

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

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

For the quarterly period ended September 30, 2022, or

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

For the transition period from _____ to _____

Commission file number: 1-3754

Ally Financial Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

Ally Detroit Center
500 Woodward Avenue, Floor 10
Detroit, Michigan 48226

(Address of principal executive offices)
(Zip Code)

(866) 710-4623
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☐ No ☒

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

At October 31, 2022, the number of shares outstanding of the Registrant's common stock was 298,646,900 shares.

INDEX

Ally Financial Inc. • Form 10-Q

| | Page |
|---|---------------------|
| Glossary of Abbreviations and Acronyms | 3 |
| Part I — Financial Information | |
| Item 1. Financial Statements | 5 |
| Condensed Consolidated Statement of Comprehensive Income (unaudited) for the Three Months and Nine Months Ended September 30, 2022, and 2021 | 5 |
| Condensed Consolidated Balance Sheet (unaudited) at September 30, 2022, and December 31, 2021 | 7 |
| Condensed Consolidated Statement of Changes in Equity (unaudited) for the Three Months and Nine Months Ended September 30, 2022, and 2021 | 9 |
| Condensed Consolidated Statement of Cash Flows (unaudited) for the Nine Months Ended September 30, 2022, and 2021 | 11 |
| Notes to Condensed Consolidated Financial Statements (unaudited) | 13 |
| Note 1. Description of Business, Basis of Presentation, and Changes in Significant Accounting Policies | 13 |
| Note 2. Acquisitions | 14 |
| Note 3. Revenue from Contracts with Customers | 15 |
| Note 4. Other Income, Net of Losses | 16 |
| Note 5. Reserves for Insurance Losses and Loss Adjustment Expenses | 17 |
| Note 6. Other Operating Expenses | 17 |
| Note 7. Investment Securities | 18 |
| Note 8. Finance Receivables and Loans, Net | 22 |
| Note 9. Leasing | 31 |
| Note 10. Securitizations and Variable Interest Entities | 34 |
| Note 11. Other Assets | 37 |
| Note 12. Deposit Liabilities | 39 |
| Note 13. Debt | 39 |
| Note 14. Accrued Expenses and Other Liabilities | 40 |
| Note 15. Preferred Stock | 40 |
| Note 16. Accumulated Other Comprehensive Loss | 42 |
| Note 17. Earnings per Common Share | 45 |
| Note 18. Regulatory Capital and Other Regulatory Matters | 46 |
| Note 19. Derivative Instruments and Hedging Activities | 49 |
| Note 20. Income Taxes | 55 |
| Note 21. Fair Value | 56 |
| Note 22. Offsetting Assets and Liabilities | 63 |
| Note 23. Segment Information | 65 |
| Note 24. Contingencies and Other Risks | 67 |
| Note 25. Subsequent Events | 68 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 69 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 121 |
| Item 4. Controls and Procedures | 122 |
| Part II — Other Information | 123 |
| Item 1. Legal Proceedings | 123 |
| Item 1A. Risk Factors | 123 |
| Item 2. Unregistered Sales of Equity Securities and Use of Proceeds | 123 |
| Item 3. Defaults Upon Senior Securities | 123 |
| Item 4. Mine Safety Disclosures | 123 |
| Item 5. Other Information | 123 |
| Item 6. Exhibits | 124 |
| Signatures | 125 |

Index of Defined Terms

Ally Financial Inc. • Form 10-Q

Glossary of Abbreviations and Acronyms

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

| Term | Definition |
|----------------|---|
| ALCO | Asset-Liability Committee |
| ALM | Asset Liability Management |
| ASC | Accounting Standards Codification |
| ASU | Accounting Standards Update |
| BHC | Bank holding company |
| BHC Act | Bank Holding Company Act of 1956 as amended |
| 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 |
| CFE | Cities for Financial Empowerment |
| COH | Corporate overhead |
| COVID-19 | Coronavirus disease 2019 |
| CRA | Community Reinvestment Act of 1977 as amended |
| CSG | Commercial Services Group |
| CVA | Credit valuation adjustment |
| Dodd-Frank Act | Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 as amended |
| EGRRCP Act | Economic Growth, Regulatory Relief, and Consumer Protection Act as amended |
| ERMC | Enterprise Risk Management Committee |
| ESG | Environmental, social, and governance |
| F&I | Finance and insurance |
| Fair Square | Fair Square Financial Holdings LLC and its subsidiaries |
| 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 |
| LGD | Loss given default |
| 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 |

Index of Defined Terms

Ally Financial Inc. • Form 10-Q

| Term | Definition |
|----------------|--|
| P&C | Property and casualty |
| PCA | Prompt corrective action |
| PCD | Purchased credit deteriorated |
| RC | Risk Committee of the Ally Board of Directors |
| ROU | Right-of-use |
| RV | Recreational vehicle |
| RWA | Risk-weighted asset |
| SEC | U.S. Securities and Exchange Commission |
| 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)

Ally Financial Inc. • Form 10-Q

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Financing revenue and other interest income | | | | |
| Interest and fees on finance receivables and loans | \$ 2,120 | \$ 1,619 | \$ 5,676 | \$ 4,789 |
| Interest on loans held-for-sale | 10 | 5 | 18 | 14 |
| Interest and dividends on investment securities and other earning assets | 218 | 155 | 609 | 433 |
| Interest on cash and cash equivalents | 16 | 5 | 23 | 13 |
| Operating leases | 397 | 393 | 1,196 | 1,147 |
| Total financing revenue and other interest income | 2,761 | 2,177 | 7,522 | 6,396 |
| Interest expense | | | | |
| Interest on deposits | 567 | 245 | 1,041 | 819 |
| Interest on short-term borrowings | 43 | — | 67 | 1 |
| Interest on long-term debt | 194 | 191 | 563 | 671 |
| Interest on other | — | 8 | 1 | 8 |
| Total interest expense | 804 | 444 | 1,672 | 1,499 |
| Net depreciation expense on operating lease assets | 238 | 139 | 674 | 384 |
| Net financing revenue and other interest income | 1,719 | 1,594 | 5,176 | 4,513 |
| Other revenue | | | | |
| Insurance premiums and service revenue earned | 289 | 279 | 849 | 837 |
| Gain on mortgage and automotive loans, net | 10 | 18 | 28 | 73 |
| Loss on extinguishment of debt | — | (52) | — | (126) |
| Other (loss) gain on investments, net | (54) | 24 | (173) | 212 |
| Other income, net of losses | 52 | 122 | 347 | 498 |
| Total other revenue | 297 | 391 | 1,051 | 1,494 |
| Total net revenue | 2,016 | 1,985 | 6,227 | 6,007 |
| Provision for credit losses | 438 | 76 | 909 | 31 |
| Noninterest expense | | | | |
| Compensation and benefits expense | 467 | 389 | 1,397 | 1,230 |
| Insurance losses and loss adjustment expenses | 70 | 69 | 217 | 206 |
| Other operating expenses | 624 | 544 | 1,807 | 1,584 |
| Total noninterest expense | 1,161 | 1,002 | 3,421 | 3,020 |
| Income from continuing operations before income tax expense | 417 | 907 | 1,897 | 2,956 |
| Income tax expense from continuing operations | 117 | 195 | 460 | 549 |
| Net income from continuing operations | 300 | 712 | 1,437 | 2,407 |
| (Loss) income from discontinued operations, net of tax | (1) | — | (1) | 1 |
| Net income | 299 | 712 | 1,436 | 2,408 |
| Other comprehensive loss, net of tax | (1,331) | (165) | (4,182) | (580) |
| Comprehensive (loss) income | \$ (1,032) | \$ 547 | \$ (2,746) | \$ 1,828 |

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)

Ally Financial Inc. • Form 10-Q

| (\$ in millions, except per share data; shares in thousands) (a) | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income from continuing operations attributable to common stockholders | \$ 273 | \$ 683 | \$ 1,354 | \$ 2,378 |
| (Loss) income from discontinued operations, net of tax | (1) | — | (1) | 1 |
| Net income attributable to common stockholders | \$ 272 | \$ 683 | \$ 1,353 | \$ 2,379 |
| Basic weighted-average common shares outstanding (b) | 308,220 | 359,179 | 321,884 | 368,215 |
| Diluted weighted-average common shares outstanding (b) | 310,086 | 361,855 | 323,875 | 370,745 |
| Basic earnings per common share | | | | |
| Net income from continuing operations | \$ 0.88 | \$ 1.90 | \$ 4.20 | \$ 6.46 |
| Net income | \$ 0.88 | \$ 1.90 | \$ 4.20 | \$ 6.46 |
| Diluted earnings per common share | | | | |
| Net income from continuing operations | \$ 0.88 | \$ 1.89 | \$ 4.18 | \$ 6.41 |
| Net income | \$ 0.88 | \$ 1.89 | \$ 4.18 | \$ 6.42 |
| Cash dividends declared per common share | \$ 0.30 | \$ 0.25 | \$ 0.90 | \$ 0.63 |

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

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

Refer to Note 17 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)

Ally Financial Inc. • Form 10-Q

(\$ in millions, except share data)

| | September 30, 2022 | December 31, 2021 |
|---|--------------------|-------------------|
| Assets | | |
| Cash and cash equivalents | | |
| Noninterest-bearing | \$ 638 | \$ 502 |
| Interest-bearing | 4,366 | 4,560 |
| Total cash and cash equivalents | 5,004 | 5,062 |
| Equity securities | 647 | 1,102 |
| Available-for-sale securities (amortized cost of \$35,214 and \$33,650) (a) | 29,613 | 33,587 |
| Held-to-maturity securities (fair value of \$903 and \$1,204) | 1,084 | 1,170 |
| Loans held-for-sale, net | 808 | 549 |
| Finance receivables and loans, net | | |
| Finance receivables and loans, net of unearned income | 132,456 | 122,268 |
| Allowance for loan losses | (3,611) | (3,267) |
| Total finance receivables and loans, net | 128,845 | 119,001 |
| Investment in operating leases, net | 10,577 | 10,862 |
| Premiums receivable and other insurance assets | 2,719 | 2,724 |
| Other assets | 9,343 | 8,057 |
| Total assets | \$ 188,640 | \$ 182,114 |
| Liabilities | | |
| Deposit liabilities | | |
| Noninterest-bearing | \$ 220 | \$ 150 |
| Interest-bearing | 145,531 | 141,408 |
| Total deposit liabilities | 145,751 | 141,558 |
| Short-term borrowings | 7,200 | — |
| Long-term debt | 16,628 | 17,029 |
| Interest payable | 484 | 210 |
| Unearned insurance premiums and service revenue | 3,468 | 3,514 |
| Accrued expenses and other liabilities | 2,675 | 2,753 |
| Total liabilities | 176,206 | 165,064 |
| Contingencies (refer to Note 24) | | |
| Equity | | |
| Common stock and paid-in capital (\$0.01 par value, shares authorized 1,100,000,000; issued 506,962,750 and 504,521,535; and outstanding 300,335,089 and 337,940,636) | 21,781 | 21,671 |
| Preferred stock | 2,324 | 2,324 |
| Accumulated deficit | (544) | (1,599) |
| Accumulated other comprehensive loss | (4,340) | (158) |
| Treasury stock, at cost (206,627,661 and 166,580,899 shares) | (6,787) | (5,188) |
| Total equity | 12,434 | 17,050 |
| Total liabilities and equity | \$ 188,640 | \$ 182,114 |

(a) Refer to Note 7 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.

Condensed Consolidated Balance Sheet (unaudited)

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| Assets | | |
| Finance receivables and loans, net | | |
| Consumer automotive | \$ 8,716 | \$ 6,871 |
| Consumer other (a) | — | 353 |
| Allowance for loan losses | (302) | (278) |
| Total finance receivables and loans, net | 8,414 | 6,946 |
| Other assets | 695 | 563 |
| Total assets | \$ 9,109 | \$ 7,509 |
| Liabilities | | |
| Long-term debt | \$ 1,267 | \$ 1,337 |
| Accrued expenses and other liabilities | 3 | 2 |
| Total liabilities | \$ 1,270 | \$ 1,339 |

(a) Comprised of credit card finance receivables and loans, net.

