at March 31, 2021, and December 31, 2020, respectively. All of these loans have exited the interest-only period.
(c) Includes loans originated as interest-only mortgage loans of $27 million and $30 million at March 31, 2021, and December 31, 2020, respectively, of which 99% have exited the interest-only period.
(d) Includes $8 million of finance receivables at both March 31, 2021, and December 31, 2020, 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 $2.1 billion and $2.0 billion at March 31, 2021, and December 31, 2020, respectively.
(f) Totals do not include accrued interest receivable, which was $506 million and $587 million at March 31, 2021, and December 31, 2020, respectively. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet.

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans for the three months ended March 31, 2021, and March 31, 2020, respectively.

Three months ended March 31, 2021 *($ in millions)*	Consumer automotive	Consumer mortgage	Consumer other (a)	Commercial	Total
Allowance at December 31, 2020	$ 2,902	$ 33	$ 73	$ 275	$ 3,283
Charge-offs (b)	(284)	(2)	(8)	(14)	(308)
Recoveries	187	3	—	—	190
Net charge-offs	(97)	1	(8)	(14)	(118)
Provision for credit losses	4	(7)	3	(13)	(13)
Other	—	(1)	1	—	—
Allowance at March 31, 2021	$ 2,809	$ 26	$ 69	$ 248	$ 3,152

(a) Excludes $8 million of finance receivables at both March 31, 2021, and December 31, 2020, for which we have elected the fair value option.
(b) Refer to Note 1 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for information regarding our charge-off policies.

Three months ended March 31, 2020 (*$ in millions*)	Consumer automotive	Consumer mortgage	Consumer other (a)	Commercial	Total
Allowance at December 31, 2019	$ 1,075	$ 46	$ 9	$ 133	$ 1,263
Cumulative effect of the adoption of Accounting Standards Update 2016-13	1,334	(6)	16	2	1,346
Allowance at January 1, 2020	2,409	40	25	135	2,609
Charge-offs (b)	(373)	(3)	(5)	(3)	(384)
Recoveries	111	5	1	1	118
Net charge-offs	(262)	2	(4)	(2)	(266)
Provision for credit losses	685	(3)	25	196	903
Other	1	—	(1)	(1)	(1)
Allowance at March 31, 2020	$ 2,833	$ 39	$ 45	$ 328	$ 3,245

(a) Excludes $10 million and $11 million of finance receivables at March 31, 2020, and December 31, 2019, respectively, for which we have elected the fair value option.
(b) Refer to Note 1 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for information regarding our charge-off policies.

During the second half of March 2020, the U.S. economy experienced a significant deterioration driven by the COVID-19 pandemic, which impacted our allowance for loan losses. Primarily as a result of the deterioration in the macroeconomic outlook from COVID-19, we recorded additional reserves through provision expense in the first quarter of 2020. During the first quarter of 2021, the economic outlook continued to improve which resulted in reductions in our allowance for loan losses in the period.

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 based on net carrying value.

	Three months ended March 31,	
($ in millions)	**2021**	2020
Consumer mortgage	**$ 329**	$ —
Total sales and transfers	**$ 329**	$ —

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

	Three months ended March 31,	
($ in millions)	**2021**	2020
Consumer automotive	**$ 577**	$ 360
Consumer mortgage	**188**	484
Total purchases of finance receivables and loans	**$ 765**	$ 844

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 March 31, 2021, and December 31, 2020.

		March 31, 2021	
($ in millions)	**Nonaccrual status at Jan. 1, 2021**	**Nonaccrual status**	**Nonaccrual with no allowance (a)**
Consumer automotive	**$ 1,256**	**$ 1,173**	**$ 554**
Consumer mortgage			
Mortgage Finance	**67**	**63**	**23**
Mortgage — Legacy	**35**	**32**	**27**
Total consumer mortgage	**102**	**95**	**50**
Consumer other	**3**	**2**	**—**
Total consumer	**1,361**	**1,270**	**604**
Commercial			
Commercial and industrial			
Automotive	**40**	**17**	**1**
Other	**116**	**150**	**85**
Commercial real estate	**5**	**2**	**2**
Total commercial	**161**	**169**	**88**
Total finance receivables and loans	**$ 1,522**	**$ 1,439**	**$ 692**

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

		December 31, 2020	
($ in millions)	Nonaccrual status at Jan. 1, 2020	Nonaccrual status	Nonaccrual with no allowance (a)
Consumer automotive	$ 762	$ 1,256	$ 604
Consumer mortgage			
Mortgage Finance	17	67	18
Mortgage — Legacy	40	35	28
Total consumer mortgage	57	102	46
Consumer other	2	3	—
Total consumer	821	1,361	650
Commercial			
Commercial and industrial			
Automotive	73	40	10
Other	138	116	41
Commercial real estate	4	5	5
Total commercial	215	161	56
Total finance receivables and loans	$ 1,036	$ 1,522	$ 706

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

During both the three months ended March 31, 2021, and March 31, 2020, we recorded interest income from cash payments of $2 million, associated with finance receivables and loans in nonaccrual status.

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. In accordance with regulatory guidance, if borrowers are less than 30 days past due on their loans and enter into loan modifications offered as a result of COVID-19, their loans generally continue to be considered performing loans and continue to accrue interest during the period of the loan modification. For borrowers who are 30 days or more past due when entering into loan modifications offered as a result of COVID-19, we evaluate the loan modifications under our existing troubled debt restructuring framework, and where such a loan modification would result in a concession to a borrower experiencing financial difficulty, the loan is accounted for as a TDR and generally will not accrue interest.

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.

	Origination year								
March 31, 2021 *($ in millions)*	**2021**	**2020**	**2019**	**2018**	**2017**	**2016 and prior**	**Revolving loans**	**Revolving loans converted to term**	**Total**
Consumer automotive									
Current	$ **8,900**	$ **24,842**	$ **17,404**	$ **10,794**	$ **6,114**	$ **4,362**	$ **—**	$ **—**	$ **72,416**
30–59 days past due	**9**	**205**	**285**	**223**	**153**	**146**	**—**	**—**	**1,021**
60–89 days past due	**1**	**59**	**92**	**67**	**44**	**42**	**—**	**—**	**305**
90 or more days past due	**—**	**34**	**71**	**59**	**42**	**50**	**—**	**—**	**256**
Total consumer automotive	**8,910**	**25,140**	**17,852**	**11,143**	**6,353**	**4,600**	**—**	**—**	**73,998**
Consumer mortgage									
Mortgage Finance									
Current	**762**	**3,099**	**1,805**	**1,333**	**1,733**	**3,611**	**—**	**—**	**12,343**
30–59 days past due	**—**	**11**	**6**	**7**	**6**	**14**	**—**	**—**	**44**
60–89 days past due	**—**	**2**	**1**	**4**	**2**	**5**	**—**	**—**	**14**
90 or more days past due	**—**	**1**	**5**	**9**	**4**	**25**	**—**	**—**	**44**
Total Mortgage Finance	**762**	**3,113**	**1,817**	**1,353**	**1,745**	**3,655**	**—**	**—**	**12,445**
Mortgage — Legacy									
Current	**—**	**—**	**—**	**—**	**—**	**109**	**286**	**31**	**426**
30–59 days past due	**—**	**—**	**—**	**—**	**—**	**2**	**2**	**1**	**5**
60–89 days past due	**—**	**—**	**—**	**—**	**—**	**2**	**—**	**—**	**2**
90 or more days past due	**—**	**—**	**—**	**—**	**—**	**17**	**6**	**2**	**25**
Total Mortgage — Legacy	**—**	**—**	**—**	**—**	**—**	**130**	**294**	**34**	**458**
Total consumer mortgage	**762**	**3,113**	**1,817**	**1,353**	**1,745**	**3,785**	**294**	**34**	**12,903**
Consumer other									
Current	**173**	**248**	**39**	**10**	**3**	**1**	**—**	**—**	**474**
30–59 days past due	**1**	**2**	**1**	**—**	**—**	**—**	**—**	**—**	**4**
60–89 days past due	**—**	**2**	**—**	**—**	**—**	**—**	**—**	**—**	**2**
90 or more days past due	**—**	**2**	**—**	**—**	**—**	**—**	**—**	**—**	**2**
Total consumer other (a)	**174**	**254**	**40**	**10**	**3**	**1**	**—**	**—**	**482**
Total consumer	$ **9,846**	$ **28,507**	$ **19,709**	$ **12,506**	$ **8,101**	$ **8,386**	$ **294**	$ **34**	$ **87,383**

(a) Excludes $8 million of finance receivables at March 31, 2021, for which we have elected the fair value option.

	Origination year								
December 31, 2020 *($ in millions)*	2020	2019	2018	2017	2016	2015 and prior	Revolving loans	Revolving loans converted to term	Total
Consumer automotive									
Current	$ 27,255	$ 19,204	$ 12,129	$ 7,060	$ 3,678	$ 1,766	$ —	$ —	$ 71,092
30–59 days past due	281	466	376	264	174	97	—	—	1,658
60–89 days past due	66	165	129	88	55	32	—	—	535
90 or more days past due	32	108	96	71	46	30	—	—	383
Total consumer automotive	27,634	19,943	12,730	7,483	3,953	1,925	—	—	73,668
Consumer mortgage									
Mortgage Finance									
Current	3,432	2,410	1,744	2,254	1,177	3,492	—	—	14,509
30–59 days past due	10	9	10	11	7	16	—	—	63
60–89 days past due	1	1	3	2	1	3	—	—	11
90 or more days past due	1	5	8	10	4	21	—	—	49
Total Mortgage Finance	3,444	2,425	1,765	2,277	1,189	3,532	—	—	14,632
Mortgage — Legacy									
Current	—	—	—	—	—	121	303	36	460
30–59 days past due	—	—	—	—	—	4	2	—	6
60–89 days past due	—	—	—	—	—	2	—	—	2
90 or more days past due	—	—	—	—	—	20	5	2	27
Total Mortgage — Legacy	—	—	—	—	—	147	310	38	495
Total consumer mortgage	3,444	2,425	1,765	2,277	1,189	3,679	310	38	15,127
Consumer other									
Current	306	53	13	4	1	—	—	—	377
30–59 days past due	9	3	1	—	—	—	—	—	13
60–89 days past due	4	1	—	1	—	—	—	—	6
90 or more days past due	2	1	—	—	—	—	—	—	3
Total consumer other (a)	321	58	14	5	1	—	—	—	399
Total consumer	$ 31,399	$ 22,426	$ 14,509	$ 9,765	$ 5,143	$ 5,604	$ 310	$ 38	$ 89,194

(a) Excludes $8 million of finance receivables at December 31, 2020, 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.

- 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.
- 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.

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.

	Origination year								
March 31, 2021 *($ in millions)*	**2021**	**2020**	**2019**	**2018**	**2017**	**2016 and prior**	**Revolving loans**	**Revolving loans converted to term**	**Total**
Commercial and industrial									
Automotive									
Pass	**$ 130**	**$ 632**	**$ 209**	**$ 52**	**$ 81**	**$ 82**	**$ 12,272**	**$ —**	**$ 13,458**
Special mention	**10**	**31**	**22**	**48**	**46**	**41**	**1,425**	**—**	**1,623**
Substandard	**—**	**2**	**2**	**1**	**—**	**1**	**45**	**—**	**51**
Doubtful	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total automotive	**140**	**665**	**233**	**101**	**127**	**124**	**13,742**	**—**	**15,132**
Other									
Pass	**122**	**532**	**628**	**269**	**201**	**199**	**2,443**	**85**	**4,479**
Special mention	**—**	**75**	**143**	**84**	**101**	**181**	**107**	**17**	**708**
Substandard	**—**	**33**	**25**	**—**	**139**	**76**	**25**	**20**	**318**
Doubtful	**—**	**—**	**—**	**—**	**6**	**27**	**2**	**1**	**36**
Total other	**122**	**640**	**796**	**353**	**447**	**483**	**2,577**	**123**	**5,541**
Commercial real estate									
Pass	**167**	**1,142**	**918**	**785**	**538**	**1,105**	**—**	**3**	**4,658**
Special mention	**7**	**66**	**130**	**50**	**32**	**51**	**—**	**—**	**336**
Substandard	**—**	**—**	**—**	**—**	**3**	**13**	**—**	**—**	**16**
Doubtful	**—**	**—**	**—**	**—**	**—**	**2**	**—**	**—**	**2**
Total commercial real estate	**174**	**1,208**	**1,048**	**835**	**573**	**1,171**	**—**	**3**	**5,012**
Total commercial	**$ 436**	**$ 2,513**	**$ 2,077**	**$ 1,289**	**$ 1,147**	**$ 1,778**	**$ 16,319**	**$ 126**	**$ 25,685**

	Origination year								
December 31, 2020 *($ in millions)*	2020	2019	2018	2017	2016	2015 and prior	Revolving loans	Revolving loans converted to term	Total
Commercial and industrial									
Automotive									
Pass	$ 869	$ 220	$ 58	$ 91	$ 76	$ 34	$ 15,433	$ —	$ 16,781
Special mention	48	23	59	52	9	18	2,013	—	2,222
Substandard	3	2	—	—	1	—	72	—	78
Doubtful	—	—	—	—	—	—	1	—	1
Total automotive	920	245	117	143	86	52	17,519	—	19,082
Other									
Pass	536	622	244	210	81	69	2,142	76	3,980
Special mention	76	169	123	190	102	115	123	43	941
Substandard	33	26	—	108	—	77	21	20	285
Doubtful	—	—	—	6	—	27	2	1	36
Total other	645	817	367	514	183	288	2,288	140	5,242
Commercial real estate									
Pass	1,108	928	799	580	651	512	—	2	4,580
Special mention	38	132	116	32	49	43	—	—	410
Substandard	—	—	—	3	6	7	—	—	16
Doubtful	—	—	—	—	2	—	—	—	2
Total commercial real estate	1,146	1,060	915	615	708	562	—	2	5,008
Total commercial	$ 2,711	$ 2,122	$ 1,399	$ 1,272	$ 977	$ 902	$ 19,807	$ 142	$ 29,332

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**
March 31, 2021						
Commercial						
Commercial and industrial						
Automotive	**$ —**	**$ —**	**$ —**	**$ —**	**$ 15,132**	**$ 15,132**
Other	**—**	**—**	**5**	**5**	**5,536**	**5,541**
Commercial real estate	**3**	**—**	**2**	**5**	**5,007**	**5,012**
Total commercial	**$ 3**	**$ —**	**$ 7**	**$ 10**	**$ 25,675**	**$ 25,685**
December 31, 2020						
Commercial						
Commercial and industrial						
Automotive	$ —	$ —	$ —	$ —	$ 19,082	$ 19,082
Other	—	—	—	—	5,242	5,242
Commercial real estate	—	—	2	2	5,006	5,008
Total commercial	$ —	$ —	$ 2	$ 2	$ 29,330	$ 29,332

Troubled Debt Restructurings

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. For consumer automotive loans, we may offer several types of assistance to aid our customers, including payment extensions and rewrites of 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 amortized cost were $2.4 billion and $2.2 billion at March 31, 2021, and December 31, 2020, respectively.

Our consumer auto portfolio accounts for the majority of the year-over-year increase in TDR balances. TDRs in our consumer auto portfolio increased as a result of the COVID-19 loan modification program offered to customers. Additionally, following the expiration of that program, we have continued to support impacted borrowers pursuant to our established risk management policies and practices.

Total commitments to lend additional funds to borrowers whose terms had been modified in a TDR were $17 million and $14 million at March 31, 2021, and December 31, 2020, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for additional information.

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

	2021			2020		
Three months ended March 31, *($ in millions)*	**Number of loans**	**Pre-modification amortized cost basis**	**Post-modification amortized cost basis**	Number of loans	Pre-modification amortized cost basis	Post-modification amortized cost basis
Consumer automotive	**25,590**	**$ 472**	**$ 466**	22,800	$ 340	$ 318
Consumer mortgage						
Mortgage Finance	**5**	**4**	**4**	10	4	4
Mortgage — Legacy	**1**	**—**	**—**	32	4	4
Total consumer mortgage	**6**	**4**	**4**	42	8	8
Total consumer	**25,596**	**476**	**470**	22,842	348	326
Commercial and industrial						
Automotive	**—**	**—**	**—**	1	7	7
Other	**1**	**33**	**33**	—	—	—
Total commercial	**1**	**33**	**33**	1	7	7
Total finance receivables and loans	**25,597**	**$ 509**	**$ 503**	22,843	$ 355	$ 333

The following table presents 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 (refer to Note 1 to the Consolidated Financial Statements in our 2020 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.

	2021			2020		
Three months ended March 31, *($ in millions)*	**Number of loans**	**Amortized cost**	**Charge-off amount**	Number of loans	Amortized cost	Charge-off amount
Consumer automotive	**2,814**	**$ 33**	**$ 20**	1,164	$ 13	$ 9
Consumer mortgage						
Mortgage — Legacy	**2**	**—**	**—**	—	—	—
Total consumer finance receivables and loans	**2,816**	**$ 33**	**$ 20**	1,164	$ 13	$ 9

8. Leasing

Ally as the Lessee

We have operating leases for our corporate facilities, which have remaining lease terms of 3 months to 11 years. Most of the property leases have fixed payment terms with annual fixed-escalation clauses and include options to extend the leases for periods that range from 1 year to 15 years. Some of those lease agreements also include options to terminate the leases in periods that range from approximately 5 years to 6 years after the commencement of the leases. We have not included any of these term extensions or termination provisions in our estimates of the lease term, as 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 both the three months ended March 31, 2021, and March 31, 2020, we paid $13 million in cash for amounts included in the measurement of lease liabilities. These amounts are included in net cash provided by operating activities in the Condensed Consolidated Statement of Cash Flows. During the three months ended March 31, 2021, and March 31, 2020, we obtained $337 million and $35 million, respectively, of ROU assets in exchange for new lease liabilities. As of March 31, 2021, the weighted-average remaining lease term of our operating lease portfolio was 7 years, and the weighted-average discount rate was 2.19%, compared to 7 years and 2.21% as of December 31, 2020.

The following table presents future minimum rental payments we are required to make under operating leases that have commenced as of March 31, 2021, and that have noncancelable lease terms expiring after March 31, 2021.

($ in millions)		
2021	**$**	**33**
2022		**35**
2023		**26**
2024		**19**
2025		**17**
2026 and thereafter		**58**
Total undiscounted cash flows		**188**
Difference between undiscounted cash flows and discounted cash flows		**(12)**
Total lease liability	**$**	**176**

In March 2021, we commenced the lease for a new corporate facility in Charlotte, North Carolina, which includes an underlying purchase option that is reasonably expected to be executed. As a result, this lease facility is presented as a financing lease at March 31, 2021. The finance lease liability of $337 million, includes payments inherent in the purchase obligation. The expense associated with this lease for the period in which it met the criteria for classification as a finance lease was not material. We provided notice of our intent to exercise the purchase option in April 2021, and the purchase is tentatively scheduled to close in the second quarter of 2021. Additionally, we agreed to sublease a portion of this corporate facility in exchange for $13 million in future lease payments over a ten year lease term.

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

	Three months ended March 31,			
($ in millions)		**2021**		2020
Operating lease expense	**$**	**12**	$	13
Variable lease expense		**2**		2
Total lease expense, net (a)	**$**	**14**	$	15

(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 can 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 March 31, 2021, and December 31, 2020, consumer operating leases with a carrying value, net of accumulated depreciation, of $310 million and $352 million, respectively, were covered by a residual value guarantee of 15% of the manufacturer’s suggested retail price.

The following table details our investment in operating leases.

($ in millions)	March 31, 2021	December 31, 2020
Vehicles	$ 11,434	$ 11,182
Accumulated depreciation	(1,490)	(1,543)
Investment in operating leases, net	$ 9,944	$ 9,639

The following table presents future minimum rental payments we have the right to receive under operating leases with noncancelable lease terms expiring after March 31, 2021.

($ in millions)	
2021	$ 1,114
2022	1,111
2023	655
2024	149
2025	11
2026 and thereafter	—
Total lease payments from operating leases	$ 3,040

We recognized operating lease revenue of $370 million for the three months ended March 31, 2021, and $367 million for the three months ended March 31, 2020. 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.

	Three months ended March 31,	
($ in millions)	2021	2020
Depreciation expense on operating lease assets (excluding remarketing gains) (a)	$ 227	$ 250
Remarketing gains, net	(64)	(2)
Net depreciation expense on operating lease assets	$ 163	$ 248

(a) Includes variable lease payments related to excess mileage and excessive wear and tear on vehicles of $5 million during the three months ended March 31, 2021, and $6 million during the three months ended March 31, 2020.

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 $482 million and $450 million as of March 31, 2021, and December 31, 2020, respectively. This includes lease payment receivables of $469 million and $437 million at March 31, 2021, and December 31, 2020, respectively, and unguaranteed residual assets of $13 million at both March 31, 2021, and December 31, 2020. Interest income on finance lease receivables was $6 million for both the three months ended March 31, 2021, and March 31, 2020, and is included in interest and fees on finance receivables and loans in our Condensed Consolidated Statement of Comprehensive Income.

The following table presents future minimum rental payments we have the right to receive under finance leases with noncancelable lease terms expiring after March 31, 2021.

($ in millions)	
2021	$ 128
2022	141
2023	112
2024	82
2025	37
2026 and thereafter	21
Total undiscounted cash flows	521
Difference between undiscounted cash flows and discounted cash flows	(52)
Present value of lease payments recorded as lease receivable	$ 469

9. Securitizations and Variable Interest Entities

We securitize, transfer, and service consumer and commercial 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.

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 securitization are primarily reported as cash or retained interests (if applicable). Liabilities incurred as part of these securitizations, 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.

There were no sales of financial assets into nonconsolidated VIEs for either the three months ended March 31, 2021, or March 31, 2020.

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 2020 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	
March 31, 2021							
On-balance sheet variable interest entities							
Consumer automotive	**$ 19,157**	**(b)**	**$ 2,505**	**(c)**			
Commercial automotive	**4,468**		**1,151**				
Off-balance sheet variable interest entities							
Commercial other	**1,332**	**(d)**	**533**	**(e)**	**—**	**1,755**	**(f)**
Total	**$ 24,957**		**$ 4,189**		**$ —**	**$ 1,755**	
December 31, 2020							
On-balance sheet variable interest entities							
Consumer automotive	$ 17,833	(b)	$ 3,103	(c)			
Commercial automotive	6,276		1,152				
Off-balance sheet variable interest entities							
Commercial other	1,295	(d)	529	(e)	—	1,754	(f)
Total	$ 25,404		$ 4,784		$ —	$ 1,754	

(a) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.
(b) Includes $10.2 billion and $9.9 billion of assets that were not encumbered by VIE beneficial interests held by third parties at March 31, 2021, and December 31, 2020, respectively. Ally or consolidated affiliates hold the interests in these assets.
(c) Includes $99 million and $94 million of liabilities that were not obligations to third-party beneficial interest holders at March 31, 2021, and December 31, 2020, respectively.
(d) Amounts are classified as other assets.
(e) Amounts are classified as accrued expenses and other liabilities.
(f) 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.