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

Condensed Consolidated Statement of Changes in Equity (unaudited)

Ally Financial Inc. • Form 10-Q

| (\$ in millions) | Three months ended September 30, | | | | | |
|---|--|-----------------|------------------------|---|----------------|--------------|
| | Common stock and paid-in capital | Preferred stock | Accumulated deficit | Accumulated other comprehensive income (loss) | Treasury stock | Total equity |
| Balance at July 1, 2021 | \$ 21,631 | \$ 2,324 | \$ (2,726) | \$ 216 | \$ (3,915) | \$ 17,530 |
| Net income | | | 712 | | | 712 |
| Preferred stock dividends — Series B | | | (20) | | | (20) |
| Preferred stock dividends — Series C | | | (9) | | | (9) |
| Share-based compensation | 13 | | | | | 13 |
| Other comprehensive loss | | | | (165) | | (165) |
| Common stock repurchases | | | | | (679) | (679) |
| Common stock dividends (\$0.25 per share) | | | (93) | | | (93) |
| Balance at September 30, 2021 | \$ 21,644 | \$ 2,324 | \$ (2,136) | \$ 51 | \$ (4,594) | \$ 17,289 |
| Balance at July 1, 2022 | \$ 21,762 | \$ 2,324 | \$ (721) | \$ (3,009) | \$ (6,372) | \$ 13,984 |
| Net income | | | 299 | | | 299 |
| Preferred stock dividends — Series B | | | (16) | | | (16) |
| Preferred stock dividends — Series C | | | (11) | | | (11) |
| Share-based compensation | 19 | | | | | 19 |
| Other comprehensive loss | | | | (1,331) | | (1,331) |
| Common stock repurchases | | | | | (415) | (415) |
| Common stock dividends (\$0.30 per share) | | | (95) | | | (95) |
| Balance at September 30, 2022 | \$ 21,781 | \$ 2,324 | \$ (544) | \$ (4,340) | \$ (6,787) | \$ 12,434 |

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 Changes in Equity (unaudited)

Ally Financial Inc. • Form 10-Q

| (\$ in millions) | Nine months ended September 30, | | | | | |
|--|--|-----------------|------------------------|---|----------------|--------------|
| | Common stock and paid-in capital | Preferred stock | Accumulated deficit | Accumulated other comprehensive income (loss) | Treasury stock | Total equity |
| Balance at January 1, 2021 | \$ 21,544 | \$ — | \$ (4,278) | \$ 631 | \$ (3,194) | \$ 14,703 |
| Net income | | | 2,408 | | | 2,408 |
| Net proceeds from issuance of Series B preferred stock | | 1,335 | | | | 1,335 |
| Net proceeds from issuance of Series C preferred stock | | 989 | | | | 989 |
| Preferred stock dividends — Series B | | | (20) | | | (20) |
| Preferred stock dividends — Series C | | | (9) | | | (9) |
| Share-based compensation | 100 | | | | | 100 |
| Other comprehensive loss | | | | (580) | | (580) |
| Common stock repurchases | | | | | (1,400) | (1,400) |
| Common stock dividends (\$0.63 per share) | | | (237) | | | (237) |
| Balance at September 30, 2021 | \$ 21,644 | \$ 2,324 | \$ (2,136) | \$ 51 | \$ (4,594) | \$ 17,289 |
| Balance at January 1, 2022 | \$ 21,671 | \$ 2,324 | \$ (1,599) | \$ (158) | \$ (5,188) | \$ 17,050 |
| Net income | | | 1,436 | | | 1,436 |
| Preferred stock dividends — Series B | | | (48) | | | (48) |
| Preferred stock dividends — Series C | | | (35) | | | (35) |
| Share-based compensation | 110 | | | | | 110 |
| Other comprehensive loss | | | | (4,182) | | (4,182) |
| Common stock repurchases | | | | | (1,599) | (1,599) |
| Common stock dividends (\$0.90 per share) | | | (298) | | | (298) |
| Balance at September 30, 2022 | \$ 21,781 | \$ 2,324 | \$ (544) | \$ (4,340) | \$ (6,787) | \$ 12,434 |

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

Condensed Consolidated Statement of Cash Flows (unaudited)

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, (\$ in millions) | 2022 | 2021 |
|---|----------|----------|
| Operating activities | | |
| Net income | \$ 1,436 | \$ 2,408 |
| Reconciliation of net income to net cash provided by operating activities | | |
| Depreciation and amortization | 1,000 | 931 |
| Provision for credit losses | 909 | 31 |
| Gain on mortgage and automotive loans, net | (28) | (73) |
| Other loss (gain) on investments, net | 173 | (212) |
| Loss on extinguishment of debt | — | 126 |
| Originations and purchases of loans held-for-sale | (3,394) | (3,136) |
| Proceeds from sales and repayments of loans held-for-sale | 3,118 | 3,186 |
| Net change in | | |
| Deferred income taxes | 447 | (558) |
| Interest payable | 274 | 10 |
| Other assets | 1,120 | 19 |
| Other liabilities | (88) | 419 |
| Other, net | 107 | (68) |
| Net cash provided by operating activities | 5,074 | 3,083 |
| Investing activities | | |
| Purchases of equity securities | (515) | (1,117) |
| Proceeds from sales of equity securities | 808 | 1,280 |
| Purchases of available-for-sale securities | (6,346) | (17,211) |
| Proceeds from sales of available-for-sale securities | 768 | 4,870 |
| Proceeds from repayments of available-for-sale securities | 3,720 | 8,725 |
| Purchases of held-to-maturity securities | (47) | (201) |
| Proceeds from repayments of held-to-maturity securities | 133 | 303 |
| Purchases of finance receivables and loans held-for-investment | (6,360) | (5,466) |
| Proceeds from sales of finance receivables and loans initially held-for-investment | 12 | 376 |
| Originations and repayments of finance receivables and loans held-for-investment and other, net | (5,050) | 8,669 |
| Purchases of operating lease assets | (2,840) | (4,231) |
| Disposals of operating lease assets | 2,449 | 2,618 |
| Net change in nonmarketable equity investments | (261) | 104 |
| Other, net | (379) | (294) |
| Net cash used in investing activities | (13,908) | (1,575) |

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)

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, (\$ in millions) | 2022 | 2021 |
|--|----------|-----------|
| Financing activities | | |
| Net change in short-term borrowings | 7,200 | (2,136) |
| Net increase in deposits | 4,166 | 2,398 |
| Proceeds from issuance of long-term debt | 4,867 | 253 |
| Repayments of long-term debt | (5,314) | (4,812) |
| Purchases of land and buildings in satisfaction of finance lease liabilities | (44) | (391) |
| Repurchases of common stock | (1,599) | (1,400) |
| Preferred stock issuance | — | 2,324 |
| Trust preferred securities redemption | — | (2,513) |
| Common stock dividends paid | (298) | (237) |
| Preferred stock dividends paid | (83) | (29) |
| Net cash provided by (used in) financing activities | 8,895 | (6,543) |
| Effect of exchange-rate changes on cash and cash equivalents and restricted cash | (9) | — |
| Net decrease (increase) in cash and cash equivalents and restricted cash | 52 | (5,035) |
| Cash and cash equivalents and restricted cash at beginning of year | 5,670 | 16,574 |
| Cash and cash equivalents and restricted cash at September 30, | \$ 5,722 | \$ 11,539 |
| Supplemental disclosures | | |
| Cash paid (received) for | | |
| Interest | \$ 1,342 | \$ 1,422 |
| Income taxes | (427) | 1,235 |
| Noncash items | | |
| Loans held-for-sale transferred to finance receivables and loans held-for-investment | 92 | 5 |
| Additions of property and equipment | — | 46 |
| Finance receivables and loans held-for-investment transferred to loans held-for-sale | 4 | 414 |
| Transfer of equity-method investments to equity securities | 40 | — |
| Transfer of nonmarketable equity investments to equity securities | 1 | — |

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

| September 30, (\$ in millions) | 2022 | 2021 |
|---|----------|-----------|
| Cash and cash equivalents on the Condensed Consolidated Balance Sheet | \$ 5,004 | \$ 10,915 |
| Restricted cash included in other assets on the Condensed Consolidated Balance Sheet (a) | 718 | 624 |
| Total cash and cash equivalents and restricted cash in the Condensed Consolidated Statement of Cash Flows | \$ 5,722 | \$ 11,539 |

(a) Restricted cash balances relate primarily to our securitization arrangements. Refer to Note 11 for additional details describing the nature of restricted cash balances.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Ally Financial Inc. (together with its consolidated subsidiaries unless the context otherwise requires, Ally, the Company, we, us, or our) is a digital financial-services company committed to its promise to “Do It Right” for its consumer, commercial, and corporate customers. Ally is composed of an industry-leading independent automotive finance and insurance operation, an award-winning digital direct bank (Ally Bank, Member FDIC and Equal Housing Lender, which offers mortgage lending, point-of-sale personal lending, and a variety of deposit and other banking products), a consumer credit card business, a corporate finance business for equity sponsors and middle-market companies, and securities brokerage and investment advisory services. 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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period and related disclosures. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes. Our most significant estimates pertain to the allowance for loan losses, valuations of automotive lease assets and residuals, fair value of financial instruments, and the determination of the provision for income taxes.

The Condensed Consolidated Financial Statements at September 30, 2022, and for the three months and nine months ended September 30, 2022, and 2021, 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, 2021, as filed on February 25, 2022, 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 2021 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 2021 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Fair Value Hedging—Portfolio Layer Method (ASU 2022-01)

In the third quarter of 2022, we adopted ASU 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method*. The amendments in this guidance expand the current last-of-layer method to allow multiple hedged layers of a single closed portfolio and allow hedge accounting to be achieved using different types of derivatives and layering techniques, including the use of amortizing swaps with clarification that such a trade would be viewed as being a single layer. Under this expanded scope, both prepayable and nonprepayable financial assets may be included in a single closed portfolio hedge. This update also provides clarifications to breach requirements and disclosures. As a result of these changes, the last-of-layer method has been renamed the portfolio layer method. No cumulative-effect adjustment to the opening balance of retained earnings was required upon adoption of these amendments. The amendments related to disclosures were applied on a prospective basis.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Recently Issued Accounting Standards

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

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

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

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

2. Acquisitions

On December 1, 2021, we acquired 100% of the equity of Fair Square Financial Holdings LLC and its subsidiaries, including Fair Square Financial LLC (collectively, Fair Square) for \$741 million in cash. Fair Square, which we rebranded Ally Credit Card, is a digital-first, nonbank credit-card company that operates in the United States. Fair Square operates as a wholly owned subsidiary of Ally. We applied the acquisition method of accounting to this transaction, which generally requires the initial recognition of assets acquired, including identifiable intangible assets, and liabilities assumed at their respective fair value. Goodwill is recognized as the excess of the acquisition price after the recognition of the net assets, including the identifiable intangible assets. Beginning in December 2021, financial information related to Fair Square is included within Corporate and Other.

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

(\$ in millions)

| | | |
|--|----|-------|
| Purchase price | | |
| Cash consideration | \$ | 741 |
| Allocation of purchase price to net assets acquired | | |
| Finance receivables and loans (a) | | 870 |
| Intangible assets (b) | | 98 |
| Cash and short-term investments | | 42 |
| Other assets | | 46 |
| Debt | | (765) |
| Other liabilities | | (29) |
| Goodwill | \$ | 479 |

(a) Includes \$22 million of PCD loans that have experienced a more-than-insignificant deterioration of credit quality since origination. We recognized an initial allowance for loan losses of \$12 million on these PCD loans.

(b) The weighted average amortization period on the acquired intangible assets is 7 years. Refer to Note 11 for further information on our intangible assets.

The goodwill of \$479 million arising from the acquisition consists largely of expected growth of the business as we leverage the Ally brand and our marketing capabilities to scale the acquired credit card provider and expand the suite of financial products we offer to our existing growing customer base. The goodwill recognized is generally expected to be amortized for income tax purposes over a 15-year period. Refer to Note 11 for the carrying amount of goodwill at the beginning and end of the reporting period.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

3. Revenue from Contracts with Customers

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

The following tables present a disaggregated view of our revenue from contracts with customers. For further information regarding our revenue recognition policies and details about the nature of our respective revenue streams, refer to Note 1 and Note 3 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K.

| Three months ended September 30, (\$ in millions) | Automotive Finance operations | Insurance operations | Mortgage Finance operations | Corporate Finance operations | Corporate and Other | Consolidated |
|---|-------------------------------------|-------------------------|-----------------------------------|------------------------------------|------------------------|--------------|
| 2022 | | | | | | |
| Revenue from contracts with customers | | | | | | |
| Noninsurance contracts (a) (b) (c) | \$ — | \$ 164 | \$ — | \$ — | \$ — | \$ 164 |
| Remarketing fee income | 26 | — | — | — | — | 26 |
| Brokerage commissions and other revenue | — | — | — | — | 18 | 18 |
| Banking fees and interchange income (d) (e) | — | — | — | — | 11 | 11 |
| Brokered/agent commissions | — | 3 | — | — | — | 3 |
| Other | 5 | — | — | — | 1 | 6 |
| Total revenue from contracts with customers | 31 | 167 | — | — | 30 | 228 |
| All other revenue | 43 | 69 | 7 | 54 | (104) | 69 |
| Total other revenue (f) | \$ 74 | \$ 236 | \$ 7 | \$ 54 | \$ (74) | \$ 297 |
| 2021 | | | | | | |
| Revenue from contracts with customers | | | | | | |
| Noninsurance contracts (a) (b) (c) | \$ — | \$ 157 | \$ — | \$ — | \$ — | \$ 157 |
| Remarketing fee income | 26 | — | — | — | — | 26 |
| Brokerage commissions and other revenue | — | — | — | — | 12 | 12 |
| Banking fees and interchange income (d) | — | — | — | — | 2 | 2 |
| Brokered/agent commissions | — | 4 | — | — | — | 4 |
| Other | 5 | — | — | — | 1 | 6 |
| Total revenue from contracts with customers | 31 | 161 | — | — | 15 | 207 |
| All other revenue | 30 | 122 | 19 | 16 | (3) | 184 |
| Total other revenue (f) | \$ 61 | \$ 283 | \$ 19 | \$ 16 | \$ 12 | \$ 391 |