Cash Flows with Off-Balance Sheet Securitization 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 assets (for example, servicing) that were outstanding during the three months ended March 31, 2021, and 2020. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated SPEs that existed during each period.

($ in millions)	Three months ended March 31, 2021	2020
Consumer automotive		
Cash flows received on retained interests in securitization entities	**$ —**	$ 4
Servicing fees	**—**	1
Total	**$ —**	$ 5

Delinquencies and Net Credit Losses

We did not have any off-balance sheet securitizations or whole-loan sales where we have continuing involvement at March 31, 2021, or December 31, 2020. During the three months ended March 31, 2020, we recognized $1 million of net credit losses from off-balance sheet securitizations where we have continuing involvement.

10. Other Assets

The components of other assets were as follows.

($ in millions)	March 31, 2021	December 31, 2020
Property and equipment at cost	**$ 1,620**	$ 1,541
Accumulated depreciation	**(844)**	(815)
Net property and equipment	**776**	726
Restricted cash held for securitization trusts (a)	**1,173**	875
Investment in qualified affordable housing projects	**1,086**	1,095
Nonmarketable equity investments (b) (c)	**889**	915
Accrued interest, fees, and rent receivables	**608**	704
Equity-method investments (d)	**370**	320
Goodwill	**343**	343
Finance lease right-of-use assets (e)	**337**	—
Net deferred tax assets	**263**	94
Operating lease right-of-use assets	**150**	162
Other accounts receivable	**139**	166
Restricted cash and cash equivalents (f)	**80**	78
Net intangible assets (g)	**46**	50
Fair value of derivative contracts in receivable position (h)	**18**	17
Other assets	**889**	870
Total other assets	**$ 7,167**	$ 6,415

(a) 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.
(b) Includes investments in FHLB stock of $248 million and $276 million at March 31, 2021, and December 31, 2020, respectively; FRB stock of $449 million at both March 31, 2021, and December 31, 2020; and equity securities without a readily determinable fair value of $192 million and $189 million at March 31, 2021, and December 31, 2020, respectively, measured at cost with adjustments for impairment and observable changes in price.
(c) For the three months ended March 31, 2021, we recorded $2 million of upward adjustments and $1 million of impairments and downward adjustments related to equity securities without a readily determinable fair value, respectively. Securities held in our portfolio of equity securities without a readily determinable fair value as of March 31, 2021, include cumulative upward adjustments of $117 million and impairments and downward adjustments of $13 million through March 31, 2021.
(d) Primarily relates to investments made in connection with our CRA program.
(e) For additional information on finance lease right-of-use assets, refer to Note 8.
(f) 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.
(g) Includes gross intangible assets of $109 million at both March 31, 2021, and December 31, 2020, and accumulated amortization of $63 million and $59 million at March 31, 2021, and December 31, 2020, respectively.
(h) For additional information on derivative instruments and hedging activities, refer to Note 17.

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

($ in millions)	Automotive Finance operations	Insurance operations	Corporate and Other (a)	Total
Goodwill at December 31, 2020	$ 20	$ 27	$ 296	$ 343
Impairment losses	—	—	—	—
Goodwill at March 31, 2021	**$ 20**	**$ 27**	**$ 296**	**$ 343**

(a) Includes $153 million of goodwill associated with Ally Lending at both March 31, 2021, and December 31, 2020, and $143 million of goodwill associated with Ally Invest at both March 31, 2021, and December 31, 2020.

11. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	**March 31, 2021**	December 31, 2020
Noninterest-bearing deposits	**$ 155**	$ 128
Interest-bearing deposits		
Savings, money market, and checking accounts	**90,468**	83,698
Certificates of deposit	**48,962**	53,210
Total deposit liabilities	**$ 139,585**	$ 137,036

At March 31, 2021, and December 31, 2020, certificates of deposit included $24.2 billion and $25.8 billion, respectively, of those in denominations of $100 thousand or more. At March 31, 2021, and December 31, 2020, certificates of deposit included $8.2 billion and $8.6 billion, respectively, of those in denominations in excess of $250 thousand federal insurance limits.

12. Debt

Short-Term Borrowings

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

	March 31, 2021			December 31, 2020		
($ in millions)	**Unsecured**	**Secured (a)**	**Total**	Unsecured	Secured (a)	Total
Demand notes (b)	**$ —**	**$ —**	**$ —**	$ 2,136	$ —	$ 2,136
Total short-term borrowings	**$ —**	**$ —**	**$ —**	$ 2,136	$ —	$ 2,136

(a) Refer to the section below titled *Long-Term Debt* for further details on assets restricted as collateral for payment of the related debt.
(b) On March 1, 2021, we terminated the offering of our demand notes program, and redeemed in full all outstanding demand notes.

Long-Term Debt

The following table presents the composition of our long-term debt portfolio.

	March 31, 2021			December 31, 2020		
($ in millions)	**Unsecured**	**Secured**	**Total**	Unsecured	Secured	Total
Long-term debt (a)						
Due within one year	**$ 1,219**	**$ 4,418**	**$ 5,637**	$ 647	$ 4,438	$ 5,085
Due after one year	**10,583**	**4,283**	**14,866**	11,367	5,554	16,921
Total long-term debt (b) (c)	**$ 11,802**	**$ 8,701**	**$ 20,503**	$ 12,014	$ 9,992	$ 22,006

(a) Includes basis adjustments related to the application of hedge accounting. Refer to Note 17 for additional information.
(b) Includes $2.6 billion of trust preferred securities at both March 31, 2021, and December 31, 2020.
(c) Includes advances net of hedge basis adjustment from the FHLB of Pittsburgh of $5.1 billion and $5.8 billion at March 31, 2021, and December 31, 2020, respectively.

The following table presents the scheduled remaining maturity of long-term debt at March 31, 2021, 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)	2021	2022	2023	2024	2025	2026 and thereafter	Total
Unsecured							
Long-term debt	$ 608	$ 1,116	$ 2,117	$ 1,469	$ 2,362	$ 5,182	$ 12,854
Original issue discount	(37)	(54)	(60)	(67)	(72)	(762)	(1,052)
Total unsecured	571	1,062	2,057	1,402	2,290	4,420	11,802
Secured							
Long-term debt	3,137	4,897	615	32	10	10	8,701
Total long-term debt	$ 3,708	$ 5,959	$ 2,672	$ 1,434	$ 2,300	$ 4,430	$ 20,503

The following summarizes assets restricted as collateral for the payment of the related debt obligation, primarily arising from securitization transactions accounted for as secured borrowings.

	March 31, 2021		December 31, 2020	
($ in millions)	Total (a)	Ally Bank	Total (a)	Ally Bank
Consumer mortgage finance receivables	$ 12,799	$ 12,799	$ 14,979	$ 14,979
Consumer automotive finance receivables	10,808	10,462	9,953	9,510
Commercial finance receivables	3,921	3,921	10,866	10,866
Total assets restricted as collateral (b) (c)	$ 27,528	$ 27,182	$ 35,798	$ 35,355
Secured debt	$ 8,701	$ 8,436	$ 9,992	$ 9,634

(a) Ally Bank is a component of the total column.
(b) 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 $12.8 billion and $20.0 billion at March 31, 2021, and December 31, 2020, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans and investment securities. Ally Bank has access to the FRB Discount Window and had assets pledged and restricted as collateral to the FRB totaling $2.4 billion at both March 31, 2021, and December 31, 2020. 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.
(c) 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.

Trust Preferred Securities

At both March 31, 2021, and December 31, 2020, we had issued and outstanding approximately $2.6 billion in aggregate liquidation preference of Series 2 TRUPS. Each Series 2 TRUPS security has a liquidation amount of $25. Distributions are cumulative and are payable until redemption at the applicable coupon rate. Distributions are payable at an annual rate equal to three-month LIBOR plus 5.785% payable quarterly in arrears. Ally has the right to defer payments of interest for a period not exceeding 20 consecutive quarters. The Series 2 TRUPS have no stated maturity date, but must be redeemed upon the redemption or maturity of the related debentures (Debentures), which mature on February 15, 2040. Ally at any time may redeem the Series 2 TRUPS at a redemption price equal to 100% of the principal amount being redeemed, plus accrued and unpaid interest through the date of redemption. The Series 2 TRUPS are generally nonvoting, other than with respect to certain limited matters. During any period in which any Series 2 TRUPS remain outstanding but in which distributions on the Series 2 TRUPS have not been fully paid, none of Ally or its subsidiaries will be permitted to (i) declare or pay dividends on, make any distributions with respect to, or redeem, purchase, acquire or otherwise make a liquidation payment with respect to, any of Ally's capital stock or make any guarantee payment with respect thereto; or (ii) make any payments of principal, interest, or premium on, or repay, repurchase or redeem, any debt securities or guarantees that rank on a parity with or junior in interest to the Debentures with certain specified exceptions in each case. The Series 2 TRUPS were issued prior to October 4, 2010, under the Emergency Economic Stabilization Act of 2008 and are not subject to phase-out from additional Tier 1 capital into Tier 2 capital. The amount of Series 2 TRUPS included in Ally's Tier 1 capital was $2.5 billion at March 31, 2021. The amount represents the carrying amount of the Series 2 TRUPS less our common stock investment in the trust.

On April 22, 2021, we issued $1.35 billion of preferred stock, and announced our intent to use the proceeds to redeem in part the Series 2 TRUPS outstanding. Refer to Note 23 for additional information.

Funding Facilities

We utilize both committed secured credit facilities and other collateralized funding vehicles. The debt outstanding under our various funding facilities is included on our Condensed Consolidated Balance Sheet.

The total capacity in our credit facilities is provided by banks through private transactions. The facilities can be revolving in nature, generally having an original tenor ranging from 364 days to two years, and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the commitment period. At March 31, 2021, all of our $460 million of capacity was revolving and of this balance, $175 million was from facilities with a remaining tenor greater than 364 days.

Committed Secured Credit Facilities

	Outstanding		Unused capacity (a)		Total capacity	
($ in millions)	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
Parent funding						
Secured	$ —	$ —	$ 460	$ 560	$ 460	$ 560
Total committed secured credit facilities	$ —	$ —	$ 460	$ 560	$ 460	$ 560

(a) Funding from committed secured credit facilities is available on request in the event excess collateral resides in certain facilities or the extent incremental collateral is available and contributed to the facilities.

13. Accrued Expenses and Other Liabilities

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

($ in millions)	March 31, 2021	December 31, 2020
Accounts payable	**$ 943**	$ 602
Unfunded commitments for investment in qualified affordable housing projects	**529**	525
Finance lease liabilities	**337**	—
Employee compensation and benefits	**257**	316
Operating lease liabilities	**176**	187
Reserves for insurance losses and loss adjustment expenses	**132**	129
Deferred revenue	**124**	104
Fair value of derivative contracts in payable position (a)	**44**	33
Net deferred tax liabilities	**14**	92
Cash collateral received from counterparties	**6**	6
Other liabilities	**664**	440
Total accrued expenses and other liabilities	**$ 3,226**	$ 2,434

(a) For additional information on derivative instruments and hedging activities, refer to Note 17.

14. Accumulated Other Comprehensive Income

The following table presents changes, net of tax, in each component of accumulated other comprehensive income.

($ in millions)	Unrealized gains on investment securities (a)	Translation adjustments and net investment hedges (b)	Cash flow hedges (b)	Defined benefit pension plans	Accumulated other comprehensive income
Balance at December 31, 2019	$ 208	$ 19	$ 2	$ (106)	$ 123
Net change	453	(1)	128	3	583
Balance at March 31, 2020	$ 661	$ 18	$ 130	$ (103)	$ 706
Balance at December 31, 2020	$ 640	$ 19	$ 82	$ (110)	$ 631
Net change	**(587)**	**1**	**(17)**	**(1)**	**(604)**
Balance at March 31, 2021	**$ 53**	**$ 20**	**$ 65**	**$ (111)**	**$ 27**

(a) Represents the after-tax difference between the fair value and amortized cost of our available-for-sale securities portfolio.
(b) For additional information on derivative instruments and hedging activities, refer to Note 17.

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

Three months ended March 31, 2021 *($ in millions)*	**Before tax**	**Tax effect**	**After tax**
Investment securities			
Net unrealized losses arising during the period	**$ (736)**	**$ 174**	**$ (562)**
Less: Net realized gains reclassified to income from continuing operations	**32 (a)**	**(7) (b)**	**25**
Net change	**(768)**	**181**	**(587)**
Translation adjustments			
Net unrealized gains arising during the period	**3**	**(1)**	**2**
Net investment hedges (c)			
Net unrealized losses arising during the period	**(2)**	**1**	**(1)**
Cash flow hedges (c)			
Less: Net realized gains reclassified to income from continuing operations	**21 (d)**	**(4) (b)**	**17**
Defined benefit pension plans			
Net unrealized losses arising during the period	**(2)**	**1**	**(1)**
Other comprehensive loss	**$ (790)**	**$ 186**	**$ (604)**

(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 17.
(d) Includes gains reclassified to interest and fees on finance receivables and loans in our Condensed Consolidated Statement of Comprehensive Income.

Three months ended March 31, 2020 *($ in millions)*	Before tax	Tax effect	After tax
Investment securities			
Net unrealized gains arising during the period	$ 702	$ (168)	$ 534
Less: Net realized gains reclassified to income from continuing operations	105 (a)	(24) (b)	81
Net change	597	(144)	453
Translation adjustments			
Net unrealized losses arising during the period	(13)	3	(10)
Net investment hedges (c)			
Net unrealized gains arising during the period	12	(3)	9
Cash flow hedges (c)			
Net unrealized gains arising during the period	169	(41)	128
Defined benefit pension plans			
Net unrealized gains arising during the period	4	(1)	3
Other comprehensive income	$ 769	$ (186)	$ 583

(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 17.

15. Earnings per Common Share

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

	Three months ended March 31,			
($ in millions, except per share data; shares in thousands) (a)		**2021**		2020
Net income (loss) from continuing operations	**$**	**796**	$	(319)
Net income (loss) attributable to common stockholders	**$**	**796**	$	(319)
Basic weighted-average common shares outstanding (b)		**375,229**		375,723
Diluted weighted-average common shares outstanding (b) (c)		**377,529**		375,723
Basic earnings per common share				
Net income (loss) from continuing operations	**$**	**2.12**	$	(0.85)
Net income (loss)	**$**	**2.12**	$	(0.85)
Diluted earnings per common share				
Net income (loss) from continuing operations	**$**	**2.11**	$	(0.85)
Net income (loss)	**$**	**2.11**	$	(0.85)

(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.
(c) Due to the antidilutive effect of the net loss from continuing operations for the three months ended March 31, 2020, basic weighted-average common shares outstanding was used to calculate basic and diluted earnings per share. During the three months ended March 31, 2020, there were 1.8 million in shares underlying share-based awards excluded because their inclusion would have been antidilutive. There were no antidilutive shares during the three months ended March 31, 2021.

16. Regulatory Capital and Other Regulatory Matters

Ally is currently subject to enhanced prudential standards that were established by the FRB under the Dodd-Frank Act. Targeted amendments to the Dodd-Frank Act and other financial-services laws were enacted through the EGRRCP Act, including amendments that affect whether and, if so, how the FRB applies enhanced prudential standards to BHCs like us with $100 billion or more but less than $250 billion in total consolidated assets. Through final rules implementing these amendments—which are commonly known as the tailoring framework—the FRB and other U.S. banking agencies established four risk-based categories of prudential standards and capital and liquidity requirements for banking organizations with $100 billion or more in total consolidated assets. The most stringent standards and requirements apply to U.S. global systemically important BHCs, which are assigned to Category I. The assignment of other banking organizations to the remaining three categories is based on measures of size and four other risk-based indicators: cross-jurisdictional activity, wSTWF, nonbank assets, and off-balance-sheet exposure.

Under the tailoring framework, Ally is a Category IV firm and, as such, 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. Refer to Note 20 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for additional details on the tailoring framework and other applicable capital and liquidity requirements.

We continue to be 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 risks to the U.S. economy. Further, we remain 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, (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, or (d) our capital plan or condition raise any issues of objection.

Refer to Note 20 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for further discussion about regulatory developments.

Basel Capital Framework

The FRB and other U.S. banking agencies have adopted risk-based and leverage capital standards that establish minimum capital-to-asset ratios for BHCs, like Ally, and depository institutions, like Ally Bank. The risk-based capital ratios are based on a banking organization's 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%. In addition to these minimum risk-based capital ratios, Ally and Ally Bank are subject to a capital conservation buffer requirement, which for Ally was 3.5% and for Ally Bank was 2.5% as of March 31, 2021, as further described in the next paragraph. 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%.

In March 2020, the FRB issued a final rule to more closely align forward-looking stress testing results with the FRB's non-stress regulatory capital requirements for BHCs with $100 billion or more in total consolidated assets and other specified companies. The final rule introduced a stress capital buffer requirement based on firm-specific stress test performance and planned dividends, which for Ally replaced the fixed 2.5% component of the capital conservation buffer requirement. Refer to Note 20 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for details about changes to the CCAR process effected by the final rule. Under the final rule, Ally's stress capital buffer requirement 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 risk-weighted assets. For a Category IV firm like Ally, the capital conservation buffer requirement comprises the stress capital buffer requirement. The capital conservation buffer requirement applicable to Ally's depository-institution subsidiary, Ally Bank, continues to be a fixed 2.5%. Ally received its first preliminary stress capital buffer requirement from the FRB in June 2020, which was determined under this new methodology to be 3.5%, was finalized in August 2020, and became effective in October 2020. In June 2020, the FRB also announced its determination that changes in financial markets or the macroeconomic outlook could have a material effect on the risk profiles and financial conditions of firms subject to the capital-plan rule and that, as a result, the firms (including Ally) would be required to resubmit capital plans to the FRB within 45 days after receiving updated stress scenarios from the FRB. In September 2020, the FRB released two updated scenarios—severely adverse and alternative severe. We updated our capital plan in light of firm-specific baseline and stress scenarios, as required, and submitted our updated plan to the FRB in November 2020. In December 2020, the FRB publicly disclosed summary results of this second round of supervisory stress testing and extended its deadline for notifying firms about whether their stress capital buffer requirements will be recalculated to March 31, 2021. On March 25, 2021, the FRB further extended this deadline to June 30, 2021. Refer to the later section titled *Capital Planning and Stress Tests* for more information.

Under the capital conservation buffer requirement, the maximum amount of capital distributions and discretionary bonus payments that can be made by a banking organization, such as Ally or Ally Bank, is a function of its eligible retained income. During the COVID-19 pandemic, the FRB and other U.S. banking agencies expressed a concern that the definition of eligible retained income would not limit distributions in the gradual manner intended but instead could do so in a sudden and severe manner even if a banking organization were to experience only a modest reduction in its capital ratios. As a result, to better allow a banking organization to use its capital buffer as intended and continue lending in adverse conditions, the U.S. banking agencies issued an interim final rule that became effective in March 2020, and revised the definition of eligible retained income to the greater of (1) a banking organization's net income for the four preceding calendar quarters, net of any distributions and associated tax effects not already reflected in net income, and (2) the average of a banking organization's net income over the preceding four quarters. This interim final rule was adopted as final with no changes effective January 1, 2021.

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

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. While BHCs are not subject to the PCA framework, the FRB is empowered to compel a BHC to take measures—such as the execution of financial or performance guarantees—when PCA is required in connection with one of its depository-institution subsidiaries. In addition, under FDICIA, only well-capitalized and, with a waiver from the FDIC, adequately capitalized institutions may accept brokered deposits, and even adequately capitalized institutions are subject to some restrictions on the rates they may offer for brokered deposits. At March 31, 2021, Ally Bank was well capitalized under the PCA framework.

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

($ in millions)	March 31, 2021 Amount	March 31, 2021 Ratio	December 31, 2020 Amount	December 31, 2020 Ratio	Required minimum (a)	Well-capitalized minimum
Capital ratios						
Common Equity Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	**$ 15,359**	**11.06 %**	$ 14,878	10.64 %	4.50 %	(b)
Ally Bank	**17,879**	**13.68**	17,567	13.38	4.50	6.50 %
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	**$ 17,795**	**12.82 %**	$ 17,289	12.37 %	6.00 %	6.00 %
Ally Bank	**17,879**	**13.68**	17,567	13.38	6.00	8.00
Total (to risk-weighted assets)						
Ally Financial Inc.	**$ 20,240**	**14.58 %**	$ 19,778	14.15 %	8.00 %	10.00 %
Ally Bank	**19,513**	**14.93**	19,210	14.63	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (c)						
Ally Financial Inc.	**$ 17,795**	**9.78 %**	$ 17,289	9.41 %	4.00 %	(b)
Ally Bank	**17,879**	**10.38**	17,567	10.12	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 was required to maintain a minimum capital conservation buffer of 3.5% at both March 31, 2021, and December 31, 2020, and Ally Bank was required to maintain a minimum capital conservation buffer of 2.5% at both March 31, 2021, and December 31, 2020.
(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.

In December 2018, the FRB and other U.S. banking agencies approved a final rule to address the impact of CECL on regulatory capital by allowing BHCs and banks, including Ally, the option to phase in the day-one impact of CECL over a three-year period. In March 2020, the FRB and other U.S. banking agencies issued an interim final rule that became effective for the first quarter of 2020 and that provides BHCs and banks with an alternative option to temporarily delay an estimate of the impact of CECL, relative to the incurred loss methodology for estimating the allowance for loan losses, on regulatory capital. The interim final rule was clarified and adjusted in a final rule that became effective in September 2020. We have elected this alternative option instead of the one described in the December 2018 rule. As a result, under the final rule, we will delay recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extends through December 31, 2021. Beginning on January 1, 2022, we will be 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 will defer and later phase in is 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 March 31, 2021, the total deferred impact on Common Equity Tier 1 capital related to our adoption of CECL was $1.2 billion.