- (a) We had opening balances of \$3.0 billion and \$3.1 billion in unearned revenue associated with outstanding contracts at July 1, 2022, and 2021, respectively, and \$236 million and \$228 million of these balances were recognized as insurance premiums and service revenue earned in our Condensed Consolidated Statement of Comprehensive Income during the three months ended September 30, 2022, and 2021, respectively.
- (b) At September 30, 2022, we had unearned revenue of \$3.0 billion associated with outstanding contracts, and with respect to this balance we expect to recognize revenue of \$227 million during the remainder of 2022, \$853 million in 2023, \$715 million in 2024, \$527 million in 2025, and \$682 million thereafter. At September 30, 2021, we had unearned revenue of \$3.1 billion associated with outstanding contracts.
- (c) We had deferred insurance assets of \$1.8 billion at both July 1, 2022, and September 30, 2022, and recognized \$143 million of expense during the three months ended September 30, 2022. We had deferred insurance assets of \$1.9 billion at both July 1, 2021, and September 30, 2021, and recognized \$135 million of expense during the three months ended September 30, 2021.
- (d) Effective May 25, 2021, we eliminated all overdraft fees for Ally Bank deposit accounts.
- (e) Interchange income is reported net of customer rewards. Customer rewards expense was \$4 million for the three months ended September 30, 2022.
- (f) Represents a component of total net revenue. Refer to Note 23 for further information on our reportable operating segments.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, (\$ in millions) | Automotive Finance operations | Insurance operations | Mortgage Finance operations | Corporate Finance operations | Corporate and Other | Consolidated |
|--|-------------------------------------|-------------------------|-----------------------------------|------------------------------------|------------------------|--------------|
| 2022 | | | | | | |
| Revenue from contracts with customers | | | | | | |
| Noninsurance contracts (a) (b) | \$ — | \$ 489 | \$ — | \$ — | \$ — | \$ 489 |
| Remarketing fee income | 82 | — | — | — | — | 82 |
| Brokerage commissions and other revenue | — | — | — | — | 42 | 42 |
| Banking fees and interchange income (c) (d) | — | — | — | — | 32 | 32 |
| Brokered/agent commissions | — | 11 | — | — | — | 11 |
| Other | 16 | — | — | — | 3 | 19 |
| Total revenue from contracts with customers | 98 | 500 | — | — | 77 | 675 |
| All other revenue | 116 | 164 | 25 | 97 | (26) | 376 |
| Total other revenue (e) | \$ 214 | \$ 664 | \$ 25 | \$ 97 | \$ 51 | \$ 1,051 |
| 2021 | | | | | | |
| Revenue from contracts with customers | | | | | | |
| Noninsurance contracts (a) (b) | \$ — | \$ 470 | \$ — | \$ — | \$ — | \$ 470 |
| Remarketing fee income | 80 | — | — | — | — | 80 |
| Brokerage commissions and other revenue | — | — | — | — | 45 | 45 |
| Banking fees and interchange income (c) | — | — | — | — | 13 | 13 |
| Brokered/agent commissions | — | 12 | — | — | — | 12 |
| Other | 17 | — | — | — | 3 | 20 |
| Total revenue from contracts with customers | 97 | 482 | — | — | 61 | 640 |
| All other revenue | 87 | 524 | 81 | 75 | 87 | 854 |
| Total other revenue (e) | \$ 184 | \$ 1,006 | \$ 81 | \$ 75 | \$ 148 | \$ 1,494 |

- (a) We had opening balances of \$3.1 billion and \$3.0 billion in unearned revenue associated with outstanding contracts at January 1, 2022, and 2021, respectively, and \$701 million and \$681 million of these balances were recognized as insurance premiums and service revenue earned in our Condensed Consolidated Statement of Comprehensive Income during the nine months ended September 30, 2022, and 2021, respectively.
- (b) We had deferred insurance assets of \$1.9 billion and \$1.8 billion at January 1, 2022, and September 30, 2022, respectively, and recognized \$420 million of expense during the nine months ended September 30, 2022. We had deferred insurance assets of \$1.8 billion and \$1.9 billion at January 1, 2021, and September 30, 2021, respectively, and recognized \$400 million of expense during the nine months ended September 30, 2021.
- (c) Effective May 25, 2021, we eliminated all overdraft fees for Ally Bank deposit accounts.
- (d) Interchange income is reported net of customer rewards. Customer rewards expense was \$10 million for the nine months ended September 30, 2022.
- (e) Represents a component of total net revenue. Refer to Note 23 for further information on our reportable operating segments.

In addition to the components of other revenue presented above, as part of our Automotive Finance operations, we recognized net remarketing gains of \$39 million and \$139 million for the three months and nine months ended September 30, 2022, respectively, compared to \$86 million and \$278 million for the same periods in 2021, 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.

4. Other Income, Net of Losses

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|--------|------------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Late charges and other administrative fees | \$ 42 | \$ 29 | \$ 117 | \$ 89 |
| Income from equity-method investments | 51 | 26 | 96 | 71 |
| Remarketing fees | 26 | 26 | 82 | 80 |
| (Loss) gain on nonmarketable equity investments, net (a) | (135) | 1 | (133) | 104 |
| Other, net | 68 | 40 | 185 | 154 |
| Total other income, net of losses | \$ 52 | \$ 122 | \$ 347 | \$ 498 |

- (a) Refer to Note 11 for further information on our nonmarketable equity investments.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

5. Reserves for Insurance Losses and Loss Adjustment Expenses

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

| (\$ in millions) | 2022 | 2021 |
|---|--------|--------|
| Total gross reserves for insurance losses and loss adjustment expenses at January 1, | \$ 122 | \$ 129 |
| Less: Reinsurance recoverable | 81 | 90 |
| Net reserves for insurance losses and loss adjustment expenses at January 1, | 41 | 39 |
| Net insurance losses and loss adjustment expenses incurred related to: | | |
| Current year | 220 | 207 |
| Prior years (a) | (3) | (1) |
| Total net insurance losses and loss adjustment expenses incurred | 217 | 206 |
| Net insurance losses and loss adjustment expenses paid or payable related to: | | |
| Current year | (183) | (174) |
| Prior years | (26) | (29) |
| Total net insurance losses and loss adjustment expenses paid or payable | (209) | (203) |
| Net reserves for insurance losses and loss adjustment expenses at September 30, | 49 | 42 |
| Plus: Reinsurance recoverable | 73 | 83 |
| Total gross reserves for insurance losses and loss adjustment expenses at September 30, | \$ 122 | \$ 125 |

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

6. Other Operating Expenses

Details of other operating expenses were as follows.

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------------------|-------------------------------------|--------|------------------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Insurance commissions | \$ 152 | \$ 142 | \$ 452 | \$ 416 |
| Technology and communications | 100 | 90 | 297 | 249 |
| Advertising and marketing | 89 | 57 | 238 | 143 |
| Lease and loan administration | 45 | 56 | 150 | 168 |
| Professional services | 42 | 36 | 132 | 97 |
| Property and equipment depreciation | 42 | 40 | 122 | 114 |
| Regulatory and licensing fees | 33 | 19 | 81 | 54 |
| Vehicle remarketing and repossession | 23 | 19 | 65 | 57 |
| Amortization of intangible assets (a) | 9 | 5 | 25 | 14 |
| Charitable contributions (b) | 4 | 2 | 11 | 57 |
| Other | 85 | 78 | 234 | 215 |
| Total other operating expenses | \$ 624 | \$ 544 | \$ 1,807 | \$ 1,584 |

(a) Refer to Note 11 for further information on our intangible assets.

(b) Includes contributions made to the Ally Charitable Foundation, a nonconsolidated entity.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

7. Investment Securities

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

| (\$ in millions) | September 30, 2022 | | | | December 31, 2021 | | | |
|---|--------------------|------------------|------------|------------|-------------------|------------------|----------|------------|
| | Amortized cost | Gross unrealized | | Fair value | Amortized cost | Gross unrealized | | Fair value |
| | | gains | losses | | | gains | losses | |
| Available-for-sale securities | | | | | | | | |
| Debt securities | | | | | | | | |
| U.S. Treasury and federal agencies | \$ 2,276 | \$ — | \$ (277) | \$ 1,999 | \$ 2,173 | \$ 2 | \$ (20) | \$ 2,155 |
| U.S. States and political subdivisions | 843 | — | (106) | 737 | 841 | 27 | (4) | 864 |
| Foreign government | 153 | — | (12) | 141 | 157 | 2 | (2) | 157 |
| Agency mortgage-backed residential | 19,885 | — | (3,210) | 16,675 | 19,044 | 219 | (224) | 19,039 |
| Mortgage-backed residential | 5,227 | — | (847) | 4,380 | 4,448 | 11 | (34) | 4,425 |
| Agency mortgage-backed commercial (a) | 4,406 | — | (883) | 3,523 | 4,573 | 66 | (113) | 4,526 |
| Asset-backed | 490 | — | (23) | 467 | 536 | 1 | (3) | 534 |
| Corporate debt | 1,934 | — | (243) | 1,691 | 1,878 | 30 | (21) | 1,887 |
| Total available-for-sale securities (b) (c) (d) (e) (f) | \$ 35,214 | \$ — | \$ (5,601) | \$ 29,613 | \$ 33,650 | \$ 358 | \$ (421) | \$ 33,587 |
| Held-to-maturity securities | | | | | | | | |
| Debt securities | | | | | | | | |
| Agency mortgage-backed residential | \$ 1,084 | \$ — | \$ (181) | \$ 903 | \$ 1,170 | \$ 48 | \$ (14) | \$ 1,204 |
| Total held-to-maturity securities (f) (g) | \$ 1,084 | \$ — | \$ (181) | \$ 903 | \$ 1,170 | \$ 48 | \$ (14) | \$ 1,204 |

- (a) The fair value includes a \$25 million liability related to basis adjustments for securities in closed portfolios with active hedges under the portfolio layer method at September 30, 2022. These basis adjustments would be allocated to the amortized cost of specific securities within the pool if the hedge was dedesignated. Refer to Note 19 for additional information.
- (b) Certain available-for-sale securities are included in fair value hedging relationships. Refer to Note 19 for additional information.
- (c) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled \$12 million and \$13 million at September 30, 2022, and December 31, 2021, respectively.
- (d) Available-for-sale securities with a fair value of \$3.4 billion and \$203 million were pledged as collateral at September 30, 2022, and December 31, 2021, respectively. This primarily included \$3.1 billion pledged to secure advances from the FHLB for short-term borrowings at September 30, 2022. This also included securities pledged for other purposes as required by contractual obligations or law, under which we granted the counterparty the right to sell or pledge \$274 million and \$203 million of the underlying available-for-sale securities at September 30, 2022, and December 31, 2021, respectively.
- (e) Totals do not include accrued interest receivable, which was \$89 million and \$84 million at September 30, 2022, and December 31, 2021, respectively. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet.
- (f) There was no allowance for credit losses recorded at both September 30, 2022, or December 31, 2021, as management determined that there were no expected credit losses in our portfolio of available-for-sale and held-to-maturity securities.
- (g) Totals do not include accrued interest receivable, which was \$2 million and \$3 million at September 30, 2022, and December 31, 2021, respectively. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | Total | | Due in one year or less | | Due after one year through five years | | Due after five years through ten years | | Due after ten years | |
|---|-----------|-------|-------------------------|-------|---------------------------------------|-------|--|-------|---------------------|-------|
| | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield |
| September 30, 2022 | | | | | | | | | | |
| Fair value of available-for-sale securities (a) | | | | | | | | | | |
| U.S. Treasury and federal agencies | \$ 1,999 | 1.5 % | \$ — | — % | \$ 584 | 1.2 % | \$ 1,415 | 1.7 % | \$ — | — % |
| U.S. States and political subdivisions | 737 | 3.1 | 27 | 2.2 | 65 | 2.8 | 105 | 3.2 | 540 | 3.2 |
| Foreign government | 141 | 1.9 | 4 | 1.1 | 81 | 1.9 | 56 | 1.9 | — | — |
| Agency mortgage-backed residential | 16,675 | 2.6 | — | — | — | — | 19 | 2.0 | 16,656 | 2.6 |
| Mortgage-backed residential | 4,380 | 2.8 | — | — | — | — | 28 | 3.2 | 4,352 | 2.8 |
| Agency mortgage-backed commercial (b) | 3,523 | 2.1 | — | — | 23 | 3.1 | 930 | 2.3 | 2,570 | 2.0 |
| Asset-backed | 467 | 1.8 | — | — | 429 | 1.7 | 31 | 2.1 | 7 | 3.5 |
| Corporate debt | 1,691 | 2.4 | 74 | 2.3 | 894 | 2.3 | 715 | 2.6 | 8 | 3.3 |
| Total available-for-sale securities | \$ 29,613 | 2.5 | \$ 105 | 2.2 | \$ 2,076 | 1.9 | \$ 3,299 | 2.1 | \$ 24,133 | 2.6 |
| Amortized cost of available-for-sale securities | \$ 35,214 | | \$ 106 | | \$ 2,242 | | \$ 3,862 | | \$ 29,004 | |
| Amortized cost of held-to-maturity securities | | | | | | | | | | |
| Agency mortgage-backed residential | \$ 1,084 | 2.8 % | \$ — | — % | \$ — | — % | \$ — | — % | \$ 1,084 | 2.8 % |
| Total held-to-maturity securities | \$ 1,084 | 2.8 | \$ — | — | \$ — | — | \$ — | — | \$ 1,084 | 2.8 |
| December 31, 2021 | | | | | | | | | | |
| Fair value of available-for-sale securities (a) | | | | | | | | | | |
| U.S. Treasury and federal agencies | \$ 2,155 | 1.1 % | \$ 288 | 1.0 % | \$ 525 | 0.9 % | \$ 1,342 | 1.2 % | \$ — | — % |
| U.S. States and political subdivisions | 864 | 3.0 | 26 | 1.6 | 77 | 2.8 | 128 | 3.3 | 633 | 3.0 |
| Foreign government | 157 | 1.9 | 2 | 2.1 | 97 | 2.0 | 58 | 1.8 | — | — |
| Agency mortgage-backed residential | 19,039 | 2.5 | — | — | — | — | 26 | 2.0 | 19,013 | 2.5 |
| Mortgage-backed residential | 4,425 | 2.6 | — | — | — | — | 23 | 2.9 | 4,402 | 2.6 |
| Agency mortgage-backed commercial | 4,526 | 1.9 | — | — | 26 | 2.4 | 1,578 | 2.4 | 2,922 | 1.7 |
| Asset-backed | 534 | 1.9 | — | — | 350 | 2.0 | 175 | 1.5 | 9 | 3.4 |
| Corporate debt | 1,887 | 2.3 | 54 | 2.9 | 830 | 2.3 | 994 | 2.3 | 9 | 2.5 |
| Total available-for-sale securities | \$ 33,587 | 2.3 | \$ 370 | 1.3 | \$ 1,905 | 1.9 | \$ 4,324 | 2.0 | \$ 26,988 | 2.4 |
| Amortized cost of available-for-sale securities | \$ 33,650 | | \$ 368 | | \$ 1,893 | | \$ 4,291 | | \$ 27,098 | |
| Amortized cost of held-to-maturity securities | | | | | | | | | | |
| Agency mortgage-backed residential | \$ 1,170 | 2.8 % | \$ — | — % | \$ — | — % | \$ — | — % | \$ 1,170 | 2.8 % |
| Total held-to-maturity securities | \$ 1,170 | 2.8 | \$ — | — | \$ — | — | \$ — | — | \$ 1,170 | 2.8 |

- (a) Yield is calculated using the effective yield of each security at the end of the period, weighted based on the market value. The effective yield considers the contractual coupon and amortized cost, and excludes expected capital gains and losses.
- (b) Fair value includes a \$25 million liability related to basis adjustments for securities in closed portfolios with active hedges under the portfolio layer method at September 30, 2022. These basis adjustments would be allocated to the amortized cost of specific securities within the pool if the hedge was redesignated. Refer to Note 19 for additional information.