At both March 31, 2021, and December 31, 2020, Ally and Ally Bank were "well-capitalized." Compliance with capital requirements is a strategic priority for Ally. We expect to be in compliance with all applicable requirements within the established timeframes.

Capital Planning and Stress Tests

Under the tailoring framework described earlier in the section titled *Basel Capital Framework*, 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.

We submitted our 2020 capital plan in April 2020, which included planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon. In June 2020, the FRB provided us with the results of the supervisory stress test, additional industry-wide sensitivity analyses conducted in light of the COVID-19 pandemic, and our preliminary stress capital buffer requirement. As described earlier in the section titled *Basel Capital Framework*, we updated our capital plan in light of revised stress scenarios from the FRB and submitted our updated plan to the FRB in November 2020. In December 2020, the FRB publicly disclosed summary results of its second round of supervisory stress testing and extended its deadline for notifying firms about whether their stress capital buffer requirements will be recalculated to March 31, 2021. On March 25, 2021, the FRB further extended this deadline to June 30, 2021.

In June 2020, the FRB announced several actions to ensure that large firms, such as Ally, would remain resilient despite the economic uncertainty from the COVID-19 pandemic, including for the third quarter of 2020 (1) the suspension of repurchases by any firm of its common stock, except repurchases relating to issuances of common stock related to employee stock ownership plans, and (2) the disallowance of any increase by a firm in the amount of its common-stock dividends and the imposition of a common-stock dividend limit equal to the average of the firm's net income for the four preceding calendar quarters. These restrictions were extended by the FRB for the fourth quarter of 2020. In December 2020, the FRB extended and modified these restrictions for the first quarter of 2021 to limit aggregate common-stock dividends and share repurchases to an amount equal to the average of the firm's net income for the four preceding calendar quarters subject to specified exceptions. On March 25, 2021, the FRB extended these modified restrictions for the second quarter of 2021 and announced that, for a firm such as Ally that is not subject to the 2021 supervisory stress test and on a two-year cycle, the additional restrictions will end after June 30, 2021, and the firm's stress capital buffer requirement based on the June 2020 supervisory stress test results will remain in place. The FRB, however, retains the discretion to change course and further extend these restrictions or impose different ones. On January 11, 2021, our Board authorized a stock-repurchase program, permitting us to repurchase up to $1.6 billion of our common stock from time to time from the first quarter of 2021 through the fourth quarter of 2021 subject to restrictions imposed by the FRB.

In January 2021, the FRB issued a final rule effective April 5, 2021, to align its capital planning and stress capital buffer requirements with the tailoring framework. Under the final rule, unless otherwise directed by the FRB in specified circumstances, Ally and other Category IV firms are generally no longer required to calculate forward-looking projections of revenues, losses, reserves, and pro forma capital levels under scenarios provided by the FRB. Each firm continues to be required, however, to provide a forward-looking analysis of income and capital levels under expected and stressful conditions that are designed by the firm. In addition, for Category IV firms, the final rule updated the frequency of calculating the portion of the stress capital buffer derived from the supervisory stress test to every other year. These firms 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 they would not generally be subject to the supervisory stress test. During a year in which a Category IV firm does not undergo a supervisory stress test, the firm would receive an updated stress capital buffer requirement that reflects its updated planned common-stock dividends. The final rule also includes reporting and other changes consistent with the tailoring framework. The deadline for electing to opt into the 2021 supervisory stress test was April 5, 2021, and Ally did not make such an election.

We submitted our 2021 capital plan on April 5, 2021, which includes planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon and other capital actions. 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), impacts related to the COVID-19 pandemic, 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 over the last five quarters.

	Common stock repurchased during period (a) (b)		Number of common shares outstanding		
($ in millions, except per share data; shares in thousands)	Approximate dollar value	Number of shares	Beginning of period	End of period	Cash dividends declared per common share (c)
2020					
First quarter	$ 104	3,838	374,332	373,155	$ 0.19
Second quarter	—	53	373,155	373,837	0.19
Third quarter	1	9	373,837	373,857	0.19
Fourth quarter	1	37	373,857	374,674	0.19
2021					
First quarter	**$ 219**	**5,276**	**374,674**	**371,805**	**$ 0.19**

(a) Includes shares of common stock withheld to cover income taxes owed by participants in our share-based incentive plans.
(b) On March 17, 2020, we announced the voluntary suspension of our stock-repurchase program through its termination on June 30, 2020. Consistent with the FRB's restrictions on common-stock repurchases for large firms such as Ally, described above, we did not implement a new stock-repurchase program or repurchase shares of our common stock, except in connection with compensation plans, for the remainder of 2020. Refer to the discussion above for further details about this action.
(c) On April 13, 2021, our Board declared a quarterly cash dividend of $0.19 per share on all common stock, payable on May 14, 2021, to stockholders of record at the close of business on April 30, 2021. Refer to Note 23 for further information regarding this common stock dividend.

17. 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 utilizing 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 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 our 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 (which 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 closed portfolios of fixed-rate held-for-investment consumer automotive loan assets in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. Other derivatives qualifying for hedge accounting consist of pay-fixed swaps designated as cash flow hedges of the expected future cash flows in the form of interest payments on certain variable-rate borrowings and deposit liabilities, receive-fixed swaps designated as cash flow hedges of the expected future cash flows in the form of interest receipts on certain securities within our available-for-sale portfolio, as well as interest rate 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 execute economic hedges, which may 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 that are 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, Ally 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. In the event that 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 requires 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 years ended March 31, 2021, or 2020.

We placed cash and noncash collateral totaling $1 million and $163 million, respectively, supporting our derivative positions at March 31, 2021, compared to $4 million and $145 million of cash and noncash collateral at December 31, 2020, in accounts maintained by counterparties. These amounts include collateral placed at clearinghouses and exclude cash and noncash collateral pledged under repurchase agreements. Refer to Note 12 for details on the repurchase agreements. The receivables for cash collateral placed are included on our Condensed Consolidated Balance Sheet in other assets.

We received cash collateral from counterparties totaling $4 million in accounts maintained by counterparties at March 31, 2021. This amount includes collateral received from clearinghouses and exclude cash and noncash collateral pledged under repurchase agreements. Refer to Note 12 for details on repurchase agreements. The payables for cash collateral received are included on our Condensed Consolidated Balance Sheet in accrued expenses and other liabilities. Included in these amounts is noncash collateral where we have been granted the right to sell or pledge the underlying assets. We have not sold or pledged any of the noncash collateral received under these agreements.

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.

	March 31, 2021			December 31, 2020		
	Derivative contracts in a			Derivative contracts in a		
($ in millions)	**receivable position**	**payable position**	**Notional amount**	receivable position	payable position	Notional amount
Derivatives designated as accounting hedges						
Interest rate contracts						
Swaps	**$ —**	**$ —**	**$ 17,945**	$ —	$ —	$ 12,385
Foreign exchange contracts						
Forwards	**1**	**—**	**161**	1	—	164
Total derivatives designated as accounting hedges	**1**	**—**	**18,106**	1	—	12,549
Derivatives not designated as accounting hedges						
Interest rate contracts						
Futures and forwards	**3**	**—**	**459**	1	—	391
Written options	**11**	**5**	**576**	15	—	587
Total interest rate risk	**14**	**5**	**1,035**	16	—	978
Foreign exchange contracts						
Futures and forwards	**2**	**—**	**448**	—	1	159
Total foreign exchange risk	**2**	**—**	**448**	—	1	159
Credit contracts (a)						
Other credit derivatives	**—**	**37**	**n/a**	—	28	n/a
Total credit risk	**—**	**37**	**n/a**	—	28	n/a
Equity contracts						
Written options	**—**	**2**	**2**	—	4	2
Purchased options	**1**	**—**	**—**	—	—	—
Total equity risk	**1**	**2**	**2**	—	4	2
Total derivatives not designated as accounting hedges	**17**	**44**	**1,485**	16	33	1,139
Total derivatives	**$ 18**	**$ 44**	**$ 19,591**	$ 17	$ 33	$ 13,688

n/a = not applicable.

(a) The maximum potential amount of undiscounted future payments that could be required under these credit derivatives was $66 million and $56 million as of March 31, 2021, and December 31, 2020, respectively.

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

	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)	
($ in millions)	**March 31, 2021**	December 31, 2020	**March 31, 2021**	December 31, 2020	**March 31, 2021**	December 31, 2020
Assets						
Available-for-sale securities (b) (c)	**$ 4,999**	$ 1,259	**$ 15**	$ 39	**$ 19**	$ 28
Finance receivables and loans, net (d)	**35,233**	28,393	**173**	225	**73**	72
Liabilities						
Long-term debt	**$ 7,833**	$ 8,656	**$ 33**	$ 169	**$ 113**	$ 203

(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) The carrying amount of hedged available-for-sale securities is presented above using amortized cost and includes $3.5 billion and $592 million at March 31, 2021, and December 31, 2020, respectively, related to closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. Refer to Note 6 for a reconciliation of the amortized cost and fair value of available-for-sale securities.

(c) The amount that is identified as the last of layer in the open hedge relationship was $3.1 billion as of March 31, 2021. The basis adjustment associated with the open last of layer relationship was a $3 million liability as of March 31, 2021, which would be allocated across the entire remaining pool upon termination or maturity of the hedge relationship. The amount that has been identified as the last of layer in the discontinued hedge relationship was $1.4 billion and $1.2 billion as of March 31, 2021, and December 31, 2020, respectively. The basis adjustment associated with the discontinued last of layer relationship was a $16 million asset as of March 31, 2021, and a $20 million asset as of December 31, 2020, which was allocated across the entire remaining pool upon termination of the hedge relationship.

(d) The hedged item represents the carrying value of the hedged portfolio of assets. The amount identified as the last of layer in the open hedge relationship was $11.7 billion and $9.4 billion at March 31, 2021, and December 31, 2020, respectively. The basis adjustment associated with the open last-of-layer relationship was a $100 million asset as of March 31, 2021, and a $153 million asset as of December 31, 2020, which would be allocated across the entire remaining closed pool upon termination or maturity of the hedge relationship. The amount that is identified as the last of layer in the discontinued hedge relationship was $19.6 billion at March 31, 2021, and $18.5 billion at December 31, 2020. The basis adjustment associated with the discontinued last-of-layer hedge relationship was a $73 million asset and a $72 million asset as of March 31, 2021, and December 31, 2020, respectively, which was allocated across the entire remaining pool upon termination of the hedge relationship.

Statement of Comprehensive 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.

	Three months ended March 31,	
($ in millions)	**2021**	2020
Gain (loss) recognized in earnings		
Interest rate contracts		
Loss on mortgage and automotive loans, net	**$ (7)**	$ (15)
Total interest rate contracts	**(7)**	(15)
Foreign exchange contracts		
Other income, net of losses	**—**	8
Other operating expenses	**(2)**	—
Total foreign exchange contracts	**(2)**	8
Credit contracts		
Other income, net of losses	**(8)**	—
Total credit contracts	**(8)**	—
Total loss recognized in earnings	**$ (17)**	$ (7)

The following table summarizes 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 March 31, *($ in millions)*	Interest and fees on finance receivables and loans 2021	Interest and fees on finance receivables and loans 2020	Interest and dividends on investment securities and other earning assets 2021	Interest and dividends on investment securities and other earning assets 2020	Interest on deposits 2021	Interest on deposits 2020	Interest on long-term debt 2021	Interest on long-term debt 2020
Gain (loss) on fair value hedging relationships								
Interest rate contracts								
Hedged fixed-rate unsecured debt	**$ —**	$ —	**$ —**	$ —	**$ —**	$ —	**$ 139**	$ (170)
Derivatives designated as hedging instruments on fixed-rate unsecured debt	**—**	—	**—**	—	**—**	—	**(139)**	170
Hedged available-for-sale securities	**—**	—	**(13)**	41	**—**	—	**—**	—
Derivatives designated as hedging instruments on available-for-sale securities	**—**	—	**13**	(41)	**—**	—	**—**	—
Hedged fixed-rate consumer automotive loans	**(39)**	248	**—**	—	**—**	—	**—**	—
Derivatives designated as hedging instruments on fixed-rate consumer automotive loans	**39**	(248)	**—**	—	**—**	—	**—**	—
Total gain on fair value hedging relationships	**—**	—	**—**	—	**—**	—	**—**	—
Gain (loss) on cash flow hedging relationships								
Interest rate contracts								
Hedged deposit liabilities								
Reclassified from accumulated other comprehensive income into income	**—**	—	**—**	—	**(1)**	(3)	**—**	—
Hedged variable-rate commercial loans								
Reclassified from accumulated other comprehensive income into income	**22**	3	**—**	—	**—**	—	**—**	—
Total gain (loss) on cash flow hedging relationships	**$ 22**	$ 3	**$ —**	$ —	**$ (1)**	$ (3)	**$ —**	$ —
Total amounts presented in the Condensed Consolidated Statement of Comprehensive Income	**$ 1,582**	$ 1,742	**$ 131**	$ 226	**$ 306**	$ 592	**$ 250**	$ 348

During the next 12 months, we estimate $46 million of gains will be reclassified into pretax earnings from derivatives designated as cash flow hedges.

The following table summarizes 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 March 31, *($ in millions)*	Interest and fees on finance receivables and loans 2021	Interest and fees on finance receivables and loans 2020	Interest and dividends on investment securities and other earning assets 2021	Interest and dividends on investment securities and other earning assets 2020	Interest on long-term debt 2021	Interest on long-term debt 2020
Gain (loss) on fair value hedging relationships						
Interest rate contracts						
Amortization of deferred unsecured debt basis adjustments	**$ —**	$ —	**$ —**	$ —	**$ 1**	$ 6
Interest for qualifying accounting hedges of unsecured debt	**—**	—	**—**	—	**1**	—
Amortization of deferred secured debt basis adjustments (FHLB advances)	**—**	—	**—**	—	**(5)**	(6)
Amortization of deferred basis adjustments of available-for-sale securities	**—**	—	**(2)**	(1)	**—**	—
Interest for qualifying accounting hedges of available-for-sale securities	**—**	—	**(1)**	—	**—**	—
Amortization of deferred loan basis adjustments	**(13)**	(13)	**—**	—	**—**	—
Interest for qualifying accounting hedges of consumer automotive loans held-for-investment	**(30)**	(9)	**—**	—	**—**	—
Total loss on fair value hedging relationships	**(43)**	(22)	**(3)**	(1)	**(3)**	—
Gain on cash flow hedging relationships						
Interest rate contracts						
Interest for qualifying accounting hedges of variable-rate commercial loans	**—**	1	**—**	—	**—**	—
Total gain on cash flow hedging relationships	**$ —**	$ 1	**$ —**	$ —	**$ —**	$ —

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

	Three months ended March 31,	
($ in millions)	**2021**	2020
Interest rate contracts		
(Loss) gain recognized in other comprehensive income	**$ (21)**	$ 169

The following table summarizes the effect of net investment hedges on accumulated other comprehensive income and the Condensed Consolidated Statement of Comprehensive Income.

	Three months ended March 31,	
($ in millions)	**2021**	2020
Foreign exchange contracts (a) (b)		
(Loss) gain recognized in other comprehensive income	**$ (2)**	$ 12

(a) There were no amounts excluded from effectiveness testing for the three months ended March 31, 2021, or 2020.
(b) Gains and losses reclassified from accumulated other comprehensive income 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 ended March 31, 2021, or 2020.

18. Income Taxes

We recognized total income tax expense from continuing operations of $211 million for the three months ended March 31, 2021, compared to an income tax benefit of $92 million for the same period in 2020. The increase in income tax expense for the three months ended March 31, 2021, compared to the same period in 2020, was primarily due to the tax effects of an increase in pretax earnings.

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.

19. 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.

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.

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.

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.
- ***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.
- ***Interests retained in financial asset sales*** — We retain certain noncertificated interests retained from the sale of automotive finance receivables. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. 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 credit losses).
- ***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-sale 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. Because these derivatives are valued using internal pricing models with unobservable inputs, 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, Ally 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 a liability. 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 and the credit risk of our counterparties in the valuation of derivative instruments through a CVA, if warranted. The CVA calculation would utilize the credit default swap spreads of the counterparty.

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 and other financial instruments. The tables below display the hedges separately from the hedged items; therefore, they do not directly display the impact of our risk-management activities.

	Recurring fair value measurements			
March 31, 2021 *($ in millions)*	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment securities				
Equity securities (a)	$ 1,057	$ —	$ 11	$ 1,068
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	1,706	—	—	1,706
U.S. States and political subdivisions	—	1,057	7	1,064
Foreign government	17	155	—	172
Agency mortgage-backed residential	—	21,518	—	21,518
Mortgage-backed residential	—	2,312	—	2,312
Agency mortgage-backed commercial	—	4,152	—	4,152
Asset-backed	—	474	—	474
Corporate debt	—	2,048	—	2,048
Total available-for-sale securities	1,723	31,716	7	33,446
Mortgage loans held-for-sale (b)	—	—	146	146
Finance receivables and loans, net				
Consumer other (b)	—	—	8	8
Derivative contracts in a receivable position				
Interest rate	—	—	14	14
Foreign currency	—	3	—	3
Other	1	—	—	1
Total derivative contracts in a receivable position	1	3	14	18
Total assets	$ 2,781	$ 31,719	$ 186	$ 34,686
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Interest rate	$ —	$ —	$ 5	$ 5
Credit contracts	—	—	37	37
Equity contracts	2	—	—	2
Total derivative contracts in a payable position	2	—	42	44
Total liabilities	$ 2	$ —	$ 42	$ 44

(a) Our direct investment in any one industry did not exceed 9%.
(b) Carried at fair value due to fair value option elections.

	Recurring fair value measurements			
December 31, 2020 *($ in millions)*	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Equity securities (a)	$ 1,064	$ —	$ 7	$ 1,071
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	803	—	—	803
U.S. States and political subdivisions	—	1,088	7	1,095
Foreign government	17	159	—	176
Agency mortgage-backed residential	—	18,588	—	18,588
Mortgage-backed residential	—	2,640	—	2,640
Agency mortgage-backed commercial	—	4,189	—	4,189
Asset-backed	—	425	—	425
Corporate debt	—	1,914	—	1,914
Total available-for-sale securities	820	29,003	7	29,830
Mortgage loans held-for-sale (b)	—	—	91	91
Finance receivables and loans, net				
Consumer other (b)	—	—	8	8
Derivative contracts in a receivable position				
Interest rate	—	—	16	16
Foreign currency	—	1	—	1
Total derivative contracts in a receivable position	—	1	16	17
Total assets	$ 1,884	$ 29,004	$ 129	$ 31,017
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position				
Foreign currency	$ —	$ 1	$ —	$ 1
Credit contracts	—	—	28	28
Equity contracts	4	—	—	4
Total derivative contracts in a payable position	4	1	28	33
Total liabilities	$ 4	$ 1	$ 28	$ 33

(a) Our direct investment in any one industry did not exceed 11%.
(b) Carried at fair value due to fair value option elections.

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.

	Equity securities (a)		Available-for-sale securities		Mortgage loans held-for-sale (b) (c)		Finance receivables and loans, net (b) (d)		Interests retained in financial asset sales	
($ in millions)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Assets										
Fair value at January 1,	**$ 7**	$ 8	**$ 7**	$ 2	**$ 91**	$ 30	**$ 8**	$ 11	**$ —**	$ 2
Net realized/unrealized gains (losses)										
Included in earnings	**4**	(4)	**—**	—	**28**	5	**2**	(1)	**—**	—
Included in OCI	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Purchases	**—**	—	**—**	1	**1,039**	302	**4**	6	**—**	—
Sales	**—**	—	**—**	—	**(1,012)**	(269)	**—**	—	**—**	—
Issuances	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Settlements	**—**	—	**—**	—	**—**	—	**(6)**	(6)	**—**	(1)
Transfers into (out of) Level 3	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Fair value at March 31,	**$ 11**	$ 4	**$ 7**	$ 3	**$ 146**	$ 68	**$ 8**	$ 10	**$ —**	$ 1
Net unrealized gains (losses) still held at March 31,										
Included in earnings	**$ 4**	$ (4)	**$ —**	$ —	**$ 1**	$ 1	**$ —**	$ —	**$ —**	$ —
Included in OCI	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—

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

	Derivative liabilities, net of derivative assets	
($ in millions)	**2021 (a)**	2020 (b)
Liabilities		
Fair value at January 1,	**$ 12**	$ (2)
Net realized/unrealized losses (gains)		
Included in earnings	**15**	(6)
Included in OCI	**—**	—
Purchases	**—**	—
Sales	**—**	—
Issuances	**1**	—
Settlements	**—**	—
Transfers into (out of) Level 3	**—**	—
Fair value at March 31,	**$ 28**	$ (8)
Net unrealized losses (gains) still held at March 31,		
Included in earnings	**$ 15**	$ (6)
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) Net realized/unrealized (gains) losses are reported as gain on mortgage and automotive loans, net, in the Condensed Consolidated Statement of Comprehensive Income.

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 March 31, 2021, and December 31, 2020, respectively. The amounts are generally as of the end of each period presented, which approximate the fair value measurements that occurred during each period.

	Nonrecurring fair value measurements					
March 31, 2021 *($ in millions)*	**Level 1**	**Level 2**	**Level 3**	**Total**	**Lower-of-cost-or-fair-value reserve, valuation reserve, or cumulative adjustments**	**Total gain (loss) included in earnings**
Assets						
Loans held-for-sale, net	$ —	$ —	$ 346	$ 346	$ —	n/m (a)
Commercial finance receivables and loans, net (b)						
Automotive	—	—	14	14	(4)	n/m (a)
Other	—	—	42	42	(23)	n/m (a)
Total commercial finance receivables and loans, net	—	—	56	56	(27)	n/m (a)
Other assets						
Nonmarketable equity investments	—	1	11	12	2	n/m (a)
Repossessed and foreclosed assets (c)	—	—	7	7	—	n/m (a)
Total assets	$ —	$ 1	$ 420	$ 421	$ (25)	n/m

n/m = not meaningful

(a) We consider the applicable valuation allowance, loan loss allowance, or cumulative impairment 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, 2020 (*$ in millions*)	Nonrecurring fair value measurements Level 1	Level 2	Level 3	Total	Lower-of-cost-or-fair-value reserve, valuation reserve, or cumulative adjustments	Total gain (loss) included in earnings
Assets						
Loans held-for-sale, net	$ —	$ —	$ 315	$ 315	$ —	n/m (a)
Commercial finance receivables and loans, net (b)						
Automotive	—	—	27	27	(5)	n/m (a)
Other	—	—	54	54	(20)	n/m (a)
Total commercial finance receivables and loans, net	—	—	81	81	(25)	n/m (a)
Other assets						
Nonmarketable equity investments (c)	—	7	118	125	88	n/m (a)
Repossessed and foreclosed assets (d)	—	—	9	9	(1)	n/m (a)
Total assets	$ —	$ 7	$ 523	$ 530	$ 62	n/m

n/m = not meaningful

(a) We consider the applicable valuation allowance, loan loss allowance, or cumulative impairment 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) Primarily relates to an investment in one entity for which there was a subsequent funding round. This subsequent funding round resulted in an observable price change in the value of our investment in the entity. Refer to Note 13 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for further discussion.