The balances of cash equivalents were \$68 million and \$40 million at September 30, 2022, and December 31, 2021, respectively, and were composed primarily of money-market funds and short-term securities, including U.S. Treasury bills.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents interest and dividends on investment securities.

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|--------|------------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Taxable interest | \$ 196 | \$ 139 | \$ 556 | \$ 384 |
| Taxable dividends | 4 | 7 | 12 | 19 |
| Interest and dividends exempt from U.S. federal income tax | 6 | 4 | 16 | 14 |
| Interest and dividends on investment securities | \$ 206 | \$ 150 | \$ 584 | \$ 417 |

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-------|------------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Available-for-sale securities | | | | |
| Gross realized gains | \$ 2 | \$ 44 | \$ 23 | \$ 82 |
| Net realized gain on available-for-sale securities | 2 | 44 | 23 | 82 |
| Net realized gain on equity securities | 5 | 45 | 67 | 159 |
| Net unrealized loss on equity securities | (61) | (65) | (263) | (29) |
| Other (loss) gain on investments, net | \$ (54) | \$ 24 | \$ (173) | \$ 212 |

The following table presents the credit quality of our held-to-maturity securities, based on the latest available information as of September 30, 2022, and December 31, 2021. The credit ratings are sourced from nationally recognized statistical rating organizations, which include S&P, Moody's, and Fitch. The ratings presented are a composite of the ratings sourced from the agencies or, if the ratings cannot be sourced from the agencies, are based on the asset type of the particular security. All our held-to-maturity securities were current in their payment of principal and interest as of both September 30, 2022, and December 31, 2021. We have not recorded any interest income reversals on our held-to-maturity securities during the nine months ended September 30, 2022, or 2021.

| (\$ in millions) | September 30, 2022 | | December 31, 2021 | |
|------------------------------------|--------------------|-----------|-------------------|-----------|
| | AA | Total (a) | AA | Total (a) |
| Debt securities | | | | |
| Agency mortgage-backed residential | \$ 1,084 | \$ 1,084 | \$ 1,170 | \$ 1,170 |
| Total held-to-maturity securities | \$ 1,084 | \$ 1,084 | \$ 1,170 | \$ 1,170 |

- (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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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 2021 Annual Report on Form 10-K. As of September 30, 2022, and December 31, 2021, we did not have the intent to sell the available-for-sale securities with an unrealized loss position and we do not believe it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. We have not recorded any interest income reversals on our available-for-sale securities during the nine months ended September 30, 2022, or 2021.

| (\$ in millions) | September 30, 2022 | | | | December 31, 2021 | | | |
|--|---------------------|-------------------|---------------------|-------------------|---------------------|-----------------|---------------------|-----------------|
| | Less than 12 months | | 12 months or longer | | Less than 12 months | | 12 months or longer | |
| | Fair value | Unrealized loss | Fair value | Unrealized loss | Fair value | Unrealized loss | Fair value | Unrealized loss |
| Available-for-sale securities | | | | | | | | |
| Debt securities | | | | | | | | |
| U.S. Treasury and federal agencies | \$ 1,192 | \$ (140) | \$ 807 | \$ (137) | \$ 1,682 | \$ (20) | \$ — | \$ — |
| U.S. States and political subdivisions | 615 | (82) | 104 | (24) | 160 | (3) | 31 | (1) |
| Foreign government | 86 | (5) | 50 | (7) | 76 | (2) | 7 | — |
| Agency mortgage-backed residential | 11,109 | (1,743) | 5,566 | (1,467) | 12,244 | (223) | 38 | (1) |
| Mortgage-backed residential | 3,688 | (681) | 674 | (166) | 3,243 | (34) | 22 | — |
| Agency mortgage-backed commercial (a) | 1,361 | (217) | 2,143 | (666) | 2,553 | (70) | 749 | (43) |
| Asset-backed | 391 | (17) | 73 | (6) | 360 | (3) | — | — |
| Corporate debt | 1,153 | (128) | 518 | (115) | 970 | (18) | 49 | (3) |
| Total available-for-sale securities | \$ 19,595 | \$ (3,013) | \$ 9,935 | \$ (2,588) | \$ 21,288 | \$ (373) | \$ 896 | \$ (48) |

(a) Amounts include \$25 million liability related to basis adjustments for securities in closed portfolios with active hedges under the portfolio layer method at September 30, 2022. These basis adjustments would be allocated to the amortized cost of specific securities within the pool if the hedge was dedesignated. Refer to Note 19 for additional information.

During the nine months ended September 30, 2022, and 2021, management determined that there were no expected credit losses for securities in an unrealized loss position. This analysis considered a variety of factors including, but not limited to, performance indicators of the issuer, default rates, industry analyst reports, credit ratings, and other relevant information, which indicated that contractual cash flows are expected to occur. As a result of this evaluation, management determined that no credit reserves were required at September 30, 2022, or December 31, 2021.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

8. Finance Receivables and Loans, Net

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

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|---|--------------------|-------------------|
| Consumer automotive (a) | \$ 83,459 | \$ 78,252 |
| Consumer mortgage | | |
| Mortgage Finance (b) | 19,715 | 17,644 |
| Mortgage — Legacy (c) | 306 | 368 |
| Total consumer mortgage | 20,021 | 18,012 |
| Consumer other | | |
| Personal Lending (d) | 1,813 | 1,009 |
| Credit Card (e) | 1,427 | 953 |
| Total consumer other | 3,240 | 1,962 |
| Total consumer | 106,720 | 98,226 |
| Commercial | | |
| Commercial and industrial | | |
| Automotive | 12,158 | 12,229 |
| Other | 8,425 | 6,874 |
| Commercial real estate | 5,153 | 4,939 |
| Total commercial | 25,736 | 24,042 |
| Total finance receivables and loans (f) (g) | \$ 132,456 | \$ 122,268 |

- (a) Certain finance receivables and loans are included in fair value hedging relationships. Refer to Note 19 for additional information.
- (b) Includes loans originated as interest-only mortgage loans of \$4 million and \$5 million at September 30, 2022, and December 31, 2021, respectively, of which all have exited the interest-only period.
- (c) Includes loans originated as interest-only mortgage loans of \$17 million and \$21 million at September 30, 2022, and December 31, 2021, respectively, of which all have exited the interest-only period.
- (d) Includes \$6 million and \$7 million of finance receivables at September 30, 2022, and December 31, 2021, respectively, for which we have elected the fair value option.
- (e) Refer to Note 2 for information regarding our acquisition of Ally Credit Card.
- (f) Totals include net unearned income, unamortized premiums and discounts, and deferred fees and costs of \$2.3 billion at both September 30, 2022, and December 31, 2021.
- (g) Totals do not include accrued interest receivable, which was \$620 million and \$514 million at September 30, 2022, and December 31, 2021, respectively. Accrued interest receivable is included in other assets on our Condensed Consolidated Balance Sheet. Billed interest on our credit card loans is included within finance receivables and loans, net.

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans for the three months and nine months ended September 30, 2022, and 2021, respectively.

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

- (a) Excludes \$7 million and \$6 million of finance receivables and loans at July 1, 2022, and September 30, 2022, respectively, for which we have elected the fair value option and incorporate no allowance for loan losses.
- (b) Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for information regarding our charge-off policies.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

- (a) Excludes \$7 million and \$6 million of finance receivables and loans at January 1, 2022, and September 30, 2022, respectively, for which we have elected the fair value option and incorporate no allowance for loan losses.
- (b) Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for information regarding our charge-off policies.
- (c) Excludes \$2 million of provision for credit losses related to our reserve for unfunded commitments. The liability related to the reserve for unfunded commitments is included in accrued expenses and other liabilities on our Condensed Consolidated Balance Sheet.

| Three months ended September 30, 2021 (\$ in millions) | Consumer automotive | Consumer mortgage | Consumer other (a) | Commercial | Total |
|---|----------------------------|--------------------------|---------------------------|-------------------|--------------|
| Allowance at July 1, 2021 | \$ 2,802 | \$ 24 | \$ 72 | \$ 228 | \$ 3,126 |
| Charge-offs (b) | (211) | (2) | (5) | — | (218) |
| Recoveries | 160 | 4 | — | — | 164 |
| Net charge-offs | (51) | 2 | (5) | — | (54) |
| Provision for credit losses | 59 | (1) | 19 | (1) | 76 |
| Allowance at September 30, 2021 | \$ 2,810 | \$ 25 | \$ 86 | \$ 227 | \$ 3,148 |

- (a) Excludes \$8 million of finance receivables and loans at both July 1, 2021, and September 30, 2021, for which we have elected the fair value option and incorporate no allowance for loan losses.
- (b) Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for information regarding our charge-off policies.

| Nine months ended September 30, 2021 (\$ in millions) | Consumer automotive | Consumer mortgage | Consumer other (a) | Commercial | Total |
|--|----------------------------|--------------------------|---------------------------|-------------------|--------------|
| Allowance at January 1, 2021 | \$ 2,902 | \$ 33 | \$ 73 | \$ 275 | \$ 3,283 |
| Charge-offs (b) | (678) | (6) | (18) | (21) | (723) |
| Recoveries | 535 | 10 | 1 | 11 | 557 |
| Net charge-offs | (143) | 4 | (17) | (10) | (166) |
| Provision for credit losses | 51 | (12) | 30 | (38) | 31 |
| Allowance at September 30, 2021 | \$ 2,810 | \$ 25 | \$ 86 | \$ 227 | \$ 3,148 |

- (a) Excludes \$8 million of finance receivables and loans at both January 1, 2021, and September 30, 2021, for which we have elected the fair value option and incorporate no allowance for loan losses.
- (b) Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for information regarding our charge-off policies.

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------|---|-------------|--|-------------|
| | 2022 | 2021 | 2022 | 2021 |
| Consumer automotive | \$ 4 | \$ — | \$ 4 | \$ — |
| Consumer mortgage | 1 | — | 3 | 413 |
| Total sales and transfers | \$ 5 | \$ — | \$ 7 | \$ 413 |

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Consumer automotive | \$ 1,346 | \$ 709 | \$ 3,397 | \$ 2,013 |
| Consumer mortgage | 1,127 | 1,191 | 2,760 | 3,123 |
| Commercial | 2 | 3 | 3 | 3 |
| Total purchases of finance receivables and loans | \$ 2,475 | \$ 1,903 | \$ 6,160 | \$ 5,139 |

Nonaccrual Loans

The following tables present the amortized cost of our finance receivables and loans on nonaccrual status. All consumer or commercial finance receivables and loans that were 90 days or more past due were on nonaccrual status as of September 30, 2022, and December 31, 2021.

| (\$ in millions) | Nonaccrual status at Jan. 1, 2022 | Nonaccrual status at Jul. 1, 2022 | September 30, 2022 | |
|-------------------------------------|--------------------------------------|--------------------------------------|--------------------|-------------------------------------|
| | | | Nonaccrual status | Nonaccrual with no allowance (a) |
| Consumer automotive | \$ 1,078 | \$ 1,073 | \$ 1,129 | \$ 439 |
| Consumer mortgage | | | | |
| Mortgage Finance | 59 | 42 | 36 | 27 |
| Mortgage — Legacy | 26 | 22 | 18 | 17 |
| Total consumer mortgage | 85 | 64 | 54 | 44 |
| Consumer other | | | | |
| Personal Lending | 5 | 5 | 9 | — |
| Credit Card | 11 | 18 | 28 | — |
| Total consumer other | 16 | 23 | 37 | — |
| Total consumer | 1,179 | 1,160 | 1,220 | 483 |
| Commercial | | | | |
| Commercial and industrial | | | | |
| Automotive | 33 | 4 | 4 | 4 |
| Other | 221 | 214 | 159 | 33 |
| Commercial real estate | 3 | 1 | — | — |
| Total commercial | 257 | 219 | 163 | 37 |
| Total finance receivables and loans | \$ 1,436 | \$ 1,379 | \$ 1,383 | \$ 520 |

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| (\$ in millions) | Nonaccrual status at Jan. 1, 2021 | Nonaccrual status at Jul. 1, 2021 | December 31, 2021 | |
|-------------------------------------|--------------------------------------|--------------------------------------|-------------------|-------------------------------------|
| | | | Nonaccrual status | Nonaccrual with no allowance (a) |
| Consumer automotive | \$ 1,256 | \$ 1,033 | \$ 1,078 | \$ 423 |
| Consumer mortgage | | | | |
| Mortgage Finance | 67 | 49 | 59 | 39 |
| Mortgage — Legacy | 35 | 27 | 26 | 23 |
| Total consumer mortgage | 102 | 76 | 85 | 62 |
| Consumer other | | | | |
| Personal Lending | 3 | 2 | 5 | — |
| Credit Card | — | — | 11 | — |
| Total consumer other | 3 | 2 | 16 | — |
| Total consumer | 1,361 | 1,111 | 1,179 | 485 |
| Commercial | | | | |
| Commercial and industrial | | | | |
| Automotive | 40 | 33 | 33 | 32 |
| Other | 116 | 133 | 221 | 48 |
| Commercial real estate | 5 | 6 | 3 | 3 |
| Total commercial | 161 | 172 | 257 | 83 |
| Total finance receivables and loans | \$ 1,522 | \$ 1,283 | \$ 1,436 | \$ 568 |

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

We recorded interest income from cash payments associated with finance receivables and loans on nonaccrual status of \$3 million and \$9 million for the three months and nine months ended September 30, 2022, respectively, compared to \$2 million and \$7 million for the three months and nine months ended September 30, 2021, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Credit Quality Indicators

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

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

| | Origination year | | | | | | | Revolving loans converted to term | |
|-------------------------------------|------------------|-----------|-----------|----------|----------|----------------|-----------------|-----------------------------------|------------|
| September 30, 2022 (\$ in millions) | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 and prior | Revolving loans | | Total |
| Consumer automotive | | | | | | | | | |
| Current | \$ 30,702 | \$ 24,690 | \$ 11,675 | \$ 7,466 | \$ 3,929 | \$ 2,473 | \$ — | \$ — | \$ 80,935 |
| 30–59 days past due | 413 | 782 | 361 | 288 | 175 | 140 | — | — | 2,159 |
| 60–89 days past due | 102 | 267 | 127 | 93 | 54 | 41 | — | — | 684 |
| 90 or more days past due | 35 | 96 | 46 | 40 | 26 | 30 | — | — | 273 |
| Total consumer automotive (a) | 31,252 | 25,835 | 12,209 | 7,887 | 4,184 | 2,684 | — | — | 84,051 |
| Consumer mortgage | | | | | | | | | |
| Mortgage Finance | | | | | | | | | |
| Current | 2,277 | 11,003 | 1,980 | 833 | 596 | 2,897 | — | — | 19,586 |
| 30–59 days past due | 35 | 27 | 3 | 4 | 5 | 18 | — | — | 92 |
| 60–89 days past due | 2 | 2 | — | 1 | — | 4 | — | — | 9 |
| 90 or more days past due | 2 | 2 | — | 2 | 8 | 14 | — | — | 28 |
| Total Mortgage Finance | 2,316 | 11,034 | 1,983 | 840 | 609 | 2,933 | — | — | 19,715 |
| Mortgage — Legacy | | | | | | | | | |
| Current | — | — | — | — | — | 66 | 203 | 20 | 289 |
| 30–59 days past due | — | — | — | — | — | 1 | 1 | — | 2 |
| 90 or more days past due | — | — | — | — | — | 10 | 3 | 2 | 15 |
| Total Mortgage — Legacy | — | — | — | — | — | 77 | 207 | 22 | 306 |
| Total consumer mortgage | 2,316 | 11,034 | 1,983 | 840 | 609 | 3,010 | 207 | 22 | 20,021 |
| Consumer other | | | | | | | | | |
| Personal Lending | | | | | | | | | |
| Current | 1,226 | 472 | 61 | 7 | 2 | — | — | — | 1,768 |
| 30–59 days past due | 10 | 7 | 1 | — | — | — | — | — | 18 |
| 60–89 days past due | 6 | 5 | 1 | — | — | — | — | — | 12 |
| 90 or more days past due | 5 | 4 | — | — | — | — | — | — | 9 |
| Total Personal Lending (b) | 1,247 | 488 | 63 | 7 | 2 | — | — | — | 1,807 |
| Credit Card | | | | | | | | | |
| Current | — | — | — | — | — | — | 1,369 | — | 1,369 |
| 30–59 days past due | — | — | — | — | — | — | 18 | — | 18 |
| 60–89 days past due | — | — | — | — | — | — | 14 | — | 14 |
| 90 or more days past due | — | — | — | — | — | — | 26 | — | 26 |
| Total Credit Card | — | — | — | — | — | — | 1,427 | — | 1,427 |
| Total consumer other | 1,247 | 488 | 63 | 7 | 2 | — | 1,427 | — | 3,234 |
| Total consumer | \$ 34,815 | \$ 37,357 | \$ 14,255 | \$ 8,734 | \$ 4,795 | \$ 5,694 | \$ 1,634 | \$ 22 | \$ 107,306 |

- (a) Certain consumer automotive loans are included in fair value hedging relationships. The amortized cost excludes a liability of \$592 million related to basis adjustments for loans in closed portfolios with active hedges under the portfolio layer method at September 30, 2022. These basis adjustments would be allocated to the amortized cost of specific loans within the pool if the hedge was dedesignated. Refer to Note 19 for additional information.
- (b) Excludes \$6 million of finance receivables at September 30, 2022, for which we have elected the fair value option.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| | Origination year | | | | | | | Revolving loans converted to term | |
|------------------------------------|------------------|-----------|-----------|----------|----------|----------------|-----------------|-----------------------------------|-----------|
| December 31, 2021 (\$ in millions) | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 and prior | Revolving loans | | Total |
| Consumer automotive | | | | | | | | | |
| Current | \$ 35,222 | \$ 17,218 | \$ 11,512 | \$ 6,692 | \$ 3,403 | \$ 1,911 | \$ — | \$ — | \$ 75,958 |
| 30–59 days past due | 424 | 353 | 334 | 226 | 139 | 101 | — | — | 1,577 |
| 60–89 days past due | 115 | 114 | 108 | 70 | 41 | 28 | — | — | 476 |
| 90 or more days past due | 41 | 51 | 56 | 40 | 27 | 26 | — | — | 241 |
| Total consumer automotive | 35,802 | 17,736 | 12,010 | 7,028 | 3,610 | 2,066 | — | — | 78,252 |
| Consumer mortgage | | | | | | | | | |
| Mortgage Finance | | | | | | | | | |
| Current | 10,169 | 2,212 | 977 | 744 | 1,041 | 2,363 | — | — | 17,506 |
| 30–59 days past due | 50 | 3 | 3 | 7 | 2 | 12 | — | — | 77 |
| 60–89 days past due | 8 | — | 1 | — | — | 5 | — | — | 14 |
| 90 or more days past due | — | — | 5 | 16 | 7 | 19 | — | — | 47 |
| Total Mortgage Finance | 10,227 | 2,215 | 986 | 767 | 1,050 | 2,399 | — | — | 17,644 |
| Mortgage — Legacy | | | | | | | | | |
| Current | — | — | — | — | — | 79 | 238 | 23 | 340 |
| 30–59 days past due | — | — | — | — | — | 2 | 1 | — | 3 |
| 60–89 days past due | — | — | — | — | — | 1 | — | 1 | 2 |
| 90 or more days past due | — | — | — | — | — | 15 | 5 | 3 | 23 |
| Total Mortgage — Legacy | — | — | — | — | — | 97 | 244 | 27 | 368 |
| Total consumer mortgage | 10,227 | 2,215 | 986 | 767 | 1,050 | 2,496 | 244 | 27 | 18,012 |
| Consumer other | | | | | | | | | |
| Personal Lending | | | | | | | | | |
| Current | 821 | 133 | 18 | 5 | 1 | — | — | — | 978 |
| 30–59 days past due | 9 | 2 | — | — | — | — | — | — | 11 |
| 60–89 days past due | 6 | 1 | 1 | — | — | — | — | — | 8 |
| 90 or more days past due | 4 | 1 | — | — | — | — | — | — | 5 |
| Total Personal Lending (a) | 840 | 137 | 19 | 5 | 1 | — | — | — | 1,002 |
| Credit Card | | | | | | | | | |
| Current | — | — | — | — | — | — | 932 | — | 932 |
| 30–59 days past due | — | — | — | — | — | — | 6 | — | 6 |
| 60–89 days past due | — | — | — | — | — | — | 5 | — | 5 |
| 90 or more days past due | — | — | — | — | — | — | 10 | — | 10 |
| Total Credit Card | — | — | — | — | — | — | 953 | — | 953 |
| Total consumer other | 840 | 137 | 19 | 5 | 1 | — | 953 | — | 1,955 |
| Total consumer | \$ 46,869 | \$ 20,088 | \$ 13,015 | \$ 7,800 | \$ 4,661 | \$ 4,562 | \$ 1,197 | \$ 27 | \$ 98,219 |

(a) Excludes \$7 million of finance receivables at December 31, 2021, for which we have elected the fair value option.

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

- **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 | | | | | | | Revolving loans converted to term | Total | | | | | | | | | |
|-------------------------------------|------------------|-------|------|-------|------|----------------|-----------------|-----------------------------------|-------|-----|----|-------|----|--------|----|-----|----|--------|
| September 30, 2022 (\$ in millions) | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 and prior | Revolving loans | | | | | | | | | | | |
| Commercial | | | | | | | | | | | | | | | | | | |
| Commercial and industrial | | | | | | | | | | | | | | | | | | |
| Automotive | | | | | | | | | | | | | | | | | | |
| Pass | \$ | 405 | \$ | 277 | \$ | 142 | \$ | 85 | \$ | 32 | \$ | 40 | \$ | 10,568 | \$ | — | \$ | 11,549 |
| Special mention | | — | | — | | — | | 3 | | 11 | | 23 | | 536 | | — | | 573 |
| Substandard | | — | | — | | — | | 1 | | — | | — | | 35 | | — | | 36 |
| Total automotive | | 405 | | 277 | | 142 | | 89 | | 43 | | 63 | | 11,139 | | — | | 12,158 |
| Other | | | | | | | | | | | | | | | | | | |
| Pass | | 632 | | 586 | | 428 | | 191 | | 55 | | 182 | | 5,152 | | 92 | | 7,318 |
| Special mention | | — | | 52 | | 176 | | 109 | | 44 | | 80 | | 261 | | 29 | | 751 |
| Substandard | | — | | — | | 4 | | 115 | | — | | 140 | | 57 | | 13 | | 329 |
| Doubtful | | — | | — | | — | | — | | — | | 26 | | — | | — | | 26 |
| Loss | | — | | — | | — | | — | | — | | — | | 1 | | — | | 1 |
| Total other | | 632 | | 638 | | 608 | | 415 | | 99 | | 428 | | 5,471 | | 134 | | 8,425 |
| Commercial real estate | | | | | | | | | | | | | | | | | | |
| Pass | | 949 | | 1,196 | | 982 | | 705 | | 432 | | 769 | | 9 | | 11 | | 5,053 |
| Special mention | | — | | 77 | | 2 | | 19 | | — | | 1 | | — | | — | | 99 |
| Substandard | | — | | — | | — | | — | | — | | 1 | | — | | — | | 1 |
| Total commercial real estate | | 949 | | 1,273 | | 984 | | 724 | | 432 | | 771 | | 9 | | 11 | | 5,153 |
| Total commercial | \$ | 1,986 | \$ | 2,188 | \$ | 1,734 | \$ | 1,228 | \$ | 574 | \$ | 1,262 | \$ | 16,619 | \$ | 145 | \$ | 25,736 |

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| December 31, 2021 (\$ in millions) | Origination year | | | | | | Revolving loans | Revolving loans converted to term | Total | |
|------------------------------------|------------------|----------|----------|--------|--------|----------------|-----------------|-----------------------------------|-----------|--|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 and prior | | | | |
| Commercial | | | | | | | | | | |
| Commercial and industrial | | | | | | | | | | |
| Automotive | | | | | | | | | | |
| Pass | \$ 347 | \$ 190 | \$ 112 | \$ 49 | \$ 23 | \$ 56 | \$ 10,741 | \$ — | \$ 11,518 | |
| Special mention | 7 | 1 | 7 | 15 | 31 | 18 | 589 | — | 668 | |
| Substandard | — | 1 | — | 1 | — | — | 41 | — | 43 | |
| Total automotive | 354 | 192 | 119 | 65 | 54 | 74 | 11,371 | — | 12,229 | |
| Other | | | | | | | | | | |
| Pass | 739 | 448 | 374 | 86 | 99 | 68 | 4,032 | 83 | 5,929 | |
| Special mention | 15 | 169 | 96 | 21 | 10 | 122 | 93 | 17 | 543 | |
| Substandard | — | 22 | 95 | — | 140 | 83 | 13 | 23 | 376 | |
| Doubtful | — | — | — | — | — | 26 | — | — | 26 | |
| Total other | 754 | 639 | 565 | 107 | 249 | 299 | 4,138 | 123 | 6,874 | |
| Commercial real estate | | | | | | | | | | |
| Pass | 1,298 | 1,060 | 873 | 604 | 342 | 653 | 3 | 8 | 4,841 | |
| Special mention | 13 | 5 | 29 | 7 | 18 | 19 | — | — | 91 | |
| Substandard | — | — | — | — | — | 7 | — | — | 7 | |
| Total commercial real estate | 1,311 | 1,065 | 902 | 611 | 360 | 679 | 3 | 8 | 4,939 | |
| Total commercial | \$ 2,419 | \$ 1,896 | \$ 1,586 | \$ 783 | \$ 663 | \$ 1,052 | \$ 15,512 | \$ 131 | \$ 24,042 | |

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

| (\$ in millions) | 30–59 days past due | 60–89 days past due | 90 days or more past due | Total past due | Current | Total finance receivables and loans |
|---------------------------|---------------------|---------------------|--------------------------|----------------|-----------|-------------------------------------|
| September 30, 2022 | | | | | | |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Automotive | \$ — | \$ — | \$ — | \$ — | \$ 12,158 | \$ 12,158 |
| Other | 1 | — | 1 | 2 | 8,423 | 8,425 |
| Commercial real estate | 8 | — | — | 8 | 5,145 | 5,153 |
| Total commercial | \$ 9 | \$ — | \$ 1 | \$ 10 | \$ 25,726 | \$ 25,736 |
| December 31, 2021 | | | | | | |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Automotive | \$ — | \$ — | \$ — | \$ — | \$ 12,229 | \$ 12,229 |
| Other | — | — | 1 | 1 | 6,873 | 6,874 |
| Commercial real estate | — | — | — | — | 4,939 | 4,939 |
| Total commercial | \$ — | \$ — | \$ 1 | \$ 1 | \$ 24,041 | \$ 24,042 |

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 \$2.5 billion and \$2.4 billion at September 30, 2022, and December 31, 2021, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Total commitments to lend additional funds to borrowers whose terms had been modified in a TDR were \$46 million and \$18 million at September 30, 2022, and December 31, 2021, respectively. Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for additional information.