(d) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

Additionally, on April 30, 2020, we recognized a $50 million impairment of goodwill at Ally Invest. At the time of impairment, the fair value of goodwill at Ally Invest was classified as Level 3 under the fair value hierarchy. Refer to Note 13 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for further discussion.

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 acquired unsecured consumer 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 acquired unsecured consumer 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 March 31, 2021, and December 31, 2020.

		Estimated fair value			
($ in millions)	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
March 31, 2021					
Financial assets					
Held-to-maturity securities	**$ 1,197**	**$ —**	**$ 1,250**	**$ —**	**$ 1,250**
Loans held-for-sale, net	**484**	**—**	**—**	**485**	**485**
Finance receivables and loans, net	**109,916**	**—**	**—**	**116,955**	**116,955**
FHLB/FRB stock (a)	**697**	**—**	**697**	**—**	**697**
Financial liabilities					
Deposit liabilities	**$ 50,962**	**$ —**	**$ —**	**$ 51,476**	**$ 51,476**
Long-term debt	**20,503**	**—**	**17,943**	**5,457**	**23,400**
December 31, 2020					
Financial assets					
Held-to-maturity securities	$ 1,253	$ —	$ 1,331	$ —	$ 1,331
Loans held-for-sale, net	315	—	—	315	315
Finance receivables and loans, net	115,243	—	—	122,156	122,156
FHLB/FRB stock (a)	725	—	725	—	725
Financial liabilities					
Deposit liabilities	$ 55,210	$ —	$ —	$ 55,932	$ 55,932
Short-term borrowings	2,136	—	—	2,136	2,136
Long-term debt	22,006	—	19,161	6,310	25,471

(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.

20. Offsetting Assets and Liabilities

Our derivative contracts and repurchase/reverse repurchase transactions are 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.

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 March 31, 2021, 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 17.

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

				Gross amounts not offset on the Condensed Consolidated Balance Sheet		
($ 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**	**Financial instruments**	**Collateral (a) (b) (c)**	**Net amount**
March 31, 2021						
Assets						
Derivative assets in net asset positions	**$ 3**	**$ —**	**$ 3**	**$ —**	**$ (3)**	**$ —**
Derivative assets in net liability positions	**1**	**—**	**1**	**(1)**	**—**	**—**
Derivative assets with no offsetting arrangements	**14**	**—**	**14**	**—**	**—**	**14**
Total assets	**$ 18**	**$ —**	**$ 18**	**$ (1)**	**$ (3)**	**$ 14**
Liabilities						
Derivative liabilities in net liability positions	**$ 2**	**$ —**	**$ 2**	**$ (1)**	**$ (1)**	**$ —**
Derivative liabilities with no offsetting arrangements	**42**	**—**	**42**	**—**	**—**	**42**
Total liabilities	**$ 44**	**$ —**	**$ 44**	**$ (1)**	**$ (1)**	**$ 42**
December 31, 2020						
Assets						
Derivative assets in net liability positions	$ 1	$ —	$ 1	$ (1)	$ —	$ —
Derivative assets with no offsetting arrangements	16	—	16	—	—	16
Total assets	$ 17	$ —	$ 17	$ (1)	$ —	$ 16
Liabilities						
Derivative liabilities in net liability positions	$ 5	$ —	$ 5	$ (1)	$ (1)	$ 3
Derivative liabilities with no offsetting arrangements	28	—	28	—	—	28
Total liabilities	$ 33	$ —	$ 33	$ (1)	$ (1)	$ 31

(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 such 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.

21. 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 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.

Automotive Finance operations — One of the largest full-service automotive finance operations in the United States providing automotive financing services to consumers, automotive dealers, 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 fulfillment provider. 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 — Primarily provides senior secured leveraged cash flow and asset-based 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, mergers and acquisitions, debt refinancing, restructurings, and working capital. 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 to serve companies in the healthcare industry.

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, 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 online brokerage operations, and Ally Lending, our point-of-sale financing business, 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 based on expected duration and the benchmark rate curve plus an assumed credit spread. Matching duration 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, which involve management judgment.

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

Three months ended March 31, *($ in millions)*	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2021						
Net financing revenue and other interest income	**$ 1,206**	**$ 15**	**$ 23**	**$ 71**	**$ 57**	**$ 1,372**
Other revenue	**62**	**379**	**40**	**26**	**58**	**565**
Total net revenue	**1,268**	**394**	**63**	**97**	**115**	**1,937**
Provision for credit losses	**(22)**	**—**	**(4)**	**13**	**—**	**(13)**
Total noninterest expense	**487**	**253**	**44**	**31**	**128**	**943**
Income (loss) from continuing operations before income tax expense	**$ 803**	**$ 141**	**$ 23**	**$ 53**	**$ (13)**	**$ 1,007**
Total assets	**$ 101,566**	**$ 9,221**	**$ 12,923**	**$ 6,421**	**$ 51,748**	**$ 181,879**
2020						
Net financing revenue and other interest income	$ 1,040	$ 14	$ 38	$ 68	$ (14)	$ 1,146
Other revenue	47	137	10	13	59	266
Total net revenue	1,087	151	48	81	45	1,412
Provision for credit losses	766	—	1	114	22	903
Total noninterest expense	494	256	35	35	100	920
(Loss) income from continuing operations before income tax expense	$ (173)	$ (105)	$ 12	$ (68)	$ (77)	$ (411)
Total assets	$ 111,554	$ 8,420	$ 16,135	$ 6,572	$ 39,846	$ 182,527

(a) Net financing revenue and other interest income after the provision for credit losses totaled $1.4 billion and $243 million for the three months ended March 31, 2021, and March 31, 2020, respectively.

22. 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 2020 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.

Descriptions of certain of our legal matters follow. We do not believe, however, that an estimate of reasonably possible losses or a range of reasonably possible losses—whether in excess of any related accrual or where no accrual exists—can be made for any of these matters for some or all of the reasons identified in the preceding paragraphs.

Purported and Certified Class Actions

In March 2016, Ally filed an action against two buyers of a motor vehicle—*Ally Financial Inc. v. Alberta Haskins and David Duncan*, Case No. 16JE-AC01713-01, in the Circuit Court of Jefferson County, Missouri—for the purpose of collecting the deficiency that remained due under the retail installment sales contract after the buyers had defaulted and the vehicle had been repossessed and disposed of. In March 2017, the buyers filed a second amended answer and counterclaim on behalf of nationwide and Missouri classes, arguing that Ally's pre- and post-disposition notices had violated Article 9 of the Uniform Commercial Code as adopted in each State and other applicable jurisdiction. The request for relief included an indeterminate amount of actual, statutory, and punitive damages as well as fees, costs, interest, and other remedies. In May 2018, the circuit court certified the nationwide and Missouri classes and denied Ally's motion for partial summary judgment. In September 2018, the case was reassigned to a different circuit-court judge, and in February 2019, Ally filed a motion to decertify the nationwide and Missouri classes. In November 2019, the circuit court denied Ally's motion to decertify. In December 2019, Ally filed a petition with the Missouri Court of Appeals and then with the Missouri Supreme Court for a writ prohibiting the circuit court from taking further action other than vacating the order denying decertification, but each of those petitions was denied. In June 2020, the buyers on behalf of the certified nationwide and Missouri classes filed a motion for partial summary judgment on liability and damages, including statutory damages, the waiver of amounts due, and prejudgment interest. These damages, if awarded by the court, could be significant. In August 2020, Ally filed a petition for a writ of certiorari with the United States Supreme Court—*Ally Financial Inc. v. Alberta Haskins et al.*, No. 20-177—requesting review of the Missouri Supreme Court's order denying Ally's petition for a writ of prohibition. In December 2020, Ally—while maintaining its denial of any liability or wrongdoing and its other positions in the case—entered into a binding memorandum of understanding with the buyers, on behalf of the nationwide and Missouri classes, to fully settle the case. In January 2021, the United States Supreme Court granted a joint motion to defer consideration of Ally's petition for a writ of certiorari. In March 2021, the parties executed and filed with the circuit court a class-action settlement agreement and release that includes provisions for a cash payment of $87.5 million by Ally, a waiver of $700 million in charged-off deficiency balances by Ally, a request by Ally that identified consumer reporting agencies delete specified trade lines, and a release by the nationwide and Missouri classes of related claims against Ally. The class-action settlement agreement and release was preliminarily approved by the circuit court in March 2021 but remains subject to the delivery of specified notices to class members, final approval by the circuit court, and related conditions. During the year ended December 31, 2020, Ally established an accrual of $87.5 million related to this matter.

In February 2021, a purported class action—*Cheng et al. v. Ally Financial Inc. et al.*—was filed in the U.S. District Court for the Northern District of California (Case No. 3:21-cv-00781). The complaint alleges that Ally and other defendants conspired to prevent or restrict retail investors from purchasing or otherwise acquiring long positions in specified equity securities and to force them instead to sell their positions in those securities at artificially lower prices. The claims include alleged violations of antitrust and unfair-competition laws, misleading public statements, breach of fiduciary duty and the implied covenant of good faith and fair dealing, negligence, and constructive fraud. The request for relief includes an indeterminate amount of damages, fees, costs, and interest, injunctive relief, and other remedies. Also in February 2021, three other purported class actions were filed—*Clapp et al. v. Ally Financial Inc. et al.* in the U.S. District Court for the Northern District of California (Case No. 3:21-cv-00896), *Dechirico et al. v. Ally Financial Inc. et al.* in the U.S. District Court for the Eastern District of New York (Case No. 1:21-cv-00677), and *Ross et al. v. Ally Financial Inc. et al.* in the U.S. District Court for the Southern District of Texas (Case No. 4:21-cv-00292). In March 2021, a fifth purported class action—*Fox et al. v. Ally Financial Inc. et al.*—was filed in the U.S. District Court for the District of Minnesota (Case No. 0:21-cv-00689). In April 2021, the U.S. Judicial Panel on Multidistrict Litigation consolidated all five of these cases into a multidistrict litigation proceeding in the U.S. District Court for the Southern District of Florida with the caption *In re: January 2021 Short Squeeze Trading Litigation* (Case No. 1:21-md-02989). Also in April 2021, a sixth purported class action—*D'Agostino et al. v. Ally Financial Inc. et al*.— was filed in the U.S. District Court for the Southern District of Florida (Case No. 1:21-cv-21458). The allegations and requested relief in the *Clapp, Dechirico, Ross, Fox,* and *D'Agostino* complaints are substantially similar to those included in the *Cheng* complaint. We intend to vigorously defend against these actions.

23. Subsequent Events

Declaration of Quarterly Dividend

On April 13, 2021, our Board declared a quarterly cash dividend of $0.19 per share on all common stock. The dividend is payable on May 14, 2021, to stockholders of record at the close of business on April 30, 2021.

Series B Preferred Stock Offering and Partial Redemption of Trust Preferred Securities

On April 22, 2021, we issued 1,350,000 shares of 4.700% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series B with $0.01 par value and liquidation preference of $1,000 per share. Dividends, if approved and declared by our Board, will be paid on a non-cumulative basis quarterly, in arrears, at a rate equal to (i) 4.700% from the original issue date to, but excluding, May 15, 2026, and (ii) from the May 15, 2026 dividend date and during each subsequent reset period at a rate per annum equal to the five-year treasury rate plus 3.868%. This instrument qualifies as an element of our additional Tier 1 capital under U.S. Basel III, and we intend to use the net proceeds from issuance to redeem a portion of our 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 of GMAC Capital Trust I.

On April 22, 2021, we provided notice to The Bank of New York Mellon, in its capacity as trustee for our 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 of GMAC Capital Trust I, that we intend to redeem $1.4 billion, or 56,000,000 shares of the outstanding Trust Preferred Securities at a par price of $25.00 per unit, plus accrued interest through the May 24, 2021 redemption date.

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 recent financial services legislation, regulation, or policies or changes in government officials or other personnel;
- changes in monetary, fiscal, or trade laws or policies, including as a result of actions by 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;
- 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;
- uncertainty about the future 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, corporate finance, brokerage, and wealth management;
- our ability to develop capital plans that will receive non-objection from the FRB and our ability to implement them, including any payment of dividends or share repurchases;
- our ability to effectively manage capital or liquidity consistent with evolving business or operational needs, risk-management standards, and regulatory or supervisory requirements;
- our ability to cost-effectively fund our business and operations, including through deposits and the capital markets;
- changes in any credit rating assigned to Ally, including Ally Bank;
- adverse publicity or other reputational harm to us or our senior officers;
- our ability to develop, maintain, or market our products or services or to absorb unanticipated costs or liabilities associated with those products or services;
- our ability to innovate, to anticipate the needs of current or future customers, to successfully compete, to increase or hold market share in changing competitive environments, or to deal with pricing or other competitive pressures;

- the continuing profitability and viability of our dealer-centric automotive finance and insurance businesses, especially in the face of competition from captive finance companies and their automotive manufacturing sponsors and challenges to the dealer’s role as intermediary between manufacturers and purchasers;
- our ability to appropriately underwrite loans that we originate or purchase and to otherwise manage credit risk;
- changes in the credit, liquidity, or other financial condition of our customers, counterparties, service providers, or competitors;
- our ability to effectively deal with economic, business, or market slowdowns or disruptions;
- judicial, regulatory, or administrative investigations, proceedings, disputes, or rulings that create uncertainty for, or are adverse to, us or the financial services industry;
- the potential outcomes of legal and regulatory proceedings and governmental and regulatory examinations, investigations, and other inquiries to which we are or may be subject at any given time, and our ability to remediate regulatory deficiencies on a timely basis and to otherwise absorb and address the heightened scrutiny and expectations generally from supervisory and other governmental authorities, the severity of remedies sought, such as enforcement proceeds, and the potential collateral consequences arising from those outcomes;
- the performance and availability of third-party service providers on whom we rely in delivering products and services to our customers and otherwise conducting our business and operations;
- our ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or infrastructure, including our capacity to withstand cyberattacks;
- the adequacy of our corporate governance, risk-management framework, compliance programs, or internal controls over financial reporting, including our ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;
- the efficacy of our methods or models in assessing business strategies or opportunities or in valuing, measuring, estimating, monitoring, or managing positions or risk;
- our ability to keep pace with changes in technology that affect us or our customers, counterparties, service providers, or competitors;
- our ability to successfully make and integrate acquisitions;
- the adequacy of our succession planning for key executives or other personnel and our ability to attract or retain qualified employees;
- natural or man-made disasters, calamities, or conflicts, including terrorist events and pandemics (such as adverse effects of the COVID-19 pandemic on us and our customers, counterparties, employees, and third-party service providers);
- policies and other actions of governments to mitigate climate and related environmental risks, as well as associated changes in the behavior and preferences of businesses and consumers; 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 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.

Selected Financial Data

The selected historical financial information set forth below should be read in conjunction with the MD&A, and our Condensed Consolidated Financial Statements and the notes thereto. The historical financial information presented may not be indicative of our future performance.

The following table presents selected Condensed Consolidated Statement of Comprehensive Income and earnings per common share data.

	Three months ended March 31,	
($ in millions, except per share data; shares in thousands)	**2021**	2020
Total financing revenue and other interest income	**$ 2,092**	$ 2,351
Total interest expense	**557**	957
Net depreciation expense on operating lease assets	**163**	248
Net financing revenue and other interest income	**1,372**	1,146
Total other revenue	**565**	266
Total net revenue	**1,937**	1,412
Provision for credit losses	**(13)**	903
Total noninterest expense	**943**	920
Income (loss) from continuing operations before income tax expense	**1,007**	(411)
Income tax expense (benefit) from continuing operations	**211**	(92)
Net income (loss) from continuing operations	**796**	(319)
Net income (loss)	**$ 796**	$ (319)
Basic earnings per common share (a):		
Net income (loss) from continuing operations	**$ 2.12**	$ (0.85)
Net income (loss)	**2.12**	(0.85)
Weighted-average common shares outstanding	**375,229**	375,723
Diluted earnings per common share (a)(b):		
Net income (loss) from continuing operations	**$ 2.11**	$ (0.85)
Net income (loss)	**2.11**	(0.85)
Weighted-average common shares outstanding	**377,529**	375,723
Common share information:		
Cash dividends declared per common share	**$ 0.19**	$ 0.19
Period-end common shares outstanding	**371,805**	373,155

(a) Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers. Includes shares related to share-based compensation that vested but were not yet issued.
(b) Due to the antidilutive effect of the net loss from continuing operations for the three months ended March 31, 2020, basic weighted-average common shares outstanding was used to calculate basic and diluted earnings per share. Refer to Note 15 to the Condensed Consolidated Financial Statements for further information.

The following tables present selected Condensed Consolidated Balance Sheet and ratio data.

March 31, *($ in millions)*	**2021**	2020
Selected period-end balance sheet data:		
Total assets	**$ 181,879**	$ 182,527
Total deposit liabilities	**$ 139,585**	$ 122,324
Long-term debt	**$ 20,503**	$ 31,066
Total equity	**$ 14,625**	$ 13,519

	Three months ended March 31,	
	2021	2020
Financial ratios:		
Return on average assets (a)	**1.78 %**	(0.72)%
Return on average equity (a)	**21.39 %**	(9.28)%
Equity to assets (a)	**8.32 %**	7.73 %
Common dividend payout ratio (b)	**8.96 %**	n/m
Net interest spread (a) (c)	**3.02 %**	2.45 %
Net yield on interest-earning assets (a) (d)	**3.16 %**	2.66 %

n/m = not meaningful
(a) The ratios were based on average assets and average equity using an average daily balance methodology.
(b) The common dividend payout ratio was calculated using basic earnings per common share. During the three months ended March 31, 2020, we paid dividends of $0.19 per share and incurred a loss of $0.85 per share. Due to the relationship of this calculation and the net loss incurred, this ratio is not meaningful for the three months ended March 31, 2020.
(c) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
(d) Net yield on interest-earning assets represents annualized net financing revenue and other interest income as a percentage of total interest-earning assets.

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 a phase-in periods. For further information on U.S. Basel III, refer to Note 16 to the Condensed Consolidated Financial Statements. The following table presents selected regulatory capital data under U.S Basel III as subject to its transitional provisions.

	March 31,	
($ in millions)	**2021**	2020
Common Equity Tier 1 capital ratio	**11.06 %**	9.27 %
Tier 1 capital ratio	**12.82 %**	10.92 %
Total capital ratio	**14.58 %**	12.76 %
Tier 1 leverage ratio (to adjusted quarterly average assets) (a)	**9.78 %**	8.92 %
Total equity	**$ 14,625**	$ 13,519
CECL phase-in adjustment (b)	**1,155**	1,178
Goodwill and certain other intangibles	**(378)**	(445)
Deferred tax assets arising from net operating loss and tax credit carryforwards (c)	**(36)**	(20)
Other adjustments (d)	**(7)**	(688)
Common Equity Tier 1 capital	**15,359**	13,544
Trust preferred securities	**2,500**	2,496
Other adjustments	**(64)**	(88)
Tier 1 capital	**17,795**	15,952
Qualifying subordinated debt and other instruments qualifying as Tier 2	**829**	1,034
Qualifying allowance for loan losses and other adjustments	**1,616**	1,659
Total capital	**$ 20,240**	$ 18,645
Risk-weighted assets (e)	**$ 138,818**	$ 146,068

(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 have elected to delay recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extends through December 31, 2021. Beginning on January 1, 2022, we will be 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. Refer to Note 16 to the Condensed Consolidated Financial Statements for further information.
(c) Contains deferred tax assets required to be deducted from capital under U.S. Basel III.
(d) Primarily 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.
(e) Risk-weighted assets are defined by regulation and are generally determined by allocating assets and specified off-balance sheet exposures to various risk categories.

Overview

Ally Financial Inc. (together with its consolidated subsidiaries unless the context otherwise requires, Ally, the Company, or we, us, or our) is a leading digital financial-services company. As a customer-centric company with passionate customer service and innovative financial solutions, we are relentlessly focused on "Doing it Right" and being a trusted financial-services provider to our consumer, commercial, and corporate customers. We are one of the largest full-service automotive finance operations in the United States and offer a wide range of financial services and insurance products to automotive dealerships and consumers. Our award-winning digital direct bank (Ally Bank, Member FDIC and Equal Housing Lender) offers mortgage lending, point-of-sale personal lending, and a variety of deposit and other banking products, including savings, money-market, and checking accounts, CDs, and IRAs. Additionally, we offer securities-brokerage and investment-advisory services through Ally Invest. Our corporate-finance business offers capital for equity sponsors and middle-market companies. We are a Delaware corporation and are 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 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.

	Three months ended March 31,		
($ in millions)	**2021**	2020	**Favorable/(unfavorable) % change**
Total net revenue			
Dealer Financial Services			
Automotive Finance	**$ 1,268**	$ 1,087	**17**
Insurance	**394**	151	**161**
Mortgage Finance	**63**	48	**31**
Corporate Finance	**97**	81	**20**
Corporate and Other	**115**	45	**156**
Total	**$ 1,937**	$ 1,412	**37**
Income (loss) from continuing operations before income tax expense			
Dealer Financial Services			
Automotive Finance	**$ 803**	$ (173)	**n/m**
Insurance	**141**	(105)	**n/m**
Mortgage Finance	**23**	12	**92**
Corporate Finance	**53**	(68)	**178**
Corporate and Other	**(13)**	(77)	**83**
Total	**$ 1,007**	$ (411)	**n/m**

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, 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 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 company. Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers. The automotive marketplace is dynamic and evolving, including substantial investments in electrification by automobile manufacturers and suppliers. Ally remains focused on meeting the needs of both our dealer and consumer customers and continuing to strengthen and expand upon our 19,000 dealer relationships. We continue to identify and cultivate relationships with automotive retailers including those with leading eCommerce platforms. We also operate Clearlane, our online direct-lending platform, which provides a digital 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. Our strong and expansive dealer relationships, 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. Ally has and continues to provide automobile financing for hybrid and battery-electric vehicles today, and is well positioned to remain a leader in automotive financing as we believe the vast majority of these vehicles will be sold through dealerships with whom we have an established relationship.