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

| Three months ended September 30, (\$ in millions) | 2022 | | | 2021 | | |
|---|-----------------|---------------------------------------|--|-----------------|---------------------------------------|--|
| | 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 | 11,733 | \$ 193 | \$ 187 | 19,907 | \$ 347 | \$ 338 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 4 | 3 | 3 | 18 | 11 | 10 |
| Mortgage — Legacy | 2 | — | — | 8 | 1 | 1 |
| Total consumer mortgage | 6 | 3 | 3 | 26 | 12 | 11 |
| Consumer other | | | | | | |
| Credit Card | 749 | 1 | 1 | — | — | — |
| Total consumer other | 749 | 1 | 1 | — | — | — |
| Total consumer | 12,488 | 197 | 191 | 19,933 | 359 | 349 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Other | 1 | 51 | 55 | — | — | — |
| Total commercial | 1 | 51 | 55 | — | — | — |
| Total finance receivables and loans | 12,489 | \$ 248 | \$ 246 | 19,933 | \$ 359 | \$ 349 |

| Nine months ended September 30, (\$ in millions) | 2022 | | | 2021 | | |
|--|-----------------|---------------------------------------|--|-----------------|---------------------------------------|--|
| | 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 | 38,112 | \$ 637 | \$ 620 | 60,167 | \$ 1,090 | \$ 1,071 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 13 | 10 | 10 | 33 | 19 | 19 |
| Mortgage — Legacy | 9 | 1 | 1 | 12 | 2 | 2 |
| Total consumer mortgage | 22 | 11 | 11 | 45 | 21 | 21 |
| Consumer other | | | | | | |
| Credit Card | 1,843 | 3 | 3 | — | — | — |
| Total consumer other | 1,843 | 3 | 3 | — | — | — |
| Total consumer | 39,977 | 651 | 634 | 60,212 | 1,111 | 1,092 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Automotive | — | — | — | 1 | 1 | 1 |
| Other | 5 | 462 | 466 | 1 | 33 | 33 |
| Commercial real estate | — | — | — | 1 | 3 | 3 |
| Total commercial | 5 | 462 | 466 | 3 | 37 | 37 |
| Total finance receivables and loans | 39,982 | \$ 1,113 | \$ 1,100 | 60,215 | \$ 1,148 | \$ 1,129 |

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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 2021 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

| Three months ended September 30, (\$ in millions) | 2022 | | | 2021 | | |
|---|-----------------|----------------|-------------------|-----------------|----------------|-------------------|
| | Number of loans | Amortized cost | Charge-off amount | Number of loans | Amortized cost | Charge-off amount |
| Consumer automotive | 2,473 | \$ 37 | \$ 16 | 2,374 | \$ 31 | \$ 15 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 1 | 1 | — | — | — | — |
| Total consumer mortgage | 1 | 1 | — | — | — | — |
| Consumer other | | | | | | |
| Credit Card | 146 | — | — | — | — | — |
| Total consumer other | 146 | — | — | — | — | — |
| Total consumer | 2,620 | \$ 38 | \$ 16 | 2,374 | \$ 31 | \$ 15 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Other | 1 | 1 | 31 | — | — | — |
| Total commercial | 1 | 1 | 31 | — | — | — |
| Total finance receivables and loans | 2,621 | \$ 39 | \$ 47 | 2,374 | \$ 31 | \$ 15 |

| Nine months ended September 30, (\$ in millions) | 2022 | | | 2021 | | |
|--|-----------------|----------------|-------------------|-----------------|----------------|-------------------|
| | Number of loans | Amortized cost | Charge-off amount | Number of loans | Amortized cost | Charge-off amount |
| Consumer automotive | 6,722 | \$ 103 | \$ 43 | 6,939 | \$ 86 | \$ 46 |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 4 | 3 | — | 1 | — | — |
| Mortgage — Legacy | — | — | — | 4 | — | — |
| Total consumer mortgage | 4 | 3 | — | 5 | — | — |
| Consumer other | | | | | | |
| Credit Card | 225 | — | — | — | — | — |
| Total consumer other | 225 | — | — | — | — | — |
| Total consumer | 6,951 | \$ 106 | \$ 43 | 6,944 | \$ 86 | \$ 46 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Other | 1 | 1 | 31 | — | — | — |
| Total commercial | 1 | 1 | 31 | — | — | — |
| Total finance receivables and loans | 6,952 | \$ 107 | \$ 74 | 6,944 | \$ 86 | \$ 46 |

9. Leasing

Ally as the Lessee

We have operating leases for certain of our corporate facilities, which have remaining lease terms of 2 months to 8 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 to 15 years. Some of those lease agreements also include options to terminate the leases in periods that range from approximately 5 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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

During the three months and nine months ended September 30, 2022, we paid \$10 million and \$29 million, respectively, in cash for amounts included in the measurement of lease liabilities at September 30, 2022, compared to \$10 million and \$39 million for the three months and nine months ended September 30, 2021, in cash for amounts included in the measurement of lease liabilities at September 30, 2021. These amounts are included in net cash provided by operating activities in the Condensed Consolidated Statement of Cash Flows. During the nine months ended September 30, 2022, and September 30, 2021, we obtained \$36 million and \$352 million, respectively, of ROU assets in exchange for new lease liabilities. As of September 30, 2022, the weighted-average remaining lease term of our operating lease portfolio was 5 years, and the weighted-average discount rate was 2.38%, compared to 6 years and 1.96% as of December 31, 2021.

The following table presents future minimum rental payments we are required to make under operating leases that have commenced as of September 30, 2022, and that have noncancelable lease terms expiring after September 30, 2022.

(\$ in millions)

| | | |
|--|----|-----|
| 2022 | \$ | 10 |
| 2023 | | 33 |
| 2024 | | 28 |
| 2025 | | 24 |
| 2026 | | 20 |
| 2027 and thereafter | | 33 |
| Total undiscounted cash flows | | 148 |
| Difference between undiscounted cash flows and discounted cash flows | | (9) |
| Total lease liability | \$ | 139 |

In March 2021, we commenced the lease for a new corporate facility in Charlotte, North Carolina, which included an underlying purchase option. We provided notice of our intent to exercise the purchase option in April 2021, and executed on the purchase agreement in July 2021. Additionally, we agreed to lease a portion of this corporate facility in exchange for \$13 million in future lease payments over a ten-year lease term.

In June 2022, we purchased an operations center in Lewisville, Texas, which consisted of a previously leased facility. Upon closing the transaction, the lease ROU asset and liability were derecognized and new fixed assets totaling approximately \$44 million were recognized as property and equipment at cost within other assets of the Condensed Consolidated Balance Sheet.

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|------------------------------|-------------------------------------|-------|------------------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Operating lease expense | \$ 8 | \$ 10 | \$ 25 | \$ 36 |
| Variable lease expense | 1 | 2 | 3 | 6 |
| Total lease expense, net (a) | \$ 9 | \$ 12 | \$ 28 | \$ 42 |

(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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

the value of a leased vehicle upon remarketing is below the expected residual value. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing, which is included in net depreciation expense on operating lease assets in our Condensed Consolidated Statement of Comprehensive Income. Excessive mileage or excessive wear and tear on the vehicle during the lease may impact the sales proceeds received upon remarketing. As of September 30, 2022, and December 31, 2021, consumer operating leases with a carrying value, net of accumulated depreciation, of \$67 million and \$165 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) | September 30, 2022 | December 31, 2021 |
|-------------------------------------|-----------------------|-------------------|
| Vehicles | \$ 12,323 | \$ 12,384 |
| Accumulated depreciation | (1,746) | (1,522) |
| Investment in operating leases, net | \$ 10,577 | \$ 10,862 |

The following table presents future minimum rental payments we have the right to receive under operating leases with noncancelable lease terms expiring after September 30, 2022.

| (\$ in millions) | |
|--|----------|
| 2022 | \$ 433 |
| 2023 | 1,464 |
| 2024 | 866 |
| 2025 | 354 |
| 2026 | 72 |
| 2027 and thereafter | 5 |
| Total lease payments from operating leases | \$ 3,194 |

We recognized operating lease revenue of \$397 million and \$1.2 billion for the three months and nine months ended September 30, 2022, respectively, and \$393 million and \$1.1 billion for the three months and nine months ended September 30, 2021. 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.

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|--------|------------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Depreciation expense on operating lease assets (excluding remarketing gains) (a) | \$ 277 | \$ 225 | \$ 813 | \$ 662 |
| Remarketing gains, net | (39) | (86) | (139) | (278) |
| Net depreciation expense on operating lease assets | \$ 238 | \$ 139 | \$ 674 | \$ 384 |

(a) Includes variable lease payments related to excess mileage and excessive wear and tear on vehicles of \$2 million and \$5 million during the three months and nine months ended September 30, 2022, respectively, and \$3 million and \$13 million during the three months and nine months ended September 30, 2021.

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 \$471 million and \$470 million as of September 30, 2022, and December 31, 2021, respectively. This includes lease payment receivables of \$458 million and \$457 million at September 30, 2022, and December 31, 2021, respectively, and unguaranteed residual assets of \$13 million at both September 30, 2022, and December 31, 2021. Interest income on finance lease receivables was \$8 million and \$22 million for the three months and nine months ended September 30, 2022, respectively, and \$7 million and \$20 million for the three months and nine months ended September 30, 2021, and is included in interest and fees on finance receivables and loans in our Condensed Consolidated Statement of Comprehensive Income.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table presents future minimum rental payments we have the right to receive under finance leases with noncancelable lease terms expiring after September 30, 2022.

(\$ in millions)

| | | |
|--|----|------|
| 2022 | \$ | 44 |
| 2023 | | 155 |
| 2024 | | 124 |
| 2025 | | 101 |
| 2026 | | 51 |
| 2027 and thereafter | | 31 |
| Total undiscounted cash flows | | 506 |
| Difference between undiscounted cash flows and discounted cash flows | | (49) |
| Present value of lease payments recorded as lease receivable | \$ | 457 |

10. 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. Additionally, we opportunistically sell consumer automotive and credit card whole-loans to SPEs where we have a continuing involvement.

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

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

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

We had no pretax gain on sales of financial assets into nonconsolidated VIEs for both the three months and nine months ended September 30, 2022, and September 30, 2021.

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 2021 Annual Report on Form 10-K for further description of our securitization activities and our involvement with VIEs.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | Carrying value of total assets | Carrying value of total liabilities | Assets sold to nonconsolidated VIEs (a) | Maximum exposure to loss in nonconsolidated VIEs |
|--|-----------------------------------|--|---|---|
| September 30, 2022 | | | | |
| On-balance sheet variable interest entities | | | | |
| Consumer automotive | \$ 19,793 (b) | \$ 1,384 (c) | \$ — | \$ — |
| Off-balance sheet variable interest entities | | | | |
| Consumer automotive | — | — | 57 | 57 (d) |
| Consumer other (e) | — | — | 76 | 76 |
| Commercial other | 2,081 (f) | 841 (g) | — | 2,640 (h) |
| Total | \$ 21,874 | \$ 2,225 | \$ 133 | \$ 2,773 |
| December 31, 2021 | | | | |
| On-balance sheet variable interest entities | | | | |
| Consumer automotive | \$ 18,158 (b) | \$ 1,162 (c) | \$ — | \$ — |
| Consumer other (e) | 318 | 300 | — | — |
| Off-balance sheet variable interest entities | | | | |
| Commercial other | 1,814 (f) | 726 (g) | — | 2,416 (h) |
| Total | \$ 20,290 | \$ 2,188 | \$ — | \$ 2,416 |

- (a) Asset values represent the current unpaid principal balance of outstanding consumer automotive and credit card finance receivables and loans within the VIEs.
- (b) Includes \$10.7 billion and \$11.0 billion of assets that were not encumbered by VIE beneficial interests held by third parties at September 30, 2022, and December 31, 2021, respectively. Ally or consolidated affiliates hold the interests in these assets.
- (c) Includes \$114 million and \$124 million of liabilities that were not obligations to third-party beneficial interest holders at September 30, 2022, and December 31, 2021, respectively.
- (d) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.
- (e) Represents balances from our credit card business.
- (f) Amounts are classified as other assets except for \$1 million and \$8 million classified as equity securities at September 30, 2022, and December 31, 2021, respectively.
- (g) Amounts are classified as accrued expenses and other liabilities.
- (h) For certain nonconsolidated affordable housing entities, maximum exposure to loss represents the yield we guaranteed investors through long-term guarantee contracts. The amount disclosed is based on the unlikely event that the yield delivered to investors in the form of low-income tax housing credits is recaptured. For nonconsolidated equity investments, maximum exposure to loss represents our outstanding investment, additional committed capital, and low-income housing tax credits subject to recapture. The amount disclosed is based on the unlikely event that our committed capital is funded, our investments become worthless, and the tax credits previously delivered to us are recaptured. This required disclosure is not an indication of our expected loss.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Cash Flows with Nonconsolidated Special-Purpose Entities

The following table summarizes cash flows received and paid related to SPEs and asset-backed financings where the transfer is accounted for as a sale and we have a continuing involvement with the transferred consumer automotive and credit card assets (for example, servicing) that were outstanding during the nine months ended September 30, 2022, and 2021. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated SPEs that existed during each period.

| (\$ in millions) | Nine months ended September 30, | |
|--|---------------------------------|------|
| | 2022 | 2021 |
| Consumer automotive | | |
| Cash proceeds from transfers completed during the period | \$ 60 | \$ — |
| Consumer other (a) | | |
| Cash proceeds from transfers completed during the period | 93 | — |
| Servicing fees | 9 | — |
| Total | \$ 162 | \$ — |

(a) Represents activity from our credit card business.

Delinquencies and Net Credit Losses

During both the three months and nine months ended September 30, 2022, and 2021, we did not recognize any net credit losses from off-balance sheet securitizations where we have continuing involvement.

The following table presents quantitative information about delinquencies for off-balance sheet whole-loan sales where we have continuing involvement.

| (\$ in millions) | Total amount | | Amount 60 days or more past due | |
|----------------------|--------------------|-------------------|---------------------------------|-------------------|
| | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 |
| Whole-loan sales (a) | | | | |
| Consumer automotive | \$ 57 | \$ — | \$ — | \$ — |
| Consumer other | 76 | 4 | 3 | — |
| Total | \$ 133 | \$ 4 | \$ 3 | \$ — |

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

11. Other Assets

The components of other assets were as follows.

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|---|-----------------------|-------------------|
| Property and equipment at cost | \$ 2,331 | \$ 2,139 |
| Accumulated depreciation | (1,063) | (955) |
| Net property and equipment | 1,268 | 1,184 |
| Investment in qualified affordable housing projects | 1,520 | 1,378 |
| Net deferred tax assets | 1,255 | 254 |
| Nonmarketable equity investments | 1,130 | 998 |
| Goodwill | 822 | 822 |
| Accrued interest, fees, and rent receivables | 702 | 600 |
| Restricted cash held for securitization trusts (a) | 639 | 516 |
| Equity-method investments (b) | 576 | 472 |
| Other accounts receivable | 159 | 127 |
| Operating lease right-of-use assets | 115 | 148 |
| Net intangible assets | 104 | 129 |
| Restricted cash and cash equivalents (c) | 79 | 92 |
| Other assets | 974 | 1,337 |
| Total other assets | \$ 9,343 | \$ 8,057 |

- (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) Primarily relates to investments made in connection with our CRA program.
- (c) Primarily represents a number of arrangements with third parties where certain restrictions are placed on balances we hold due to collateral agreements associated with operational processes with a third-party bank, or letter of credit arrangements and corresponding collateral requirements.

The total carrying value of the nonmarketable equity investments held at September 30, 2022, and December 31, 2021, including cumulative unrealized gains and losses was as follows.

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|---|-----------------------|-------------------|
| FHLB stock | \$ 571 | \$ 289 |
| FRB stock | 439 | 449 |
| Equity investments without a readily determinable fair value | | |
| Cost basis at acquisition | 86 | 89 |
| Adjustments | | |
| Upward adjustments | 178 | 183 |
| Downward adjustments (including impairment) | (144) | (12) |
| Carrying amount, equity investments without a readily determinable fair value | 120 | 260 |
| Nonmarketable equity investments | \$ 1,130 | \$ 998 |

During the three months and nine months ended September 30, 2022, and September 30, 2021, unrealized gains and losses included in the carrying value of the nonmarketable equity investments still held as of September 30, 2022, and September 30, 2021, were as follows.

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|------|------------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Upward adjustments | \$ — | \$ 1 | \$ 1 | \$ 83 |
| Downward adjustments (including impairment) (a) | \$ (137) | \$ — | \$ (140) | \$ (1) |

- (a) No impairment on FHLB and FRB stock was recognized during both the three months and nine months ended September 30, 2022, and 2021.

Total (loss) gain on nonmarketable equity investments, net, which includes both realized and unrealized gains and losses, were losses of \$135 million and \$133 million for the three months and nine months ended September 30, 2022, respectively, compared to gains of \$1 million and \$104 million for the three months and nine months ended September 30, 2021.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The downward adjustments (including impairment) during the three months and nine months ended September 30, 2022, were primarily driven by an impairment in our investment in the parent of BMC (BMC Holdco) during the third quarter of 2022.

- During 2021, we sold a portion of our investment in BMC Holdco for proceeds of \$45 million and realized gains totaling \$38 million. In addition, during 2021, BMC Holdco and Aurora Acquisition Corp (Aurora) announced several agreements relevant to the valuation of our remaining investment in BMC Holdco.
 - BMC Holdco entered into a merger agreement (together with all 2021 amendments, the Merger Agreement) with Aurora that provides for our remaining investment in BMC Holdco to be converted into publicly traded common stock of the entity surviving the merger. The Merger Agreement established a price per share reflecting a pre-money equity valuation of approximately \$6.9 billion for BMC Holdco and included an Agreement End Date (as defined in the Merger Agreement) of September 30, 2022.
 - BMC Holdco and Aurora entered into a bridge note purchase agreement with investors to issue debt (the Notes) that converts into publicly traded common stock of the entity surviving the merger as contemplated by the Merger Agreement.
- During the third quarter of 2022, BMC Holdco and Aurora announced a further amendment of the Merger Agreement that extends the Agreement End Date to March 8, 2023. Contemporaneously, BMC Holdco and Aurora entered into a letter agreement with one of its existing investors that, in part and subject to specified conditions, (i) extends the maturity date of the investor's Notes to March 8, 2023, and (ii) without limiting the investor's rights under the bridge note purchase agreement, if the merger has not been consummated by the maturity date of the Notes, provides the investor with an option to alternatively exchange its Notes for Class B common stock and preferred stock of BMC Holdco at specified valuations.

The letter agreement was a triggering event to assess our remaining investment in BMC Holdco for impairment. We recognized an impairment charge on this investment of \$136 million during the three months ended September 30, 2022. As of September 30, 2022, both the cost basis at acquisition and the carrying value of this investment were \$19 million. The carrying value of this investment reflects cumulative upward adjustments of \$136 million and cumulative downward adjustments (including impairment) of \$136 million since acquisition.

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 |
| Goodwill acquired | | — | | — | | 479 | 479 |
| Goodwill at December 31, 2021 | \$ | 20 | \$ | 27 | \$ | 775 | \$ 822 |
| Goodwill acquired | | — | | — | | — | — |
| Goodwill at September 30, 2022 | \$ | 20 | \$ | 27 | \$ | 775 | \$ 822 |

- (a) Includes \$479 million of goodwill associated with Ally Credit Card at both September 30, 2022, and December 31, 2021, and \$153 million of goodwill associated with Ally Lending at both September 30, 2022, and December 31, 2021, and \$143 million of goodwill associated with Ally Invest at both September 30, 2022, and December 31, 2021.

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

| (\$ in millions) | September 30, 2022 (a) | | | December 31, 2021 | | |
|-------------------------------------|----------------------------|-----------------------------|-----------------------|----------------------------|-----------------------------|--------------------|
| | Gross intangible assets | Accumulated amortization | Net carrying value | Gross intangible assets | Accumulated amortization | Net carrying value |
| Technology | \$ 122 | \$ (49) | \$ 73 | \$ 122 | \$ (36) | \$ 86 |
| Customer lists | 58 | (50) | 8 | 58 | (42) | 16 |
| Purchased credit card relationships | 25 | (3) | 22 | 25 | — | 25 |
| Trademarks | 2 | (1) | 1 | 2 | — | 2 |
| Total intangible assets | \$ 207 | \$ (103) | \$ 104 | \$ 207 | \$ (78) | \$ 129 |

- (a) We expect to recognize amortization expense of \$7 million during the remainder of 2022, \$25 million in 2023, \$18 million in 2024, \$14 million in 2025, and \$14 million in 2026.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

12. Deposit Liabilities

Deposit liabilities consisted of the following.

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| Noninterest-bearing deposits | \$ 220 | \$ 150 |
| Interest-bearing deposits | | |
| Savings, money market, and checking accounts | 108,775 | 102,455 |
| Certificates of deposit | 36,756 | 38,953 |
| Total deposit liabilities | \$ 145,751 | \$ 141,558 |

At September 30, 2022, and December 31, 2021, certificates of deposit included \$5.1 billion and \$7.2 billion, respectively, of those in denominations in excess of \$250 thousand federal insurance limits.

13. Debt

Short-Term Borrowings

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

| (\$ in millions) | September 30, 2022 | | | December 31, 2021 | | |
|-----------------------------|--------------------|-------------|----------|-------------------|-------------|-------|
| | Unsecured | Secured (a) | Total | Unsecured | Secured (a) | Total |
| Federal Home Loan Bank | \$ — | \$ 7,200 | \$ 7,200 | \$ — | \$ — | \$ — |
| Total short-term borrowings | \$ — | \$ 7,200 | \$ 7,200 | \$ — | \$ — | \$ — |

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

Long-Term Debt

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

| (\$ in millions) | September 30, 2022 | | | December 31, 2021 | | |
|--------------------------|--------------------|----------|-----------|-------------------|----------|-----------|
| | Unsecured | Secured | Total | Unsecured | Secured | Total |
| Long-term debt (a) | | | | | | |
| Due within one year | \$ 828 | \$ 2,423 | \$ 3,251 | \$ 1,028 | \$ 4,841 | \$ 5,869 |
| Due after one year | 8,373 | 5,004 | 13,377 | 8,382 | 2,778 | 11,160 |
| Total long-term debt (b) | \$ 9,201 | \$ 7,427 | \$ 16,628 | \$ 9,410 | \$ 7,619 | \$ 17,029 |

(a) Includes basis adjustments related to the application of hedge accounting. Refer to Note 19 for additional information.

(b) Includes advances, net of hedge basis adjustments, from the FHLB of Pittsburgh of \$6.1 billion and \$6.3 billion at September 30, 2022, and December 31, 2021, respectively.

The following table presents the scheduled remaining maturity of long-term debt at September 30, 2022, 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) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter | Total |
|-------------------------|----------|----------|----------|----------|--------|---------------------|-----------|
| Unsecured | | | | | | | |
| Long-term debt | \$ 25 | \$ 2,079 | \$ 1,478 | \$ 2,401 | \$ 25 | \$ 4,081 | \$ 10,089 |
| Original issue discount | (14) | (59) | (66) | (72) | (80) | (597) | (888) |
| Total unsecured | 11 | 2,020 | 1,412 | 2,329 | (55) | 3,484 | 9,201 |
| Secured | | | | | | | |
| Long-term debt | 1,077 | 1,976 | 2,431 | 1,098 | 760 | 85 | 7,427 |
| Total long-term debt | \$ 1,088 | \$ 3,996 | \$ 3,843 | \$ 3,427 | \$ 705 | \$ 3,569 | \$ 16,628 |

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | September 30, 2022 | | December 31, 2021 | |
|---|--------------------|-----------|-------------------|-----------|
| | Total (a) | Ally Bank | Total (a) | Ally Bank |
| Consumer mortgage finance receivables | \$ 20,055 | \$ 20,055 | \$ 17,941 | \$ 17,941 |
| Consumer automotive finance receivables | 10,926 | 10,926 | 9,122 | 9,122 |
| Commercial finance receivables | 4,097 | 4,097 | 10 | 10 |
| Investment securities | 3,092 | 3,092 | — | — |
| Credit card receivables | — | — | 347 | 347 |
| Total assets restricted as collateral (b) (c) | \$ 38,170 | \$ 38,170 | \$ 27,420 | \$ 27,420 |
| Secured debt (d) | \$ 14,627 | \$ 14,627 | \$ 7,619 | \$ 7,619 |

(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 \$27.2 billion and \$18.0 billion at September 30, 2022, and December 31, 2021, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans. 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 September 30, 2022, and December 31, 2021. 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 11 for additional information.

(d) Includes \$7.2 billion of short-term borrowings at September 30, 2022.

14. Accrued Expenses and Other Liabilities

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

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| Unfunded commitments for investment in qualified affordable housing projects | \$ 839 | \$ 724 |
| Accounts payable | 535 | 584 |
| Employee compensation and benefits | 356 | 512 |
| Deferred revenue | 169 | 176 |
| Operating lease liabilities | 139 | 175 |
| Reserves for insurance losses and loss adjustment expenses | 122 | 122 |
| Other liabilities | 515 | 460 |
| Total accrued expenses and other liabilities | \$ 2,675 | \$ 2,753 |

15. Preferred Stock

Series B Preferred Stock

In April 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. Proceeds from the offering were used to redeem a portion of our 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 of GMAC Capital Trust I. Dividends on shares of the Series B Preferred Stock are discretionary and are not cumulative. Holders of the Series B Preferred Stock will be entitled to receive, if, when and as declared by our Board, or a duly authorized committee of the Board, out of legally available assets, non-cumulative cash dividends quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2021. Dividends will accrue (i) from the date of original issue to, but excluding, May 15, 2026, at a fixed rate of 4.700% per annum and (ii) from, and including, May 15, 2026, during each five-year reset period, at a rate per annum equal to the five-year treasury rate as of the most recent reset dividend determination date plus 3.868% on the liquidation preference amount of \$1,000 per share. So long as any share of Series B Preferred Stock remains outstanding, unless the dividends for the most recently completed dividend period have been paid in full, or set aside for payment, on all outstanding shares of Series B Preferred Stock, we will be prohibited, subject to certain specified exceptions, from (i) declaring or paying any dividends or making any distributions with respect to any stock that ranks on a parity basis with, or junior in interest to, the Series B Preferred Stock or (ii) repurchasing, redeeming, or otherwise acquiring for consideration, directly or indirectly, any stock that ranks on a parity basis with, or junior in interest to, the Series B Preferred Stock.

The holders of the Series B Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Series B Preferred Stock included in Ally's Certificate of Incorporation. The Series B Preferred Stock does not have a stated maturity date, and will be perpetual unless redeemed at Ally's option. Ally is not required to redeem the Series B Preferred Stock and holders of the Series B Preferred Stock have no right to require Ally to redeem their shares. Ally may, at its option, redeem the shares of Series B Preferred stock (i) in whole or in part, on any dividend payment date on or after May 15, 2026, or (ii) in whole, but not in part, at any time within 90 days

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

following a regulatory capital treatment event. In the event of any liquidation, dissolution or winding up of the affairs of Ally, holders of the Series B Preferred Stock will be entitled to receive the liquidation amount per share of Series B Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Series B Preferred Stock, subject to the rights of Ally's creditors.