The Growth channel was established to focus on developing dealer relationships beyond those relationships that primarily were developed through our previous role as a captive finance company for GM and Stellantis. The Growth channel was expanded to include direct-to-consumer financing through Clearlane and other channels and our arrangements with online automotive retailers. We have established relationships with thousands of Growth channel dealers through our customer-centric approach and specialized incentive programs designed to drive loyalty amongst dealers to our products and services. The success of the Growth channel has been a key enabler in evolving our business model from a focused captive finance company to a leading market competitor. In this channel, we currently have over 12,600 dealer relationships, of which approximately 84% are franchised dealers (including brands such as Ford, Nissan, Kia, Hyundai, Toyota, Honda, and others), or used vehicle only retailers 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 VSC and other protection plan provider for GM Canada and VSC provider for Subaru Canada.

As a leading provider with a focus on offering dealers a broad range of consumer F&I products, we offer VSCs, VMCs, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory. Ally Premier Protection is our flagship VSC offering, which provides coverage for new and used vehicles of virtually all makes and models. We also offer 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.

- 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, which was introduced late in 2016, we offer a variety of competitively priced jumbo and conforming fixed- and adjustable-rate mortgage products through a third-party fulfillment provider. 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. 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. During the three months ended March 31, 2021, we originated $1.8 billion of mortgage loans through our direct-to-consumer channel.

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 three months ended March 31, 2021, we purchased $188 million of mortgage loans that were originated by third parties. Our mortgage loan purchases are held for investment.

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 provides senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle-market companies owned by private equity sponsors, and loans to asset managers that primarily provide leveraged loans. We believe our growing deposit-based funding model coupled with our expanded product offerings and deep industry relationships provide an advantage over our competition, which includes other banks as well as publicly and privately held finance companies. While there continues to be a significant level of liquidity and competition in the middle-market lending space, we have continued to prudently grow our lending portfolio with a focus on a disciplined and selective approach to credit quality, including a greater focus on asset-based loans. We seek markets and opportunities where our clients require customized, highly structured, and time-sensitive financing solutions. Our corporate-finance lending portfolio is generally composed of first-lien, first-out loans. Our focus is on businesses owned by private equity sponsors with loans typically used for leveraged buyouts, mergers and acquisitions, debt refinancing, expansions, restructurings, and working capital. Additionally, our Lender Finance business provides asset managers with partial funding for their direct-lending activities. The portfolio is well diversified across multiple industries including manufacturing, financials, distribution, services, and other specialty sectors. These specialty sectors include our Healthcare and Technology Finance verticals. The Healthcare vertical provides financing across the healthcare spectrum including services, pharmaceuticals, manufacturing, and medical devices and supplies. Our Technology Finance vertical provides financing solutions to venture capital-backed, technology-based companies. We also provide a commercial real estate product focused on lending to skilled nursing facilities, senior housing, medical office buildings, and hospitals.

- 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 strategic investments, the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, CRA loans and related investments, and reclassifications and eliminations between the reportable operating segments.

  Corporate and Other includes the results of Ally Invest, our digital brokerage and wealth management offering, which enables us to complement our competitive deposit products with low-cost investing. The digital wealth management 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 brokered deposits through arrangements with Ally Invest’s clearing broker.

  Corporate and Other also includes the results of Ally Lending. Ally Lending currently serves medical and home improvement service providers by enabling promotional and fixed rate installment-loan products through a digital application process at point-of-sale. The home improvement segment, which was launched in the second quarter of 2020, now represents nearly 20% of new originations, and is expected to grow. We believe the market outlook for point-of-sale lending provides attractive opportunities for future diversification, including in the automotive servicing and vehicle upfit space. Point-of-sale lending broadens our capabilities, and expands our product offering into consumer unsecured lending, all while helping to further meet the financial needs of our customers.

Consolidated Results of Operations

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

	Three months ended March 31,		
($ in millions)	**2021**	2020	**Favorable/(unfavorable) % change**
Net financing revenue and other interest income			
Total financing revenue and other interest income	**$ 2,092**	$ 2,351	**(11)**
Total interest expense	**557**	957	**42**
Net depreciation expense on operating lease assets	**163**	248	**34**
Net financing revenue and other interest income	**1,372**	1,146	**20**
Other revenue			
Insurance premiums and service revenue earned	**280**	277	**1**
Gain (loss) on mortgage and automotive loans, net	**36**	(12)	**n/m**
Loss on extinguishment of debt	**(1)**	—	**n/m**
Other gain (loss) on investments, net	**123**	(79)	**n/m**
Other income, net of losses	**127**	80	**59**
Total other revenue	**565**	266	**112**
Total net revenue	**1,937**	1,412	**37**
Provision for credit losses	**(13)**	903	**101**
Noninterest expense			
Compensation and benefits expense	**395**	360	**(10)**
Insurance losses and loss adjustment expenses	**63**	74	**15**
Other operating expenses	**485**	486	**—**
Total noninterest expense	**943**	920	**(3)**
Income (loss) from continuing operations before income tax expense	**1,007**	(411)	**n/m**
Income tax expense (benefit) from continuing operations	**211**	(92)	**n/m**
Net income (loss) from continuing operations	**$ 796**	$ (319)	**n/m**

n/m = not meaningful

We earned net income from continuing operations of $796 million for the three months ended March 31, 2021, compared to a loss incurred of $319 million for the three months ended March 31, 2020. During the three months ended March 31, 2021, results were favorably impacted by lower provision for credit losses associated with improved macroeconomic conditions during the quarter and lower interest expense driven by lower market interest rates. This was partially offset by lower total financing revenue and other interest income driven by decreases in our commercial automotive revenue due to lower outstanding floorplan assets and lower benchmark interest rates, lower income from cash balances and investment securities, and higher prepayment activity within our Mortgage Finance operations.

Net financing revenue and other interest income increased $226 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The increase in net financing revenue and other interest income during the three months ended March 31, 2021, as compared to the same period in 2020, was driven by lower market interest rates, which drove a decrease in our deposit rates, and our continued shift to more cost-efficient deposit funding. Our total deposit liabilities increased $17.3 billion to $139.6 billion as of March 31, 2021, as compared to March 31, 2020. The increase in net financing revenue and other interest income was partially offset by a decrease of $146 million in our commercial automotive financing revenue. This decrease was driven by lower outstanding floorplan assets as a result of declining new vehicle inventories due to strong sales and ongoing production constraints from COVID-19, paired with a global semiconductor chip shortage driving sustained production headwinds throughout 2021 and as a result of lower benchmark interest rates.

Other gain on investments was $123 million for the three months ended March 31, 2021, compared to a loss on investments of $79 million for the three months ended March 31, 2020. The increase in gain on investments for the three months ended March 31, 2021, was primarily driven by favorable equity markets conditions during the quarter.

The provision for credit losses decreased $916 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease in provision for credit losses was primarily driven by reserve increases during the three months ended March 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the three months ended March 31, 2021, as the macroeconomic environment continued to recover. Additionally, provision decreases during the three months ended March 31, 2021, were driven by lower net charge-offs in our consumer automotive portfolio as we continue to experience strong credit performance driven by favorable economic and operating conditions. Refer to the Risk Management section of this MD&A for further discussion on our provision for credit losses.

We recognized total income tax expense from continuing operations of $211 million for the three months ended March 31, 2021, compared to an income tax benefit of $92 million for the same period in 2020. The increase in income tax expense for the three months ended March 31, 2021, compared to the same period in 2020, was primarily due to the tax effects of an increase in pretax earnings.

Dealer Financial Services

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

Automotive Finance

Results of Operations

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

	Three months ended March 31,		
($ in millions)	**2021**	2020	**Favorable/(unfavorable) % change**
Net financing revenue and other interest income			
Consumer	**$ 1,251**	$ 1,202	**4**
Commercial	**161**	307	**(48)**
Operating leases	**370**	367	**1**
Other interest income	**—**	1	**(100)**
Total financing revenue and other interest income	**1,782**	1,877	**(5)**
Interest expense	**413**	589	**30**
Net depreciation expense on operating lease assets (a)	**163**	248	**34**
Net financing revenue and other interest income	**1,206**	1,040	**16**
Other revenue			
Other income	**62**	47	**32**
Total other revenue	**62**	47	**32**
Total net revenue	**1,268**	1,087	**17**
Provision for credit losses	**(22)**	766	**103**
Noninterest expense			
Compensation and benefits expense	**145**	148	**2**
Other operating expenses	**342**	346	**1**
Total noninterest expense	**487**	494	**1**
Income (loss) from continuing operations before income tax expense	**$ 803**	$ (173)	**n/m**
Total assets	**$ 101,566**	$ 111,554	**(9)**

n/m = not meaningful

(a) Includes net remarketing gains of $64 million and $2 million for the three months ended March 31, 2021, and 2020, respectively.

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

	2021		2020	
Three months ended March 31, *($ in millions)*	**Average balance (a)**	**Yield**	Average balance (a)	Yield
Finance receivables and loans, net (b)				
Consumer automotive (c)	**$ 73,500**	**6.66 %**	$ 72,550	6.54 %
Commercial				
Wholesale floorplan (d)	**15,612**	**3.17**	25,131	4.03
Other commercial automotive (e)	**5,729**	**4.36**	5,341	4.52
Investment in operating leases, net (f)	**9,831**	**8.57**	9,078	5.22

(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 Consolidated Financial Statements in our 2020 Annual Report on Form 10-K.
(c) Includes the effects of derivative financial instruments designated as hedges, which is included within Corporate and Other. Excluding the impact of hedging activities, the yield was 6.90% and 6.66% for the three months ended March 31, 2021, and 2020, respectively.
(d) Includes the effects of derivative financial instruments designated as hedges, which is included within Corporate and Other. Excluding the impact of hedging activities, the yield was 2.61% and 3.96% for the three months ended March 31, 2021, and 2020, respectively.
(e) Consists primarily of automotive dealer term loans, including those to finance dealership land and buildings, and dealer fleet financing.
(f) Yield includes gains on the sale of off-lease vehicles of $64 million and $2 million for the three months ended March 31, 2021, and 2020, respectively. Excluding these gains on sale, the yield was 5.91% and 5.11% for the three months ended March 31, 2021, and 2020, respectively.

Our Automotive Finance operations earned income from continuing operations before income tax expense of $803 million for the three months ended March 31, 2021, compared to a loss of $173 million for the three months ended March 31, 2020. For the three months ended March 31, 2021, the increase was due primarily to lower provision for credit losses and lower interest expense, as well as lower net depreciation expense on operating lease assets. The lower provision for credit losses for the three months ended March 31, 2021, was primarily driven by a reduction in reserves attributable to macroeconomic conditions.

Consumer automotive loan financing revenue increased $49 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. Higher average consumer assets and higher portfolio yields contributed to the increase in revenue resulting from a continued focus on the used-vehicle portfolio primarily through franchised dealers and growth in application volume from our dealer network. Through these actions, we continue to optimize risk adjusted returns through our origination mix and achieve greater portfolio diversification.

Commercial loan financing revenue decreased $146 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease was driven by lower outstanding floorplan assets as a result of declining new vehicle inventories due to strong sales and ongoing production constraints from COVID-19, paired with a global semiconductor chip shortage driving sustained production headwinds throughout 2021. The decrease was also due to lower yields resulting from lower average benchmark interest rates.

Interest expense was $413 million for the three months ended March 31, 2021, compared to $589 million for the three months ended March 31, 2020. The decrease was primarily due to lower market interest rates, which drove a decrease in our deposit rates, and our continued shift to more cost-efficient deposit funding.

Other income increased $15 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase was primarily due to an increase in remarketing fee income resulting from higher lease termination volume and an increase in late fee income due to a temporary suppression of late fees as a result of the implementation of our new technology platform for our consumer automotive loans and operating leases during the three months ended March 31, 2020.

Total net operating lease revenue increased $88 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. We recognized remarketing gains of $64 million for the three months ended March 31, 2021, compared to $2 million for the three months ended March 31, 2020, while depreciation expense on operating lease assets decreased $23 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase in net operating lease revenue was primarily driven by strong remarketing gains as a result of continued new vehicle supply constraints and an increase in demand for used vehicles, as well as a decrease in depreciation expense resulting from a downward adjustment of the rate of depreciation as we expect positive remarketing trends to continue in the near term. Refer to the *Operating Lease Residual Risk Management* section of this MD&A for further discussion.

The provision for credit losses decreased $788 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease in provision for credit losses was primarily driven by reserve increases during the three months ended March 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the three months ended March 31, 2021, as the macroeconomic environment continued to recover. Additionally, provision decreases during the three months ended March 31, 2021, were driven by lower net charge-offs in our consumer automotive portfolio as we continue to experience strong credit performance driven by favorable economic and operating conditions. Refer to the Risk Management section of this MD&A for further discussion on our provision for credit losses.

Automotive Financing Volume

Consumer Automotive Financing

Our portfolio yield for consumer automotive loans, excluding the impact of hedging activities, increased approximately 24 basis points for the three months ended March 31, 2021, relative to the three months ended March 31, 2020. We set our buy rates using a granular, risk-based methodology factoring in several variables including interest costs, projected net average annualized loss rates at the time of origination, anticipated operating costs, and targeted return on equity. Our underwriting capabilities allow us to manage our risk tolerance levels to quickly react to major changes in the economy, including the current pandemic environment. Over the past several years, we have continued to focus on optimizing pricing relative to market interest rates as well as portfolio diversification and the used-vehicle segment, primarily through franchised dealers, which has contributed to higher yields on our consumer automotive loan portfolio. Commensurate with this shift in origination mix, we continue to maintain consistent, disciplined underwriting within our new and used consumer automotive loan originations. The carrying value of our nonprime consumer automotive loans before allowance for loan losses was $8.5 billion, or approximately 11.5%, of our total consumer automotive loans at March 31, 2021, as compared to $8.6 billion, or approximately 11.7% of our total consumer automotive loans at December 31, 2020.

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

	Used retail			New retail		
Credit Tier (a)	**Volume** *($ in billions)*	**% Share of volume**	**Average FICO®**	**Volume** *($ in billions)*	**% Share of volume**	**Average FICO®**
Three months ended March 31, 2021						
S	**$ 1.1**	**19**	**734**	**$ 1.1**	**36**	**735**
A	**2.8**	**49**	**684**	**1.5**	**48**	**680**
B	**1.5**	**26**	**652**	**0.5**	**16**	**652**
C	**0.2**	**4**	**607**	**—**	**—**	**608**
D	**0.1**	**2**	**562**	**—**	**—**	**583**
Total retail originations	**$ 5.7**	**100**	**681**	**$ 3.1**	**100**	**693**
Three months ended March 31, 2020						
S	$ 1.2	24	738	$ 1.3	45	739
A	2.2	44	680	1.1	38	674
B	1.2	24	646	0.4	14	644
C	0.4	8	617	0.1	3	615
Total retail originations	$ 5.0	100	681	$ 2.9	100	695

(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; and payment-to-income ratio. We periodically update our underwriting scorecard, which can have an impact on our credit tier scoring. We originated an insignificant amount of retail loans classified below Tier C during the three months ended March 31, 2020.

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

	Three months ended March 31,	
	2021	2020
0–71	**17 %**	20 %
72–75	**65**	65
76 +	**18**	15
Total retail originations	**100 %**	100 %

Retail originations with a term of 76 months or more represented 18% of total retail originations for the three months ended March 31, 2021, compared to 15% for the three months ended March 31, 2020. Substantially all of the loans originated with a term of 76 months or more during the three months ended March 31, 2021, and 2020, were considered to be prime and in credit tiers S, A, or B. We define prime consumer automotive loans primarily as those loans with a FICO® Score (or an equivalent score) at origination of 620 or greater.

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

March 31,	2021	2020
Pre-2017	**6 %**	14 %
2017	**9**	15
2018	**15**	24
2019	**24**	36
2020	**34**	11
2021	**12**	—
Total	**100 %**	100 %

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

	Consumer automotive financing originations		% Share of Ally originations	
Three months ended March 31, *($ in millions)*	**2021**	2020	**2021**	2020
Used retail	**$ 5,700**	$ 4,952	**56**	55
New retail	**3,112**	2,897	**31**	32
Lease	**1,351**	1,218	**13**	13
Total consumer automotive financing originations (a)	**$ 10,163**	$ 9,067	**100**	100

(a) Includes CSG originations of $1.1 billion and $992 million for the three months ended March 31, 2021, and 2020, respectively.

	Consumer automotive financing originations		% Share of Ally originations	
Three months ended March 31, *($ in millions)*	**2021**	2020	**2021**	2020
Growth channel	**$ 5,242**	$ 4,549	**52**	50
Stellantis dealers	**2,727**	2,318	**27**	26
GM dealers	**2,194**	2,200	**21**	24
Total consumer automotive financing originations	**$ 10,163**	$ 9,067	**100**	100

Total consumer automotive loan and operating lease originations increased $1.1 billion for the three months ended March 31, 2021, compared to the same period in 2020. The increase was driven by higher consumer demand, as well as increased application flow and decisioning speeds for the three months ended March 31, 2021. Additionally, originations for the three months ended March 31, 2020, were impacted by the COVID-19 pandemic that temporarily shut down or restricted operations at automotive dealers.

We have included origination metrics by loan term and FICO® Score within this MD&A. However, 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 2020 Annual Report on Form 10-K.

The following table presents the percentage of retail loan and operating lease originations, in dollars, by FICO® Score and product type.

	Used retail		New retail		Lease	
Three months ended March 31,	**2021**	2020	**2021**	2020	**2021**	2020
740 +	**17 %**	18 %	**18 %**	21 %	**48 %**	47 %
660–739	**42**	39	**40**	34	**37**	35
620–659	**26**	25	**23**	20	**11**	11
540–619	**10**	13	**5**	8	**3**	5
< 540	**2**	1	**—**	1	**—**	—
Unscored (a)	**3**	4	**14**	16	**1**	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.

Originations with a FICO® Score of less than 620 (considered nonprime) represented 9% of total consumer loan and operating lease originations for the three months ended March 31, 2021, compared to 11% for the three months ended March 31, 2020. Consumer loans and operating leases with FICO® Scores of less than 540 continued to compose only 1% of total originations for the three months ended

March 31, 2021. Nonprime applications are subject to more stringent underwriting criteria (for example, minimum payment-to-income ratio and vehicle mileage, and maximum amount financed), and our nonprime loan portfolio generally does not include any loans with a term of 76 months or more. For discussion of our credit-risk-management practices and performance, refer to the section titled *Risk Management*.

During the first quarter of 2021, we expanded our relationship with Carvana, a leading e-commerce platform for buying and selling used vehicles. Specifically, we increased our committed facility from $3.0 billion to $4.0 billion to support Carvana’s continued growth.

For discussion of manufacturer marketing incentives, refer to the section titled *Automotive Financing Volume—Manufacturer Marketing Incentives* within the MD&A in our 2020 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.

	Average balance	
Three months ended March 31, *($ in millions)*	**2021**	2020
GM new vehicles	**26 %**	35 %
Stellantis new vehicles	**35**	33
Growth new vehicles	**17**	15
Used vehicles	**22**	17
Total	**100 %**	100 %
Total commercial wholesale finance receivables	**$ 15,612**	$ 25,131

Average commercial wholesale financing receivables outstanding decreased $9.5 billion during the three months ended March 31, 2021, compared to the same period in 2020. The decrease was primarily due to lower dealer inventory levels, driven by strong consumer demand for vehicles that outpaced lower automotive production levels due to COVID-19. Additionally, this decline in new vehicle inventories from ongoing production constraints from COVID-19 and the global semiconductor chip shortage may drive headwinds throughout 2021. Dealer inventory levels are dependent on a number of factors, including manufacturer production schedules and vehicle mix, sales incentives, and industry sales. Manufacturer production and corresponding dealer stock levels, as well as dealer penetration levels, may continue to influence our future wholesale balances.

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 $388 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020, to an average of $5.7 billion.

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.

	Three months ended March 31,		
($ in millions)	**2021**	2020	**Favorable/(unfavorable) % change**
Insurance premiums and other income			
Insurance premiums and service revenue earned	**$ 280**	$ 277	**1**
Interest and dividends on investment securities, cash and cash equivalents, and other earning assets, net (a)	**15**	14	**7**
Other gain (loss) on investments, net (b)	**98**	(142)	**169**
Other income	**1**	2	**(50)**
Total insurance premiums and other income	**394**	151	**161**
Expense			
Insurance losses and loss adjustment expenses	**63**	74	**15**
Acquisition and underwriting expense			
Compensation and benefits expense	**22**	21	**(5)**
Insurance commissions expense	**136**	126	**(8)**
Other expenses	**32**	35	**9**
Total acquisition and underwriting expense	**190**	182	**(4)**
Total expense	**253**	256	**1**
Income (loss) from continuing operations before income tax expense	**$ 141**	$ (105)	**n/m**
Total assets	**$ 9,221**	$ 8,420	**10**
Insurance premiums and service revenue written	**$ 333**	$ 317	**5**
Combined ratio (c)	**89.5 %**	91.6 %	

n/m = not meaningful
(a) Includes interest expense of $14 million and $20 million, for the three months ended March 31, 2021, and 2020, respectively.
(b) Includes net unrealized gains on equity securities of $11 million for the three months ended March 31, 2021, compared to net unrealized losses of $182 million for the three months ended March 31, 2020.
(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 revenues earned and other income.

Our Insurance operations earned income from continuing operations before income tax expense of $141 million for the three months ended March 31, 2021, compared to a loss of $105 million for the three months ended March 31, 2020. The increase was primarily driven by a $240 million increase in net investment gains and an $11 million decrease in insurance losses and loss adjustment expenses primarily as a result of lower weather-related losses from our P&C business.

Insurance premiums and service revenue earned was $280 million and $277 million for the three months ended March 31, 2021, and 2020, respectively. The activity for the three months ended March 31, 2021, included $16 million in higher earned revenue from our F&I products, as revenue is earned over the life of the contracts on a basis proportionate to the anticipated loss pattern. The increase was offset by $13 million in lower earned premiums from our P&C products, driven by lower dealer vehicle inventory levels.

Other gain on investments, net was $98 million for the three months ended March 31, 2021, compared to other loss on investments, net of $142 million for the same period in 2020. The increase was primarily attributable to improved performance within our equity securities portfolio, as results from the three months ended March 31, 2020, included $182 million in unrealized losses driven by unfavorable market conditions from the COVID-19 pandemic, compared to unrealized gains of $11 million for the three months ended March 31, 2021.

Insurance losses and loss adjustment expenses totaled $63 million for the three months ended March 31, 2021, compared to $74 million for the same period in 2020. The decrease for the three months ended March 31, 2021, was primarily driven by lower weather-related losses related to our vehicle inventory insurance business. Total acquisition and underwriting expense increased $8 million for the three months ended March 31, 2021, as compared to the same period in 2020. This increase was primarily due to an increase in insurance commissions expense, commensurate with higher earned premiums from our F&I products.

The decrease in the combined ratio to 89.5% for the three months ended March 31, 2021, compared to 91.6% for the three months ended March 31, 2020, was primarily driven by lower weather losses and higher earned premiums. In April 2021, 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 loss.

Premium and Service Revenue Written

The following table summarizes premium and service revenue written by product, net of premiums ceded to reinsurers. 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 2020 Annual Report on Form 10-K for further discussion of this revenue stream.

	Three months ended March 31,	
($ in millions)	**2021**	2020
Finance and insurance products		
Vehicle service contracts	**$ 230**	$ 207
Guaranteed asset protection and other finance and insurance products (a)	**39**	33
Total finance and insurance products	**269**	240
Property and casualty insurance (b)	**64**	77
Total	**$ 333**	$ 317

(a) Other products include VMCs, ClearGuard, and other ancillary products.
(b) P&C insurance include vehicle inventory insurance and dealer ancillary products.

Insurance premiums and service revenue written was $333 million for the three months ended March 31, 2021, compared to $317 million for the same period in 2020. The increase for the three months ended March 31, 2021, was primarily due to higher F&I volume and rate offset partially by lower P&C premiums driven by lower dealer vehicle inventory levels due to strong retail sales and lower manufacturer production levels, which have been impacted by supply chain disruptions including shortages of semiconductor chips. While the severity and duration of these supply chain disruptions and other impacts associated with the ongoing pandemic on dealer inventory levels are not currently clear, we anticipate these circumstances may result in lower written premium levels within our P&C business during 2021 commensurate with lower dealer inventory levels.

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.

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

($ in millions)	**March 31, 2021**	December 31, 2020
Cash and cash equivalents		
Noninterest-bearing cash	**$ 188**	$ 189
Interest-bearing cash	**441**	579
Total cash and cash equivalents	**629**	768
Equity securities	**1,049**	1,064
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	**260**	56
U.S. States and political subdivisions	**664**	680
Foreign government	**172**	176
Agency mortgage-backed residential	**847**	719
Mortgage-backed residential	**37**	44
Corporate debt	**2,048**	1,914
Total available-for-sale securities	**4,028**	3,589
Total cash, cash equivalents, and securities	**$ 5,706**	$ 5,421

In addition to these cash and investment securities, the Insurance segment has an interest-bearing intercompany arrangement with the Corporate segment, callable on demand. At March 31, 2021, the intercompany loan balance due to Insurance was $591 million and $830 million at March 31, 2021, and December 31, 2020, respectively.

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.

	Three months ended March 31,		
($ in millions)	**2021**	2020	**Favorable/(unfavorable) % change**
Net financing revenue and other interest income			
Total financing revenue and other interest income	**$ 93**	$ 138	**(33)**
Interest expense	**70**	100	**30**
Net financing revenue and other interest income	**23**	38	**(39)**
Gain on mortgage loans, net	**36**	9	**n/m**
Other income, net of losses	**4**	1	**n/m**
Total other revenue	**40**	10	**n/m**
Total net revenue	**63**	48	**31**
Provision for credit losses	**(4)**	1	**n/m**
Noninterest expense			
Compensation and benefits expense	**6**	6	**—**
Other operating expenses	**38**	29	**(31)**
Total noninterest expense	**44**	35	**(26)**
Income from continuing operations before income tax expense	**$ 23**	$ 12	**92**
Total assets	**$ 12,923**	$ 16,135	**(20)**

n/m = not meaningful

Our Mortgage Finance operations earned income from continuing operations before income tax expense of $23 million for the three months ended March 31, 2021, compared to $12 million for the three months ended March 31, 2020. The increase for the three months ended March 31, 2021, was primarily due to higher net gains on the sale of mortgage loans and a decrease in the provision for credit losses, partially offset by lower net financing revenue and other interest income, which was driven by higher prepayment activity, and an increase in noninterest expense.

Net financing revenue and other interest income was $23 million for the three months ended March 31, 2021, compared to $38 million for the three months ended March 31, 2020. The decrease in net financing revenue and other interest income for the three months ended March 31, 2021, was primarily due to accelerated premium amortization on purchased loans due to higher prepayment activity, driven by a lower interest rate environment. Premium amortization of purchased loans was $35 million for the three months ended March 31, 2021, compared to $21 million for the three months ended March 31, 2020. During the three months ended March 31, 2021, we purchased $188 million of mortgage loans that were originated by third parties and originated $747 million of mortgage loans held for investment, compared to $484 million and $429 million, respectively, during the three months ended March 31, 2020.

Gain on sale of mortgage loans, net, was $36 million for the three months ended March 31, 2021, compared to $9 million for the three months ended March 31, 2020. The increase was driven by higher direct-to-consumer mortgage originations and the subsequent sale of these loans to our fulfillment provider during the three months ended March 31, 2021. During the three months ended March 31, 2021, we originated $1.0 billion of loans held for sale, compared to $300 million during the three months ended March 31, 2020.

The provision for credit losses decreased $5 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease in provision for credit losses was primarily driven by reserve increases during the three months ended March 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the three months ended March 31, 2021, as the macroeconomic environment continued to recover. Additionally, for the three months ended March 31, 2021, provision decreased due to reserves declines associated with lower portfolio balances. Refer to the Risk Management section of this MD&A for further discussion on our provision for credit losses.

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 March 31, 2021		
740 +	**$ 848**	**91**
720–739	**65**	**7**
700–719	**22**	**2**
Total consumer mortgage financing volume	**$ 935**	**100**
Three months ended March 31, 2020		
740 +	$ 795	87
720–739	72	8
700–719	46	5
680–699	1	—
Total consumer mortgage financing volume	$ 914	100

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 *($ in millions)*	Average refreshed LTV (b)	Average refreshed FICO® (c)
March 31, 2021						
Adjustable-rate	**$ 467**	**4**	**3.25 %**	**$ 5**	**49.65 %**	**764**
Fixed-rate	**11,833**	**96**	**3.75**	**140**	**57.79**	**775**
Total	**$ 12,300**	**100**	**3.73**	**$ 145**	**57.48**	**775**
December 31, 2020						
Adjustable-rate	$ 927	6	3.31 %	$ 11	49.24 %	773
Fixed-rate	13,516	94	3.85	178	60.89	776
Total	$ 14,443	100	3.81	$ 189	60.15	776

(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.

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.

	Three months ended March 31,		
($ in millions)	**2021**	2020	**Favorable/(unfavorable) % change**
Net financing revenue and other interest income			
Interest and fees on finance receivables and loans	**$ 78**	$ 93	**(16)**
Interest on loans held-for-sale	**2**	2	**—**
Interest expense	**9**	27	**67**
Net financing revenue and other interest income	**71**	68	**4**
Total other revenue	**26**	13	**100**
Total net revenue	**97**	81	**20**
Provision for credit losses	**13**	114	**89**
Noninterest expense			
Compensation and benefits expense	**20**	21	**5**
Other operating expenses	**11**	14	**21**
Total noninterest expense	**31**	35	**11**
Income (loss) from continuing operations before income tax expense	**$ 53**	$ (68)	**178**
Total assets	**$ 6,421**	$ 6,572	**(2)**

Our Corporate Finance operations earned income from continuing operations before income tax expense of $53 million for the three months ended March 31, 2021, compared to a loss of $68 million for the three months ended March 31, 2020. The increase was due primarily to lower provision for credit losses recognized during the first quarter of 2021, and higher other revenue primarily from investment gains.

Net financing revenue and other interest income was $71 million for the three months ended March 31, 2021, compared to $68 million for the three months ended March 31, 2020. The increase was due to higher average assets from continued growth in the portfolio and lower interest expense as benchmark interest rates decreased as compared to the prior year. The decrease in benchmark interest rates also drove a decline in interest and fees on finance receivables and loans, which was partially mitigated by base rate floors on the majority of the portfolio.

Other revenue increased $13 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. This increase was driven by $10 million in investments income as compared to investment losses of $4 million for the three months ended March 31, 2020. Investment income included both realized gains and upward adjustments to the fair value of certain nonmarketable equity securities.

The provision for credit losses decreased $101 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease in provision for credit losses was primarily driven by reserve increases during the three months ended March 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the three months ended March 31, 2021, as the macroeconomic environment continued to recover. Refer to the Risk Management section of this MD&A for further discussion on our provision for credit losses.

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.

($ in millions)	**March 31, 2021**	December 31, 2020
Loans held-for-sale, net	**$ 229**	$ 205
Finance receivables and loans	**$ 6,285**	$ 6,006
Unfunded lending commitments (a)	**$ 4,783**	$ 4,193
Total serviced loans	**$ 9,046**	$ 8,455

(a) 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.

	March 31, 2021	December 31, 2020
Industry		
Financial services	**24.3 %**	22.8 %
Health services	**21.1**	22.1
Services	**20.0**	19.6
Automotive and transportation	**9.9**	10.1
Chemicals and metals	**6.5**	5.9
Machinery, equipment, and electronics	**5.2**	5.8
Other manufactured products	**2.8**	3.1
Wholesale	**2.6**	2.3
Lumber and wood	**2.4**	2.4
Food and beverages	**1.9**	2.0
Retail trade	**1.4**	1.1
Paper, printing, and publication	**0.8**	0.7
Other	**1.1**	2.1
Total finance receivables and loans	**100.0 %**	100.0 %

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, the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, the activity related to Ally Invest and Ally Lending, CRA loans and related investments, and reclassifications and eliminations between the reportable operating segments.

	Three months ended March 31,		
($ in millions)	**2021**	2020	**Favorable/(unfavorable) % change**
Net financing revenue and other interest income			
Interest and fees on finance receivables and loans (a)	**$ (3)**	$ 3	**n/m**
Interest on loans held-for-sale	**1**	—	**n/m**
Interest and dividends on investment securities and other earning assets	**106**	197	**(46)**
Interest on cash and cash equivalents	**4**	9	**(56)**
Other, net	**—**	(2)	**100**
Total financing revenue and other interest income	**108**	207	**(48)**
Interest expense			
Original issue discount amortization (b)	**12**	11	**(9)**
Other interest expense (c)	**39**	210	**81**
Total interest expense	**51**	221	**77**
Net financing revenue (loss) and other interest income	**57**	(14)	**n/m**
Other revenue			
Loss on mortgage and automotive loans, net	**—**	(21)	**100**
Loss on extinguishment of debt	**(1)**	—	**n/m**
Other gain on investments, net	**20**	67	**(70)**
Other income, net of losses	**39**	13	**n/m**
Total other revenue	**58**	59	**(2)**
Total net revenue	**115**	45	**156**
Provision for credit losses	**—**	22	**100**
Total noninterest expense (d)	**128**	100	**(28)**
Loss from continuing operations before income tax expense	**$ (13)**	$ (77)	**83**
Total assets	**$ 51,748**	$ 39,846	**30**

n/m = not meaningful
(a) Primarily related to impacts associated with hedging activities within our automotive loan portfolio, consumer unsecured lending activity, and financing revenue from our legacy mortgage portfolio.
(b) Amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.
(c) Includes the residual impacts of our FTP methodology and impacts of hedging activities of certain debt obligations.
(d) Includes reductions of $257 million and $256 million for the three months ended March 31, 2021, and 2020, respectively, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

The following table presents the scheduled remaining amortization of the original issue discount at March 31, 2021.

Year ended December 31, *($ in millions)*	2021	2022	2023	2024	2025	2026 and thereafter (a)	Total
Original issue discount							
Outstanding balance at year end	$ 1,015	$ 961	$ 901	$ 834	$ 762	$ —	
Total amortization (b)	37	54	60	67	72	762	$ 1,052

(a) The maximum annual scheduled amortization for any individual year is $147 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 $13 million for the three months ended March 31, 2021, compared to a loss of $77 million for the three months ended March 31, 2020. The decrease in loss was primarily driven by a decrease in total interest expense resulting from a lower interest rate environment, partially offset by a decrease in total financing revenue and other interest income.

Financing revenue and other interest income was $108 million for the three months ended March 31, 2021, compared to $207 million for the three months ended March 31, 2020. The decrease was primarily driven by the impacts of a lower interest rate environment on the investment securities portfolio and hedging activities.

Total interest expense decreased $170 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease was primarily driven by lower market interest rates, which drove a decrease in our deposit rates, and our continued shift to more cost-efficient deposit funding.

The provision for credit losses decreased $22 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease in provision for credit losses was primarily driven by reserve increases in the Ally Lending portfolio during the three months ended March 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the three months ended March 31, 2021, as the macroeconomic environment continued to recover. Additionally, the decreases in provision for credit losses for the three months ended March 31, 2021, were partially offset by reserve increases in the Ally Lending portfolio associated with continued portfolio growth. Refer to the Risk Management section of this MD&A for further discussion on our provision for credit losses.

Noninterest expense increased $28 million for the three months ended March 31, 2021, as compared to the three months ended March 31, 2020. The increase for the three months ended March 31, 2021, was driven by increased expenses to support the growth of our consumer product suite, as we continue to make investments in our technology platform to enhance the customer experience and expand our digital capabilities and portfolio of products.

Total assets were $51.7 billion as of March 31, 2021, compared to $39.8 billion as of March 31, 2020. This increase was primarily the result of growth in our interest-bearing cash and cash equivalents and available-for-sale securities portfolio. The increase was partially offset by a decline in our held-to-maturity securities portfolio and legacy mortgage portfolio, primarily driven by loan sales in the three months ended December 31, 2020, and continued runoff. At March 31, 2021, the amortized cost of the legacy mortgage portfolio was $458 million, compared to $1.1 billion at March 31, 2020.

Cash and Securities

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

($ in millions)	**March 31, 2021**	December 31, 2020
Cash and cash equivalents		
Noninterest-bearing cash	**$ 536**	$ 512
Interest-bearing cash	**14,590**	14,318
Total cash and cash equivalents	**15,126**	14,830
Equity securities	**5**	—
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	**1,446**	747
U.S. States and political subdivisions	**400**	415
Agency mortgage-backed residential	**20,671**	17,869
Mortgage-backed residential	**2,275**	2,596
Agency mortgage-backed commercial	**4,152**	4,189
Asset-backed	**474**	425
Total available-for-sale securities	**29,418**	26,241
Held-to-maturity securities		
Debt securities		
Agency mortgage-backed residential	**1,250**	1,331
Total held-to-maturity securities	**1,250**	1,331
Total cash, cash equivalents, and securities	**$ 45,799**	$ 42,402

Ally Invest

Ally Invest is our digital brokerage and wealth management 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.

	1st quarter 2021	4th quarter 2020	3rd quarter 2020	2nd quarter 2020	1st quarter 2020
Trading days (a)	**61.0**	63.0	64.0	63.0	62.0
Average customer trades per day *(in thousands)*	**80.9**	60.1	58.7	60.7	43.9
Funded accounts (b) *(in thousands)*	**425**	406	400	388	373
Total net customer assets *($ in millions)*	**$ 14,473**	$ 13,445	$ 11,061	$ 9,603	$ 7,489
Total customer cash balances *($ in millions)*	**$ 2,022**	$ 2,085	$ 1,882	$ 1,891	$ 1,856

(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 open and funded brokerage accounts.

During the three months ended March 31, 2021, continued market volatility during the quarter generated increased account openings and trade activity. Total funded accounts increased 5% from the prior quarter and increased 14% from the first quarter of 2020. Average customer trades per day increased 35% from the prior quarter and increased 84% from first quarter of 2020, driven primarily by market volatility. Additionally, net customer assets increased 8% from the prior quarter and increased 93% from the first quarter of 2020, as a result of equity market appreciation and increased customer account openings.

Ally Lending

Ally Lending is our unsecured financing offering, which currently serves medical and home improvement service providers by enabling promotional and fixed rate installment-loan products through a digital application process at point-of-sale. The following table presents consumer unsecured originations by FICO® Score.

	Three months ended March 31, 2021		Three months ended March 31, 2020	
($ in millions)	**Volume**	**Average FICO®**	Volume	Average FICO®
Total consumer unsecured originations	**$ 211**	**739**	$ 76	733

During the three months ended March 31, 2021, consumer unsecured originations increased $135 million to $211 million, as compared to the three months ended March 31, 2020. We continue to expand our relationships across all verticals, as we continue to grow our concentration across the home improvement and medical segments.

The amortized cost of our consumer unsecured portfolio was $490 million at March 31, 2021, compared to $224 million at March 31, 2020, while the associated yield was 15% and 14% for the three months ended March 31, 2021, and 2020, respectively.

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 of 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 of the effectiveness of our risk management, internal controls, and governance; and independent assessments regarding the quality of our loan portfolios. Internal audit includes Audit Services and the Loan Review Group.

Our risk-management framework is overseen by the RC of our Board. 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. For more information on our risk management process, refer to the *Risk Management* MD&A section of our 2020 Annual Report on Form 10-K.

Loan and Operating Lease Exposure

The following table summarizes the exposures from our loan and operating-lease activities.

($ in millions)	**March 31, 2021**	December 31, 2020
Finance receivables and loans		
Automotive Finance	**$ 93,206**	$ 96,809
Mortgage Finance	**12,445**	14,632
Corporate Finance	**6,285**	6,006
Corporate and Other (a)	**1,140**	1,087
Total finance receivables and loans	**113,076**	118,534
Loans held-for-sale		
Mortgage Finance (b)	**284**	91
Corporate Finance	**229**	205
Corporate and Other	**117**	110
Total loans held-for-sale	**630**	406
Total on-balance-sheet loans	**113,706**	118,940
Operating lease assets		
Automotive Finance	**9,944**	9,639
Total loan and operating lease exposure	**$ 123,650**	$ 128,579

(a) Includes $458 million and $495 million of consumer mortgage loans in our legacy mortgage portfolio at March 31, 2021, and December 31, 2020, respectively.
(b) Represents the current balance of conforming mortgages originated directly to the held-for-sale portfolio, and at March 31, 2021, also includes $138 million of adjustable-rate mortgage loans previously classified as held for investment.

The risks inherent in our loan and operating lease exposures are largely driven by changes in the overall economy, used vehicle and housing prices, unemployment levels, 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 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 RCs, executive leadership team, and our associates. Together, they oversee credit decisioning, account servicing activities, and credit-risk-management processes, and manage 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, segments 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 and procedures. Our consumer and commercial loan and operating lease portfolios are subject to regular stress tests that are based on plausible, but unexpected, economic scenarios 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 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 using a range of indicators to assess the adequacy of the allowance for loan losses based on historical and current 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. For consumer automotive loans, we work with customers when they become delinquent on their monthly payment. In lieu of repossessing their vehicle, we may offer several types of assistance to aid our customers based on their willingness and ability to repay their loan. Loss mitigation may include payment extensions and rewrites of the loan terms. 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 maturity extensions, delinquent interest capitalization, changes to contractual interest rates, 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, and certain cash balances. For more information on derivative counterparty credit risk, refer to Note 17 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 U.S. economy has started to recover from shutdowns that resulted from the COVID-19 pandemic. After peaking at 14.7%, as adjusted, in April 2020, the unemployment rate declined to 6.0% as of March 31, 2021. As a result of the economic disruption from COVID-19, sales of light motor vehicles fell to an annual pace of 8.7 million in April 2020, a 49-year low, before rising to a 17.7 million annual pace as of March 31, 2021. Future sales may moderate amid low new vehicle inventories. These low inventories have also raised used vehicle values. Additionally, used vehicle values may also be impacted by changes in customer preferences, including alternative transportation methods such as public transportation, vehicle sharing, and ride hailing.

Consumer Credit Portfolio

During the three months ended March 31, 2021, 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 acquired through bulk loan purchases and direct-to-consumer mortgage originations, as well as point-of-sale personal lending through Ally Lending. Additionally, credit performance of the consumer loan portfolio was impacted by fiscal and monetary stimulus deployed by governmental authorities to partially mitigate the adverse effects from the COVID-19 pandemic on households and businesses. The carrying value of our nonprime consumer automotive loans before allowance for loan losses represented approximately 11.5% and 11.7% of our total consumer automotive loans at March 31, 2021, and December 31, 2020, 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 2020 Annual Report on Form 10-K.

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

($ in millions)	Outstanding March 31, 2021	Outstanding December 31, 2020	Nonperforming (a) March 31, 2021	Nonperforming (a) December 31, 2020	Accruing past due 90 days or more (b) March 31, 2021	Accruing past due 90 days or more (b) December 31, 2020
Consumer automotive (c) (d)	**$ 73,998**	$ 73,668	**$ 1,173**	$ 1,256	**$ —**	$ —
Consumer mortgage						
Mortgage Finance	**12,445**	14,632	**63**	67	**—**	—
Mortgage — Legacy	**458**	495	**32**	35	**—**	—
Total consumer mortgage	**12,903**	15,127	**95**	102	**—**	—
Consumer other (e)	**482**	399	**2**	3	**—**	—
Total consumer finance receivables and loans	**$ 87,383**	$ 89,194	**$ 1,270**	$ 1,361	**$ —**	$ —

(a) Includes nonaccrual TDR loans of $751 million and $745 million at March 31, 2021, and December 31, 2020, respectively.
(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 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for a description of our accounting policies for finance receivables and loans.
(c) Certain finance receivables and loans are included in fair value hedging relationships. Refer to Note 17 to the Consolidated Financial Statements for additional information.
(d) Includes outstanding CSG loans of $8.2 billion at both March 31, 2021, and December 31, 2020, and RV loans of $978 million and $1.1 billion at March 31, 2021, and December 31, 2020, respectively.
(e) Excludes finance receivables of $8 million at both March 31, 2021, and December 31, 2020, for which we have elected the fair value option.

Total consumer finance receivables and loans decreased $1.8 billion at March 31, 2021, compared with December 31, 2020. The decrease consists of $2.2 billion of consumer mortgage finance receivables and loans, partially offset by increases of $330 million of consumer automotive finance receivables and loans and $83 million of consumer other finance receivables and loans. The decrease was primarily due to lower consumer mortgage finance receivables and loans as a result of loan pay-offs which exceeded bulk loan purchases and direct-to-consumer origination volume. This decrease was partially offset by an increase in consumer automotive finance receivables and loans primarily related to continued momentum in our used vehicle lending, as well as an increase in consumer other finance receivables and loans primarily related to Ally Lending loan originations which outpaced portfolio runoff.

Total consumer nonperforming finance receivables and loans at March 31, 2021, decreased $91 million to $1.3 billion from December 31, 2020. The decrease was primarily driven by our consumer automotive loan portfolio and was in line with expectations for this business. 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 1.5% at both March 31, 2021, and December 31, 2020.

Total consumer TDRs outstanding at March 31, 2021, increased $207 million since December 31, 2020, to $2.2 billion. Results primarily reflect a $210 million increase in our consumer automotive loan portfolio. This increase is driven by an increase in deferrals offered through our established risk management policies and practices to customers subsequent to a COVID-19 deferral, where the loan modification in connection with other factors resulted in a TDR classification. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information.

Consumer automotive loans accruing and past due 30 days or more decreased $775 million to $1.1 billion at March 31, 2021, compared to December 31, 2020, which was in line with expectations.

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

	Three months ended March 31,					
	Net charge-offs (recoveries)				Net charge-off ratios (a)	
($ in millions)	2021		2020		2021	2020
Consumer automotive	$	97	$	262	0.5 %	1.4 %
Consumer mortgage						
Mortgage Finance		1		—	—	—
Mortgage — Legacy		(2)		(2)	(1.3)	(0.5)
Total consumer mortgage		(1)		(2)	—	—
Consumer other		8		4	7.0	7.5
Total consumer finance receivables and loans	$	104	$	264	0.5	1.2

(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 $104 million for the three months ended March 31, 2021, compared to $264 million for the three months ended March 31, 2020. Net charge-offs for our consumer automotive portfolio decreased by $165 million for the three months ended March 31, 2021. The decrease was primarily driven by strong payment performance and delinquency trends in our consumer automotive portfolio through the pandemic, as well as a lower number of loans migrating to charge-off due to the COVID-19 loan deferral program. In addition, our net charge-offs continue to benefit from strong used vehicle prices which has reduced the realized loss impact in instances of default. While economic conditions have improved since the beginning of the pandemic, and we have taken a number of actions including the utilization of loan modification programs to support our customers and manage credit risk, we may incur higher charge-offs in future periods as a result of continued economic dislocation resulting from the impacts of COVID-19.

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

	Three months ended March 31,			
($ in millions)	2021		2020	
Consumer automotive	$	8,812	$	7,849
Consumer mortgage (a)		1,784		729
Consumer other (b)		211		76
Total consumer loan originations	$	10,807	$	8,654

(a) Excludes bulk loan purchases associated with our Mortgage Finance operations, and includes $1.0 billion and $300 million of loans originated as held for sale for the three months ended March 31, 2021, and March 31, 2020, respectively.
(b) Includes acquired loans related to our Ally Lending business, for which we have elected the fair value option measurement.

Total consumer loan originations increased $2.2 billion for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The increase for the three months ended March 31, 2021, was primarily due to growth in the direct-to-consumer mortgage business driven by the lower interest rate environment, as well as higher consumer demand and increased application flow and decisioning speeds in the consumer automotive portfolio. Additionally, originations for the three months ended March 31, 2020, were impacted by the COVID-19 pandemic which temporarily shut down or restricted operations at automotive dealers.

The following table shows the percentage of consumer automotive and consumer mortgage finance receivables and loans by state concentration based on amortized cost. Total consumer automotive loans were $74.0 billion and $73.7 billion at March 31, 2021, and December 31, 2020, respectively. Total consumer mortgage loans were $12.9 billion and $15.1 billion at March 31, 2021, and December 31, 2020, respectively.

	March 31, 2021 (a)		December 31, 2020	
	Consumer automotive	**Consumer mortgage**	Consumer automotive	Consumer mortgage
California	**8.6 %**	**33.8 %**	8.6 %	34.3 %
Texas	**12.5**	**8.2**	12.5	8.0
Florida	**9.0**	**6.0**	8.8	5.5
Pennsylvania	**4.5**	**2.1**	4.5	2.0
North Carolina	**4.1**	**2.3**	4.1	2.3
Georgia	**3.9**	**3.1**	3.9	3.1
Illinois	**3.9**	**3.1**	4.0	3.0
New York	**3.2**	**3.5**	3.2	3.4
Ohio	**3.5**	**0.5**	3.5	0.5
New Jersey	**2.9**	**2.1**	2.9	2.2
Other United States	**43.9**	**35.3**	44.0	35.7
Total consumer loans	**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 March 31, 2021.

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 24.3% and 24.7% of our total outstanding consumer finance receivables and loans at March 31, 2021, and December 31, 2020, 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 an asset as repossessed or foreclosed, 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 2020 Annual Report on Form 10-K.

Repossessed consumer automotive loan assets in our Automotive Finance operations were $133 million at March 31, 2021, and foreclosed mortgage assets were $2 million at March 31, 2021.

Commercial Credit Portfolio

During the three months ended March 31, 2021, the credit performance of the commercial portfolio remained stable as nonperforming finance receivables and loans decreased, and our net charge-offs remained low. 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 2020 Annual Report on Form 10-K.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
($ in millions)	**March 31, 2021**	December 31, 2020	**March 31, 2021**	December 31, 2020	**March 31, 2021**	December 31, 2020
Commercial and industrial						
Automotive	**$ 15,132**	$ 19,082	**$ 17**	$ 40	**$ —**	$ —
Other (c)	**5,541**	5,242	**150**	116	**—**	—
Commercial real estate	**5,012**	5,008	**2**	5	**—**	—
Total commercial finance receivables and loans	**$ 25,685**	$ 29,332	**$ 169**	$ 161	**$ —**	$ —

(a) Includes nonaccrual TDR loans of $149 million and $125 million at March 31, 2021, and December 31, 2020, respectively.
(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 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for a description of our accounting policies for finance receivables and loans.
(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 decreased $3.6 billion from December 31, 2020, to $25.7 billion at March 31, 2021. Results primarily reflect a $4.0 billion decrease in our commercial automotive loan portfolio due to lower dealer inventory levels, driven by strong consumer demand for vehicles that outpaced lower automotive production levels due to COVID-19. This decrease was partially offset by a $299 million increase to commercial other loans within the commercial and industrial portfolio class, driven primarily by asset-based lending, mostly through our Corporate Finance lender finance vertical, which provides asset managers with partial funding for their direct lending activities. This decrease was also partially offset by $4 million increase in our commercial real estate portfolio.

Total commercial nonperforming finance receivables and loans were $169 million at March 31, 2021, reflecting an increase of $8 million compared to December 31, 2020. The increase was primarily due to the downgrade of two exposures to nonaccrual status within commercial other in our commercial and industrial portfolio class. This increase was partially offset by a decrease due to lower dealer inventory levels in our commercial automotive portfolio driven by lower production levels as automotive manufacturers work to return to pre-pandemic levels. Nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans increased to 0.7% at March 31, 2021, compared to 0.5% at December 31, 2020.

Total commercial TDRs outstanding at March 31, 2021, increased $56 million since December 31, 2020, to $259 million. The increase was primarily driven by the restructuring of one exposure and an increase in the outstanding balance of an existing TDR within commercial other in our commercial and industrial portfolio class. Refer to Note 7 to the Condensed Consolidated Financial Statements for additional information.

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

	Three months ended March 31,			
	Net charge-offs		Net charge-off ratios (a)	
($ in millions)	**2021**	2020	**2021**	2020
Commercial and industrial				
Automotive	**$ —**	$ 2	**— %**	— %
Other	**14**	—	**1.1**	—
Total commercial finance receivables and loans	**$ 14**	$ 2	**0.2**	—

(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 commercial finance receivables and loans were $14 million for the three months ended March 31, 2021, compared to net charge-offs of $2 million for the three months ended March 31, 2020. The increase for three months ended March 31, 2021, was due to the partial charge-off of one exposure within our Corporate Finance operations.

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 $5.0 billion at both March 31, 2021, and December 31, 2020.

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

	March 31, 2021	December 31, 2020
Florida	**14.0 %**	13.3 %
Texas	**13.0**	13.0
California	**7.9**	7.9
Michigan	**7.7**	7.7
North Carolina	**5.6**	5.5
New York	**5.5**	5.6
Georgia	**3.6**	3.6
Utah	**3.0**	3.0
Illinois	**2.8**	2.8
South Carolina	**2.5**	2.5
Other United States	**34.4**	35.1
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 $901 million from December 31, 2020, to $3.1 billion at March 31, 2021. The decrease was primarily due to lower dealer inventory levels in our commercial automotive portfolio driven by continued lower production levels as automotive manufacturers work to return to pre-pandemic levels. This decrease was also driven by a lower number of special mention accounts within commercial other in our commercial and industrial receivables class.

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

	March 31, 2021	December 31, 2020
Industry		
Automotive	**65.7 %**	67.7 %
Services	**6.8**	5.8
Health/Medical	**6.6**	7.3
Other	**20.9**	19.2
Total commercial criticized finance receivables and loans	**100.0 %**	100.0 %

Allowance for Loan Losses

We adopted CECL on January 1, 2020, as further described in Note 1 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K.

The CECL standard introduced a new accounting model to measure credit losses for financial assets measured at amortized costs. In contrast to the previous incurred loss model, CECL requires credit losses for financial assets measured at amortized cost to be determined based on the total current expected credit losses over the life of the financial asset or group of assets.

Under CECL, our modeling processes incorporate the following considerations:

- a single forecast scenario for macroeconomic factors incorporated into the modeling process;
- a 12-month reasonable and supportable forecast period for macroeconomic factors with a reversion to the historical mean on a straight-line basis over a 24-month period; and
- data from the historical mean will be calculated from January 2008 through the most current period which includes data points from the most recent recessionary period.

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 2020 Annual Report on Form 10-K. For example, macroeconomic variables that our consumer automotive allowance for loan losses is most sensitive to include national and state unemployment levels. 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, changes in current economic conditions that may not be reflected in quantitatively derived results such as the impacts associated with COVID-19. We also monitor model performance, using model error and related assessments, and we may incorporate qualitative reserves to adjust our quantitatively determined allowance if we observe deterioration in model performance.

Through March 2021, forecasted economic variables utilized in our quantitative allowance processes were updated to reflect the current macroeconomic environment and our future expectations which included (but were not limited to) the following: the unemployment rate declining to approximately 5% by the end of 2021, before reverting to the historical mean of approximately 7% starting in the first quarter of 2024, stable GDP growth through 2021 as measured on a quarter-over-quarter seasonally adjusted annualized rate basis, and stabilization of new light vehicle sales on a seasonally adjusted annualized rate basis to approximately 17 million units by the end of 2021. The overall improvement in the macroeconomic variables during the three months ended March 31, 2021, resulted in a decrease in the allowance for loan losses through our quantitative reserving process. Using our qualitative allowance framework, we reassessed and adjusted levels by incorporating uncertainty and volatility in the macroeconomic environment due to the COVID-19 pandemic, which partially offset the decreases in reserves from our quantitative process. As a result, our overall allowance for loan losses decreased $131 million from the prior quarter to $3.2 billion at March 31, 2021, representing 2.8% as a percentage of total finance receivables as of March 31, 2021, compared to 2.8% as of December 31, 2020.

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans for the three months ended March 31, 2021, and March 31, 2020, respectively.

($ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
Allowance at December 31, 2020	$ 2,902	$ 33	$ 73	$ 3,008	$ 275	$ 3,283
Charge-offs (a)	(284)	(2)	(8)	(294)	(14)	(308)
Recoveries	187	3	—	190	—	190
Net charge-offs	(97)	1	(8)	(104)	(14)	(118)
Provision due to change in portfolio size	15	(4)	14	25	(4)	21
Provision due to incremental charge-offs	97	(1)	8	104	14	118
Provision due to all other factors	(108)	(2)	(19)	(129)	(23)	(152)
Total provision for credit losses (b)	4	(7)	3	—	(13)	(13)
Other	—	(1)	1	—	—	—
Allowance at March 31, 2021	$ 2,809	$ 26	$ 69	$ 2,904	$ 248	$ 3,152
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2021 (c)	3.8 %	0.2 %	14.3 %	3.3 %	1.0 %	2.8 %
Net charge-offs to average finance receivables and loans outstanding for the three months ended March 31, 2021	0.5 %	— %	7.0 %	0.5 %	0.2 %	0.4 %
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2021 (c)	239.5 %	27.9 %	n/m	228.7 %	146.5 %	219.1 %
Ratio of allowance for loan losses to annualized net charge-offs at March 31, 2021	7.2	(7.6)	2.3	7.0	4.3	6.7

n/m = not meaningful
(a) Refer to Note 1 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for information regarding our charge-off policies.
(b) Consumer mortgage provision expense includes a provision benefit of $4 million related to Mortgage Finance and a provision benefit of $3 million related to our legacy mortgage portfolio. Commercial provision expense includes a provision benefit of $17 million related to commercial automotive and provision expense of $13 million related to commercial other within the commercial and industrial portfolio class, and a provision benefit of $9 million related to commercial real estate.
(c) 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.

($ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
Allowance at December 31, 2019	$ 1,075	$ 46	$ 9	$ 1,130	$ 133	$ 1,263
Cumulative effect of the adoption of Accounting Standards Update 2016-13	1,334	(6)	16	1,344	2	1,346
Allowance at January 1, 2020	$ 2,409	$ 40	$ 25	$ 2,474	$ 135	$ 2,609
Charge-offs (a)	(373)	(3)	(5)	(381)	(3)	(384)
Recoveries	111	5	1	117	1	118
Net charge-offs	(262)	2	(4)	(264)	(2)	(266)
Provision due to change in portfolio size	7	(1)	1	7	6	13
Provision due to incremental charge-offs	262	(2)	4	264	2	266
Provision due to all other factors	416	—	20	436	188	624
Total provision for credit losses (b)	685	(3)	25	707	196	903
Other	1	—	(1)	—	(1)	(1)
Allowance at March 31, 2020	$ 2,833	$ 39	$ 45	$ 2,917	$ 328	$ 3,245
Allowance for loan losses to finance receivables and loans outstanding at March 31, 2020 (c)	3.9 %	0.2 %	21.2 %	3.2 %	0.9 %	2.5 %
Net charge-offs to average finance receivables and loans outstanding for the three months ended March 31, 2020	1.4 %	— %	7.5 %	1.2 %	— %	0.8 %
Allowance for loan losses to total nonperforming finance receivables and loans at March 31, 2020 (c)	263.0 %	63.2 %	n/m	255.9 %	128.0 %	232.4 %
Ratio of allowance for loan losses to annualized net charge-offs at March 31, 2020	2.7	(6.2)	2.9	2.8	35.8	3.0

n/m = not meaningful

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2020 Annual Report on Form 10-K for information regarding our charge-off policies.

(b) Consumer mortgage provision expense includes $1 million related to Mortgage Finance and a provision benefit of $4 million related to our legacy mortgage portfolio. Commercial provision expense includes $56 million related to commercial automotive and $115 million related to commercial other within the commercial and industrial portfolio class, and $25 million related to commercial real estate.

(c) 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 March 31, 2021, decreased $13 million compared to March 31, 2020, reflecting decreases of $24 million in the consumer automotive allowance and $13 million in the consumer mortgage allowance, partially offset by an increase of $24 million in the consumer other allowance. The decrease in our consumer automotive allowance was primarily driven by reserve declines associated with improvement in the macroeconomic environment as the economy has continued to recover, partially offset by higher reserves resulting from continued portfolio growth and higher reserves for TDRs associated with customer extensions granted for the three months ended March 31, 2021. The decrease in our consumer mortgage allowance was primarily driven by reserve declines associated with improvement in the macroeconomic environment as the economy has continued to recover. Additionally, the consumer mortgage allowance decreased due to lower portfolio balances for the three months ended March 31, 2021. The increase in the consumer other allowance was primarily driven by continued growth within Ally Lending during the three months ended March 31, 2021, partially offset by reserve declines associated with improvement in the macroeconomic environment.

The allowance for commercial loan losses decreased $80 million at March 31, 2021, compared to March 31, 2020. The decrease was primarily driven by reserve declines within our commercial automotive portfolio associated with improvement in the macroeconomic environment as the economy has continued to recover, as well as reserve decreases due to lower commercial automotive portfolio balances for the three months ended March 31, 2021.

The provision for consumer credit losses decreased $707 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease in provision for consumer credit losses was primarily driven by reserve increases within the consumer automotive portfolio during the three months ended March 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the three months ended March 31, 2021, as the macroeconomic environment continued to recover. Additionally, provision decreases during the three months ended March 31, 2021, were driven by lower net charge-offs in our consumer automotive portfolio as we continue to experience strong credit performance driven by favorable economic and operating conditions.

The provision for commercial credit losses decreased $209 million for the three months ended March 31, 2021, compared to the three months ended March 31, 2020. The decrease in provision for commercial credit losses was primarily driven by reserve increases within commercial automotive and Corporate Finance during the three months ended March 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the three months ended March 31, 2021, as the macroeconomic environment continued to recover.

Allowance for Loan Losses by Type

The following table summarizes the allocation of the allowance for loan losses by product type.

	2021			2020		
March 31, *($ in millions)*	**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						
Consumer automotive	**$ 2,809**	**3.8 %**	**89.1 %**	$ 2,833	3.9 %	87.3 %
Consumer mortgage						
Mortgage Finance	**16**	**0.1**	**0.5**	18	0.1	0.6
Mortgage — Legacy	**10**	**2.2**	**0.3**	21	2.0	0.6
Total consumer mortgage	**26**	**0.2**	**0.8**	39	0.2	1.2
Consumer other	**69**	**14.3**	**2.2**	45	21.2	1.4
Total consumer loans	**2,904**	**3.3**	**92.1**	2,917	3.2	89.9
Commercial						
Commercial and industrial						
Automotive	**25**	**0.2**	**0.8**	81	0.3	2.5
Other	**188**	**3.4**	**6.0**	192	3.3	5.9
Commercial real estate	**35**	**0.7**	**1.1**	55	1.1	1.7
Total commercial loans	**248**	**1.0**	**7.9**	328	0.9	10.1
Total allowance for loan losses	**$ 3,152**	**2.8**	**100.0 %**	$ 3,245	2.5	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, credit spreads, foreign-exchange rates, equity prices, and off-lease vehicle prices.

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.

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

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

We also 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. In addition, we are exposed to changes in the value of other equity investments without readily determinable fair market values. Refer to Note 10 to the Condensed Consolidated Financial Statements for additional information. We may experience changes in the valuation of these investments, which may cause volatility in our earnings.

The composition of our balance sheet, including shorter-duration consumer automotive loans and variable-rate commercial loans, coupled with the continued funding shift toward 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, sensitivity analysis, and value at risk models. Refer to Note 17 to the Condensed Consolidated Financial Statements for additional information.

LIBOR Transition

In recognition of the significance of LIBOR cessation, Ally employs 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 across 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 continue to assess and plan for 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 ERMC. For a more detailed discussion of our planned transition away from LIBOR, refer to the section titled Risk Management—LIBOR Transition in our 2020 Annual Report on Form 10-K.

We are evaluating the Prime rate and SOFR, among other alternatives and actions, as alternative reference rates for our customers, and are taking steps to assess the operational, financial, and various other impacts this change could have across each of our business lines. In the fourth quarter of 2020, we began offering conforming adjustable-rate mortgage loans using SOFR through our direct-to-consumer channel, which are held for sale.

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.

We prepare forward-looking baseline forecasts of net financing revenue taking into consideration anticipated future business growth, asset/liability positioning, and interest rates based on the implied forward curve. The analysis is highly dependent upon a variety of assumptions including the repricing characteristics of retail deposits with both contractual and non-contractual maturities. We continually monitor industry and competitive repricing activity along with other market factors when contemplating deposit pricing assumptions.

Simulations are then used to assess changes in 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 repricing characteristics for all assets, liabilities, and off-balance sheet exposures and incorporate the effects of changing interest rates on the prepayment and attrition rates of certain assets and liabilities. Our simulation does not assume any specific future actions are taken to mitigate the impacts of changing interest rates.

The net financing revenue sensitivity tests measure the potential change 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 market forward curve. Management also evaluates nonparallel shocks to interest rates and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types. Relative to our baseline forecast, our net financing revenue over the next 12 months is expected to decrease by $34 million if interest rates remain unchanged.

The following table presents the pretax dollar impact to baseline forecasted net financing revenue over the next 12 months assuming various shocks to the implied market forward curve as of March 31, 2021, and December 31, 2020.

	March 31, 2021		December 31, 2020	
	Gradual (a)	**Instantaneous**	**Gradual (a)**	**Instantaneous**
Change in interest rates	*($ in millions)*		*($ in millions)*	
March 31, 2021				
+200 basis points	**$ (29)**	**$ (41)**	$ 70	$ 64
+100 basis points	**(27)**	**(9)**	32	68
-25 basis points (b)	**(44)**	**(96)**	(3)	(40)

(a) Gradual changes in interest rates are recognized over 12 months.
(b) Our models currently assume rates do not go below zero.

The implied forward rate curve was steeper compared to December 31, 2020, as interest rates were at or near historical lows across the curve. The impact of this change is reflected in our baseline net financing revenue projections. As of March 31, 2021, we expect an upward instantaneous interest rate shock scenario to have a modest negative impact to the baseline forecast, primarily due to a shift from floating-rate to fixed-rate assets, our continued shift in funding to retail deposits, and changes to our derivative hedging position.

The exposure in the downward instantaneous interest rate shock scenario is largely driven by floating-rate assets and prepayment risk, as well as limited repricing of liquid deposits.

Our 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, and pay-fixed interest rate swaps designated as cash flow hedges of certain floating-rate debt instruments. We also have the ability to utilize 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 interest rate environment evolve over time.

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. However in certain instances, some automotive manufacturers have provided their guarantee for portions of our residual exposure, as further described in Note 8 to the Condensed Consolidated Financial Statements. Our operating lease portfolio, net of accumulated depreciation was $9.9 billion and $9.6 billion as of March 31, 2021, and December 31, 2020, respectively. The expected lease residual value of our operating lease portfolio at scheduled termination was $8.2 billion and $7.9 billion as of March 31, 2021, and December 31, 2020, 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 2020 Annual Report on Form 10-K.

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 March 31, 2021	
	2021	2020
Off-lease vehicles terminated *(in units)*	**30,488**	20,419
Average gain per vehicle *($ per unit)*	**$ 2,114**	$ 121
Method of vehicle sales		
Auction		
Internet	**48 %**	61 %
Physical	**9**	12
Sale to dealer, lessee, and other	**43**	27

We recognized an average gain per vehicle of $2,114 for the three months ended March 31, 2021, compared to an average gain per vehicle of $121 for the same period in 2020. The increases in remarketing performance were primarily due to continued new vehicle supply constraints coupled with increased demand. The number of off-lease vehicles remarketed during the three months ended March 31, 2021, increased 49%, compared to the same period in 2020. This increase is primarily due to lower remarketing activity in the first quarter of 2020, as a result of the implementation of our new technology platform for our consumer automotive loans and operating leases, and subsequently, impacts of the COVID-19 pandemic which furthered the reduction in vehicle remarketing activity during the second half of March 2020. We expect positive trends in remarketing performance to continue in the near term and, as a result, have adjusted the rate of depreciation expense to recognize lower lifetime depreciation on vehicles scheduled to terminate through June 30, 2022. We will continue to evaluate our depreciation rate for leased vehicles based on expected residual values and adjust depreciation expense over the remaining life of the lease, if deemed necessary.

Operating Lease Portfolio Mix

We monitor the concentration of our outstanding operating leases. Our exposure to Stellantis vehicles represented approximately 87% and 91% of our operating lease units as of March 31, 2021, and 2020, respectively.

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

March 31,	**2021**	2020
Sport utility vehicle	**57 %**	56 %
Truck	**34**	34
Car	**9**	10

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, committed secured credit facilities, 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 and the RC. As part of managing liquidity risk, Corporate Treasury prepares periodic 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.

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, committed secured credit facilities, public and private asset-backed securitizations, unsecured debt, FHLB advances, whole-loan sales, demand notes, 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 growing retail deposits, maintaining active public and private securitization programs, managing a prudent maturity profile of our brokered deposit portfolio, utilizing repurchase agreements, and continuing to access funds from the FHLB.

Essentially all asset originations are directed to 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 an increasing proportion of 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 such 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, and available committed secured credit facility 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.

The following table summarizes our cash, U.S. Treasury and agency securities, and committed credit facilities.

($ in millions)	March 31, 2021	December 31, 2020
Unencumbered highly liquid U.S. federal government and U.S. agency securities	**$ 28,013**	$ 24,763
Liquid cash and equivalents	**15,223**	14,945
Committed secured credit facilities		
Total capacity (a)	**350**	560
Outstanding	**—**	—
Unused capacity (b)	**350**	560
Total available liquidity	**$ 43,586**	$ 40,268

(a) Includes committed secured credit facilities for which we had sufficient assets available to be pledged as collateral as of the reporting date.
(b) Funding from committed secured credit facilities is available on request in the event excess collateral resides in certain facilities or the extent incremental collateral is available and contributed to the facilities.

Recent Funding Developments

During March 2020, the spread of COVID-19 was declared a pandemic. This global health crisis has resulted in economic disruption and volatility in the capital markets. While credit spreads for longer-term funding sources such as unsecured debt and ABS issuance increased significantly initially, FRB actions in response to the disruptions reduced credit spreads and improved market liquidity. These actions included providing significant quantitative-easing programs, expanding the Money Market Mutual Fund Liquidity Facility to include a wider range of securities, broadening the Commercial Paper Funding Facility, launching new funds and facilities to support employers, consumers and businesses, and establishing the Term Asset-Backed Loan Facility to facilitate ABS issuance of student, automotive, credit card, and small business loans guaranteed by the Small Business Administration. We continue to closely monitor market conditions, and actions taken by banking agencies to support general market liquidity. In recent years, we have become less reliant on market-based funding and believe we have adequate liquidity to meet our near-term funding needs. However, it is not currently clear to what degree the COVID-19 pandemic will impact our future funding profile if market dislocation recurs.

Key funding highlights from January 1, 2021, to date were as follows:

- We terminated our demand note offering and as of March 1, 2021, we repaid all outstanding balances under this program.
- We prepaid $88 million of unsecured term notes during the three months ended March 31, 2021, as we continue to shift our overall funding toward more cost-effective funding.
- On April 22, 2021, we issued $1.35 billion of preferred stock, and announced our intent to use the proceeds to redeem in part the Series 2 TRUPS outstanding.
- Our total capacity in committed secured credit facilities was reduced by $100 million during the three months ended March 31, 2021, as we continue to shift our overall funding toward a greater mix of cost-effective deposit funding.

Funding Sources

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

	March 31, 2021		December 31, 2020	
($ in millions)	On-balance sheet funding	% Share of funding	On-balance sheet funding	% Share of funding
Deposits	**$ 139,585**	**87**	$ 137,036	85
Debt				
Secured financings	**8,701**	**6**	9,992	6
Institutional term debt	**11,527**	**7**	11,654	7
Retail debt programs (a)	**275**	**—**	2,496	2
Total debt (b)	**20,503**	**13**	24,142	15
Total on-balance-sheet funding	**$ 160,088**	**100**	$ 161,178	100

(a) Includes $275 million and $360 million of retail term notes at March 31, 2021, and December 31, 2020, respectively.
(b) Includes hedge basis adjustment as described in Note 17 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 March 31, 2021.

Deposits

Ally Bank is a digital direct bank with no branch network that obtains retail deposits directly from customers through internet, telephone, mobile, and mail channels. We offer competitive rates and fees on a full spectrum of retail deposit products, including online savings accounts, money-market demand accounts, CDs, interest-bearing checking accounts, trust accounts, and IRAs. In addition to providing customers with valuable products and digital services, retail deposits provide a key funding source for Ally Bank as it continues to diversify its funding profile and reduce its reliance on more expensive and rate-sensitive funding, providing our Automotive Finance, Mortgage Finance, Corporate Finance, and Ally Lending businesses with a stable and low-cost funding source. We believe retail deposits are less sensitive to interest rate changes, market volatility, or changes in credit ratings when compared to other funding sources. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries, including a deposit related to Ally Invest customer cash balances.

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.

	1st quarter 2021	4th quarter 2020	3rd quarter 2020	2nd quarter 2020	1st quarter 2020
Total primary retail deposit customers *(in thousands)*	**2,334**	2,250	2,211	2,133	2,040
Deposits *($ in millions)*					
Retail	**$ 128,370**	$ 124,357	$ 120,789	$ 115,813	$ 106,068
Brokered (a)	**11,060**	12,551	13,990	15,088	16,116
Other (b)	**155**	128	159	135	140
Total deposits	**$ 139,585**	$ 137,036	$ 134,938	$ 131,036	$ 122,324

(a) Brokered deposit balances include a deposit related to Ally Invest customer cash balances deposited at Ally Bank by a third party of $1.9 billion as of both March 31, 2021, and December 31, 2020, $1.8 billion as of both September 30, 2020, and June 30, 2020, and $1.5 billion as of March 31, 2020.
(b) Other deposits include mortgage escrow and other deposits.

During the first three months of 2021, our total deposit base grew $2.5 billion and we added approximately 83,000 retail deposit customers, ending with 2.3 million retail deposit customers as of March 31, 2021. The growth in total deposits has been driven by strong growth in retail deposits, partially offset by a reduction in brokered deposits. Total retail deposits increased $4.0 billion during the three months ended March 31, 2021, primarily within our online savings product, bringing the total retail deposits portfolio to $128.4 billion as of March 31, 2021. Strong customer acquisition and retention rates, reflecting the strength of the brand, continue to drive growth in retail deposits, as well as continued economic stimulus measures and strong consumer liquidity.

As demonstrated by the launch of our smart savings tools in early 2020, we continue to advance our digital capabilities and deliver incremental value to our customers beyond competitive rates. In June 2020, Kiplinger named Ally Bank the “Best Internet Bank” for the fourth consecutive year, and in October 2020, MONEY® Magazine named Ally the “Best Online Bank” for the eighth time in the past ten years. For additional information on our deposit funding by type, refer to Note 11 to the Condensed Consolidated Financial Statements.

Securitizations and Secured Financings

While we primarily fund our business through deposits, 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 and operating leases 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 2020 Annual Report on Form 10-K.

We manage securitization execution risk by maintaining a diverse domestic and foreign investor base and available capacity from committed secured credit facilities provided by banks. Our ability to access the unused capacity in these facilities depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges. We maintain bilateral facilities, which fund our Automotive Finance operations. The facilities can be revolving in nature—generally having an original tenor ranging from 364 days to two years and allowing for additional funding during the commitment period—or they can be amortizing and not allow for any further funding after the commitment period. At March 31, 2021, all of our $460 million of capacity was revolving and of this balance, $175 million was from facilities with a remaining tenor greater than 364 days.

We also have access to funding through advances with the FHLB. These advances are primarily secured by consumer mortgage finance receivables and loans and investment securities. As of March 31, 2021, we had pledged $12.8 billion of assets to the FHLB resulting in $11.0 billion in total funding capacity with $5.2 billion of debt outstanding.

At March 31, 2021, $27.5 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 $275 million of retail term notes outstanding at March 31, 2021. In 2020, we accessed the unsecured debt capital markets four times, and collectively raised $2.8 billion through the issuance of senior notes composed of institutional term debt. We have also historically obtained unsecured funding from the sale of floating-rate demand notes under our demand notes program. The holder has the option to require us to redeem these notes at any time without restriction. On March 1, 2021, we terminated the offering of our demand notes program, and redeemed in full all outstanding demand 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 March 31, 2021, we had no debt outstanding under repurchase agreements.

Additionally, we have access to the FRB Discount Window and can borrow funds to meet short-term liquidity demands. However, the FRB 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. We had assets pledged and restricted as collateral to the FRB totaling $2.4 billion as of March 31, 2021. We had no debt outstanding with the FRB as of March 31, 2021.

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 March 31, 2021, and December 31, 2020, 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.

	Three months ended March 31,	
($ in millions)	**2021**	2020
Net financing loss and other interest income	**$ (248)**	$ (274)
Dividends from bank subsidiaries	**550**	400
Dividends from nonbank subsidiaries	**10**	18
Total other revenue	**63**	71
Total net revenue	**375**	215
Provision for credit losses	**(41)**	(25)
Total noninterest expense	**153**	161
Income from continuing operations before income tax benefit	**263**	79
Income tax benefit from continuing operations (a)	**(78)**	(73)
Net income from continuing operations	**341**	152
Net income (b)	**$ 341**	$ 152

(a) There is a significant variation in the customary relationship between pretax (loss) income and income tax benefit due to our accounting policy elections and other adjustments.
(b) Excludes the Parent's and Guarantors' share of income of all nonguarantor subsidiaries.

($ in millions)	**March 31, 2021**	December 31, 2020
Total assets (a)	**$ 4,948**	$ 7,600
Total liabilities	**$ 13,379**	$ 16,133

(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.

Net cash provided by operating activities was $1.2 billion and $814 million for the three months ended March 31, 2021, and 2020, respectively. Activity increased year over year, as lower interest expense driven by lower market interest rates more than offset the decline in interest and fees on finance receivables and loans. Refer to the Consolidated Results of Operations section of this MD&A for further discussion.

Net cash provided by investing activities was $452 million for the three months ended March 31, 2021, compared to net cash used in investing activities of $325 million for the same period in 2020. The increase was primarily due to a $4.9 billion increase in cash inflows related to originations and repayments of finance receivables and loans held for investment and other, driven by lower outstanding floorplan assets. New vehicle inventories have declined due to strong sales and ongoing production constraints from COVID-19 paired with a global semiconductor chip shortage driving sustained production headwinds throughout 2021. Additionally, we experienced an increase in repayments of consumer mortgage loans, driven by an increase in refinance volume resulting from the low interest rate environment. This increase was partially offset by increased cash outflows for security purchases.

Net cash used in financing activities for the three months ended March 31, 2021, was $1.2 billion, compared to net cash provided by financing activities of $2.2 billion for the same period in 2020. The change was primarily attributable to a decrease of $6.1 billion in net cash inflows related to short-term borrowings, as the continued growth of our retail-deposit base has contributed to a more favorable mix of lower cost funding. This activity was partially offset by a $1.9 billion decrease in long-term debt repayments, net of issuances.

Capital Planning and Stress Tests

Under the tailoring framework described in the section titled *Basel Capital Framework* of Note 16 to the Condensed Consolidated Financial Statements, 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.

We submitted our 2020 capital plan in April 2020, which included planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon. In June 2020, the FRB provided us with the results of the supervisory stress test, additional industry-wide sensitivity analyses conducted in light of the COVID-19 pandemic, and our preliminary stress capital buffer requirement. As described earlier in the section titled *Basel Capital Framework*, we updated our capital plan in light of revised stress scenarios from the FRB and submitted our updated plan to the FRB in November 2020. In December 2020, the FRB publicly disclosed summary results of its second round of supervisory stress testing and extended its deadline for notifying firms about whether their stress capital buffer requirements will be recalculated to March 31, 2021. On March 25, 2021, the FRB further extended this deadline to June 30, 2021.

In June 2020, the FRB announced several actions to ensure that large firms, such as Ally, would remain resilient despite the economic uncertainty from the COVID-19 pandemic, including for the third quarter of 2020 (1) the suspension of repurchases by any firm of its common stock, except repurchases relating to issuances of common stock related to employee stock ownership plans, and (2) the disallowance of any increase by a firm in the amount of its common-stock dividends and the imposition of a common-stock dividend limit equal to the average of the firm’s net income for the four preceding calendar quarters. These restrictions were extended by the FRB for the fourth quarter of 2020. In December 2020, the FRB extended and modified these restrictions for the first quarter of 2021 to limit aggregate common-stock dividends and share repurchases to an amount equal to the average of the firm’s net income for the four preceding calendar quarters subject to specified exceptions. On March 25, 2021, the FRB extended these modified restrictions for the second quarter of 2021 and announced that, for a firm such as Ally that is not subject to the 2021 supervisory stress test and on a two-year cycle, the additional restrictions will end after June 30, 2021, and the firm’s stress capital buffer requirement based on the June 2020 supervisory stress test results will remain in place. The FRB, however, retains the discretion to change course and further extend these restrictions or impose different ones. On January 11, 2021, our Board authorized a stock-repurchase program, permitting us to repurchase up to $1.6 billion of our common stock from time to time from the first quarter of 2021 through the fourth quarter of 2021 subject to restrictions imposed by the FRB.

In January 2021, the FRB issued a final rule effective April 5, 2021, to align its capital planning and stress capital buffer requirements with the tailoring framework. Under the final rule, unless otherwise directed by the FRB in specified circumstances, Ally and other Category IV firms are generally no longer required to calculate forward-looking projections of revenues, losses, reserves, and pro forma capital levels under scenarios provided by the FRB. Each firm continues to be required, however, to provide a forward-looking analysis of income and capital levels under expected and stressful conditions that are designed by the firm. In addition, for Category IV firms, the final rule updated the frequency of calculating the portion of the stress capital buffer derived from the supervisory stress test to every other year. These firms 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 they would not generally be subject to the supervisory stress test. During a year in which a Category IV firm does not undergo a supervisory stress test, the firm would receive an updated stress capital buffer requirement that reflects its updated planned common-stock dividends. The final rule also includes reporting and other changes consistent with the tailoring framework. The deadline for electing to opt into the 2021 supervisory stress test was April 5, 2021, and Ally did not make such an election.

We submitted our 2021 capital plan on April 5, 2021, which includes planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon and other capital actions. 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), impacts related to the COVID-19 pandemic, 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.

Regulatory Capital

Refer to Note 16 to the Condensed Consolidated Financial Statements and the section titled *Selected Financial Data* within this MD&A.

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).

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	Date of last action
Fitch	F3	BBB-	Stable	March 30, 2021 (a)
Moody's	Not Prime	Ba1	Stable	May 12, 2020 (b)
S&P	A-3	BBB-	Stable	March 25, 2021 (c)
DBRS	R-3	BBB (Low)	Stable	March 4, 2021 (d)

(a) Fitch affirmed our senior unsecured debt rating of BBB- and short-term rating of F3, and changed the outlook to Stable from Negative on March 30, 2021.
(b) Moody's affirmed our senior unsecured debt rating of Ba1, affirmed our short-term rating of Not Prime, and maintained a Stable outlook on May 12, 2020. Effective December 1, 2014, we determined to not renew our contractual arrangement with Moody's related to their providing of our issuer, senior unsecured debt, and short-term ratings. Notwithstanding this, Moody's has determined to continue to provide these ratings on a discretionary basis. However, Moody's has no obligation to continue to provide these ratings, and could cease doing so at any time.
(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 affirmed our senior unsecured debt rating of BBB (Low), affirmed our short-term rating of R-3, and changed the outlook to Stable from Negative on March 4, 2021.

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.

Off-Balance Sheet Arrangements

Refer to Note 9 to the Condensed Consolidated Financial Statements.

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

During 2021, we did not substantively change any material aspect of our overall methodologies and processes used in developing the above estimates from what was described in the Consolidated Financial Statements in our 2020 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.

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 table presents an analysis of net yield on interest-earning assets (or net interest margin) excluding discontinued operations for the periods shown.

	2021			2020			**Increase (decrease) due to**		
Three months ended March 31, *($ in millions)*	**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	**$ 15,363**	**$ 4**	**0.10 %**	$ 4,853	$ 14	1.16 %	**$ 30**	**$ (40)**	**$ (10)**
Investment securities (b)	**33,982**	**124**	**1.49**	31,613	213	2.71	**16**	**(105)**	**(89)**
Loans held-for-sale, net	**570**	**5**	**3.65**	150	2	6.21	**6**	**(3)**	**3**
Finance receivables and loans, net (b) (c)	**115,665**	**1,582**	**5.55**	126,645	1,742	5.53	**(151)**	**(9)**	**(160)**
Investment in operating leases, net (d)	**9,831**	**207**	**8.57**	9,078	119	5.22	**10**	**78**	**88**
Other earning assets	**712**	**7**	**3.74**	1,081	13	4.98	**(4)**	**(2)**	**(6)**
Total interest-earning assets	**176,123**	**1,929**	**4.44**	173,420	2,103	4.88			**(174)**
Noninterest-bearing cash and cash equivalents	**531**			418					
Other assets	**8,502**			7,583					
Allowance for loan losses	**(3,280)**			(2,629)					
Total assets	**$ 181,876**			$ 178,792					
Liabilities and equity									
Interest-bearing deposit liabilities (b)	**$ 137,566**	**$ 306**	**0.90 %**	$ 121,076	$ 592	1.97 %	**$ 81**	**$ (367)**	**$ (286)**
Short-term borrowings	**814**	**1**	**0.36**	4,496	17	1.49	**(14)**	**(2)**	**(16)**
Long-term debt	**21,173**	**250**	**4.80**	33,122	348	4.23	**(126)**	**28**	**(98)**
Total interest-bearing liabilities	**159,553**	**557**	**1.42**	158,694	957	2.43			**(400)**
Noninterest-bearing deposit liabilities	**152**			141					
Total funding sources	**159,705**	**557**	**1.42**	158,835	957	2.43			
Other liabilities	**7,038**			6,137					
Total liabilities	**166,743**			164,972					
Total equity	**15,133**			13,820					
Total liabilities and equity	**$ 181,876**			$ 178,792					
Net financing revenue and other interest income		**$ 1,372**			$ 1,146				**$ 226**
Net interest spread (e)			**3.02 %**			2.45 %			
Net yield on interest-earning assets (f)			**3.16 %**			2.66 %			

(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 17 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 Consolidated Financial Statements of our 2020 Annual Report on Form 10-K.
(d) Yield includes gains on the sale of off-lease vehicles of $64 million and $2 million for the three months ended March 31, 2021, and 2020, respectively. Excluding these gains on sale, the annualized yield was 5.91% and 5.11% for the three months ended March 31, 2021, and 2020, respectively.
(e) Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
(f) 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.

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.

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 March 31, 2021, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Item 1. Legal Proceedings

Refer to Note 22 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 2020 Annual Report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors described in our 2020 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 March 31, 2021.

Purchases of Equity Securities by the Issuer

The following table presents repurchases of our common stock, by month, for the three months ended March 31, 2021.

Three months ended March 31, 2021	**Total number of shares repurchased (a)** *(in thousands)*	**Weighted-average price paid per share (a) (b)** *(in dollars)*	**Total number of shares repurchased as part of publicly announced program (a) (c)** *(in thousands)*	**Maximum approximate dollar value of shares that may yet be repurchased under the program (a) (b) (c)** *($ in millions)*
January 2021	**869**	**$ 37.97**	**869**	**$ 1,567**
February 2021	**2,697**	**40.67**	**2,697**	**1,457**
March 2021	**1,710**	**44.80**	**1,710**	**1,381**
Total	**5,276**	**41.56**	**5,276**	

(a) Includes shares of common stock withheld to cover income taxes owed by participants in our share-based incentive plans.
(b) Excludes brokerage commissions.
(c) On January 12, 2021, we announced a common stock-repurchase program of up to $1.6 billion. The program commenced in the first quarter of 2021 and will expire on December 31, 2021. Refer to Note 16 to the Condensed Consolidated Financial Statements for further details.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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
3.1	Certificate of Designation of 4.700% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series B of Ally Financial Inc.	Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, dated as of April 22, 2021, (File No. 1-3754), 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 March 31, 2021, 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 March 31, 2021, (formatted in Inline XBRL and contained in Exhibit 101)	Filed herewith.

Signatures

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 3rd day of May, 2021.

Ally Financial Inc.
(Registrant)

/S/ JENNIFER A. LACLAIR

Jennifer A. LaClair
Chief Financial Officer

/S/ DAVID J. DEBRUNNER

David J. DeBrunner
Chief Accounting Officer, and Corporate Controller

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: May 3, 2021

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Chief Executive Officer

Exhibit 31.2

Ally Financial Inc.

I, Jennifer A. LaClair, 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: May 3, 2021

/S/ JENNIFER A. LACLAIR

Jennifer A. LaClair
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 March 31, 2021, 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
May 3, 2021

/S/ JENNIFER A. LACLAIR

Jennifer A. LaClair
Chief Financial Officer
May 3, 2021

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.