Series C Preferred Stock

In June 2021, we issued 1,000,000 shares of 4.700% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series C, with \$0.01 par value and liquidation preference of \$1,000 per share. Proceeds from the offering were used to redeem a portion of our 8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 of GMAC Capital Trust I. Dividends on shares of the Series C Preferred Stock are discretionary and are not cumulative. Holders of the Series C Preferred Stock will be entitled to receive, if, when and as declared by our Board, or a duly authorized committee of the Board, out of legally available assets, non-cumulative cash dividends quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2021. Dividends will accrue (i) from the date of original issue to, but excluding, May 15, 2028, at a fixed rate of 4.700% per annum and (ii) from, and including, May 15, 2028, during each seven-year reset period, at a rate per annum equal to the seven-year treasury rate as of the most recent reset dividend determination date plus 3.481% on the liquidation preference amount of \$1,000 per share. So long as any share of Series C Preferred Stock remains outstanding, unless the dividends for the most recently completed dividend period have been paid in full, or set aside for payment, on all outstanding shares of Series C Preferred Stock, we will be prohibited, subject to certain specified exceptions, from (i) declaring or paying any dividends or making any distributions with respect to any stock that ranks on a parity basis with, or junior in interest to, the Series C Preferred Stock or (ii) repurchasing, redeeming, or otherwise acquiring for consideration, directly or indirectly, any stock that ranks on a parity basis with, or junior in interest to, the Series C Preferred Stock.

The holders of the Series C Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Series C Preferred Stock included in Ally's Certificate of Incorporation. The Series C Preferred Stock does not have a stated maturity date, and will be perpetual unless redeemed at Ally's option. Ally is not required to redeem the Series C Preferred Stock and holders of the Series C Preferred Stock have no right to require Ally to redeem their shares. Ally may, at its option, redeem the shares of Series C Preferred stock (i) in whole or in part, on any dividend payment date on or after May 15, 2028, or (ii) in whole, but not in part, at any time within 90 days following a regulatory capital treatment event. In the event of any liquidation, dissolution or winding up of the affairs of Ally, holders of the Series C Preferred Stock will be entitled to receive the liquidation amount per share of Series C Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Series C Preferred Stock, subject to the rights of Ally's creditors.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

The following table summarizes information about our preferred stock.

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

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

16. Accumulated Other Comprehensive Loss

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

| | Three months ended September 30, | | | | | |
|-------------------------------|---|---|-------------------------|-------------------------------------|---|--|
| (\$ in millions) | Unrealized gains (losses) on investment securities (a) | Translation adjustments and net investment hedges (b) | Cash flow hedges (b) | Defined benefit pension plans | Accumulated other comprehensive income (loss) | |
| Balance at July 1, 2021 | \$ 259 | \$ 20 | \$ 48 | \$ (111) | \$ 216 | |
| Net change | (157) | — | (9) | 1 | (165) | |
| Balance at September 30, 2021 | \$ 102 | \$ 20 | \$ 39 | \$ (110) | \$ 51 | |
| Balance at July 1, 2022 | \$ (2,940) | \$ 19 | \$ 27 | \$ (115) | \$ (3,009) | |
| Net change | (1,343) | (1) | (3) | 16 | (1,331) | |
| Balance at September 30, 2022 | \$ (4,283) | \$ 18 | \$ 24 | \$ (99) | \$ (4,340) | |

- (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 19.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| | Nine months ended September 30, | | | | |
|-------------------------------|---|---|-------------------------|-------------------------------------|---|
| | Unrealized gains (losses) on investment securities (a) | Translation adjustments and net investment hedges (b) | Cash flow hedges (b) | Defined benefit pension plans | Accumulated other comprehensive income (loss) |
| <i>(\$ in millions)</i> | | | | | |
| Balance at January 1, 2021 | \$ 640 | \$ 19 | \$ 82 | \$ (110) | \$ 631 |
| Net change | (538) | 1 | (43) | — | (580) |
| Balance at September 30, 2021 | \$ 102 | \$ 20 | \$ 39 | \$ (110) | \$ 51 |
| Balance at January 1, 2022 | \$ (95) | \$ 19 | \$ 35 | \$ (117) | \$ (158) |
| Net change | (4,188) | (1) | (11) | 18 | (4,182) |
| Balance at September 30, 2022 | \$ (4,283) | \$ 18 | \$ 24 | \$ (99) | \$ (4,340) |

(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 19.

Our qualified defined benefit pension plan was frozen in 2006. As of December 31, 2021, we disclosed our intention to settle the qualified defined benefit pension plan in the future. During 2022, we executed our plan to settle the liability in two phases: (1) a single, lump-sum payment window program during the third quarter of 2022; and (2) the purchase of an annuity contract from an independent insurance company for the remainder of the liability during the fourth quarter of 2022. During the three months ended September 30, 2022, we settled \$44 million of our pension liability through cash payments to the participants and beneficiaries of the plan. This resulted in a \$16 million loss in our Condensed Consolidated Statement of Comprehensive Income upon reclassification from accumulated other comprehensive loss, which included a realized loss of \$21 million in compensation and benefits expense and a tax benefit of \$5 million. During the fourth quarter of 2022, we settled the remainder of the qualified defined benefit pension plan. Refer to Note 25 for additional information.

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

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

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

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

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

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

(e) Includes losses reclassified to compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income as a result of actions taken toward the settlement of our qualified defined benefit pension plan.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| Three months ended September 30, 2021 (\$ in millions) | Before tax | Tax effect | After tax |
|---|------------|------------|-----------|
| Investment securities | | | |
| Net unrealized losses arising during the period | \$ (161) | \$ 38 | \$ (123) |
| Less: Net realized gains reclassified to income from continuing operations | 44 (a) | (10) (b) | 34 |
| Net change | (205) | 48 | (157) |
| Translation adjustments | | | |
| Net unrealized losses arising during the period | (4) | 1 | (3) |
| Net investment hedges (c) | | | |
| Net unrealized gains arising during the period | 4 | (1) | 3 |
| Cash flow hedges (c) | | | |
| Less: Net realized gains reclassified to income from continuing operations | 12 (d) | (3) (b) | 9 |
| Defined benefit pension plans | | | |
| Less: Net realized losses reclassified to income from continuing operations | (1) | — (b) | (1) |
| Other comprehensive loss | \$ (216) | \$ 51 | \$ (165) |

(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 19.

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

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

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

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

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

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

(e) Includes losses reclassified to compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income as a result of actions taken toward the settlement of our qualified defined benefit pension plan.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, 2021 (\$ in millions) | Before tax | Tax effect | After tax |
|---|------------|------------|-----------|
| Investment securities | | | |
| Net unrealized losses arising during the period | \$ (621) | \$ 147 | \$ (474) |
| Less: Net realized gains reclassified to income from continuing operations | 82 (a) | (18) (b) | 64 |
| Net change | (703) | 165 | (538) |
| Translation adjustments | | | |
| Net unrealized gains arising during the period | 1 | — | 1 |
| Net investment hedges (c) | | | |
| Net unrealized losses arising during the period | (1) | 1 | — |
| Cash flow hedges (c) | | | |
| Less: Net realized gains reclassified to income from continuing operations | 55 (d) | (12) (b) | 43 |
| Defined benefit pension plans | | | |
| Net unrealized losses arising during the period | (2) | 1 | (1) |
| Less: Net realized losses reclassified to income from continuing operations | (1) | — (b) | (1) |
| Net change | (1) | 1 | — |
| Other comprehensive loss | \$ (759) | \$ 179 | \$ (580) |

(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 19.

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

17. Earnings per Common Share

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

| (\$ in millions, except per share data; shares in thousands) (a) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|----------------|------------------------------------|-----------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income from continuing operations | \$ 300 | \$ 712 | \$ 1,437 | \$ 2,407 |
| Preferred stock dividends — Series B | (16) | (20) | (48) | (20) |
| Preferred stock dividends — Series C | (11) | (9) | (35) | (9) |
| Net income from continuing operations attributable to common stockholders | \$ 273 | \$ 683 | \$ 1,354 | \$ 2,378 |
| (Loss) income from discontinued operations, net of tax | (1) | — | (1) | 1 |
| Net income attributable to common stockholders | \$ 272 | \$ 683 | \$ 1,353 | \$ 2,379 |
| Basic weighted-average common shares outstanding (b) | 308,220 | 359,179 | 321,884 | 368,215 |
| Diluted weighted-average common shares outstanding (b) | 310,086 | 361,855 | 323,875 | 370,745 |
| Basic earnings per common share | | | | |
| Net income from continuing operations | \$ 0.88 | \$ 1.90 | \$ 4.20 | \$ 6.46 |
| Net income | \$ 0.88 | \$ 1.90 | \$ 4.20 | \$ 6.46 |
| Diluted earnings per common share | | | | |
| Net income from continuing operations | \$ 0.88 | \$ 1.89 | \$ 4.18 | \$ 6.41 |
| Net income | \$ 0.88 | \$ 1.89 | \$ 4.18 | \$ 6.42 |

(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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

18. 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 EGRRC 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) required to maintain a buffer of unencumbered highly liquid assets to meet projected net stressed cash outflows over a 30-day planning horizon, (4) exempted from company-run capital stress testing requirements, (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 2021 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, or (c) the BHC stress scenario(s) are not appropriate for our business model and portfolios, or changes in the financial markets or the macroeconomic outlook that could have a material impact on our risk profile and financial condition require the use of updated scenarios.

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 September 30, 2022, 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%.

Prompted by the enactment of the EGRRC Act, the FRB and other U.S. banking agencies tailored the capital and liquidity requirements that apply to large U.S. banking organizations. 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. The final rule also made several changes to the CCAR process effective May 2020, such as eliminating the CCAR quantitative objection, narrowing the set of planned capital actions assumed to occur in the stress scenario, assuming that a firm maintains a constant level of assets over the planning horizon, eliminating the 30% dividend payout ratio as a criterion for heightened scrutiny of a firm's capital plan, and allowing a firm to make capital distributions in excess of those included in its capital plan if the firm is otherwise in compliance with the automatic distribution limits of the capital framework. 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 RWAs. 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%. The 3.5% stress capital buffer requirement was finalized in August 2020, and became effective in October 2020. Ally received an updated preliminary stress capital buffer

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

requirement from the FRB in June 2022, which was determined to be 2.5%. The updated 2.5% stress capital buffer requirement was finalized in August 2022, and became effective on October 1, 2022.

Under applicable capital rules, 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. At both September 30, 2022, and December 31, 2021, Ally Bank was well capitalized under the PCA framework.

Under FDICIA and the PCA framework, insured depository institutions such as Ally Bank must be well capitalized or, with a waiver from the FDIC, adequately capitalized in order to accept brokered deposits, and even adequately capitalized institutions are subject to some restrictions on the rates they may offer for brokered deposits. Brokered deposits totaled \$9.6 billion at September 30, 2022, which represented 6.6% of Ally Bank's total deposits.

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

| (\$ in millions) | September 30, 2022 | | December 31, 2021 | | Required minimum (a) | Well-capitalized minimum |
|--|--------------------|---------|-------------------|---------|----------------------|--------------------------|
| | Amount | Ratio | Amount | Ratio | | |
| Capital ratios | | | | | | |
| Common Equity Tier 1 (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | \$ 14,441 | 9.30 % | \$ 15,143 | 10.34 % | 4.50 % | (b) |
| Ally Bank | 17,302 | 11.75 | 17,253 | 12.39 | 4.50 | 6.50 % |
| Tier 1 (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | \$ 16,716 | 10.77 % | \$ 17,403 | 11.89 % | 6.00 % | 6.00 % |
| Ally Bank | 17,302 | 11.75 | 17,253 | 12.39 | 6.00 | 8.00 |
| Total (to risk-weighted assets) | | | | | | |
| Ally Financial Inc. | \$ 19,238 | 12.39 % | \$ 19,724 | 13.47 % | 8.00 % | 10.00 % |
| Ally Bank | 19,152 | 13.00 | 18,995 | 13.64 | 8.00 | 10.00 |
| Tier 1 leverage (to adjusted quarterly average assets) (c) | | | | | | |
| Ally Financial Inc. | \$ 16,716 | 8.78 % | \$ 17,403 | 9.67 % | 4.00 % | (b) |
| Ally Bank | 17,302 | 9.62 | 17,253 | 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 September 30, 2022, and December 31, 2021, and Ally Bank was required to maintain a minimum capital conservation buffer of 2.5% at both September 30, 2022, and December 31, 2021. Beginning October 1, 2022, Ally's capital conservation buffer requirement was reduced to 2.5%, reflecting its updated stress capital buffer requirement.

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

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

On January 1, 2020, we adopted CECL, which is further described in Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K. In December 2018, the FRB and other U.S. banking agencies approved a final rule to address the impact of

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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 provided 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 elected this alternative option instead of the one described in the December 2018 rule. As a result, under the final rule, we delayed recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extended through December 31, 2021. Beginning on January 1, 2022, we were required to phase in 25% of the previously deferred estimated capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025. The estimated impact of CECL on regulatory capital that we deferred and began phasing in on January 1, 2022, was generally calculated as the entire day-one impact at adoption plus 25% of the subsequent change in allowance during the two-year deferral period. As of September 30, 2022, the total deferred impact on Common Equity Tier 1 capital related to our adoption of CECL was \$887 million.

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.

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. Ally did not opt into the 2021 supervisory stress test but was subject to the 2022 supervisory stress test.

We submitted our 2021 capital plan on April 5, 2021, which included planned capital distributions to common stockholders through share repurchases and cash dividends and other capital actions over the nine-quarter planning horizon. 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. On July 12, 2021, our Board authorized an increase in the maximum amount of this stock-repurchase program, from \$1.6 billion to \$2.0 billion. During the second quarter of 2021, we issued \$1.35 billion of Series B Preferred Stock and \$1.0 billion of Series C Preferred Stock, both of which qualify as additional Tier 1 capital under U.S. Basel III. The proceeds from these issuances were used to redeem a portion of the Series 2 TRUPS then outstanding. Refer to Note 15 for additional details about these instruments and capital actions. In June 2021, we submitted an updated capital plan to the FRB reflecting these capital actions and increases in our stock-repurchase program and common-stock dividend. This updated capital plan was used by the FRB to recalculate Ally's final stress capital buffer requirement, which was announced in August 2021 and remained unchanged at 3.5%. We submitted our 2022 capital plan to the FRB on April 5, 2022. Ally received an updated preliminary stress capital buffer requirement from the FRB in June 2022, which was determined to be 2.5%. The updated 2.5% stress capital buffer requirement was finalized in August 2022, and became effective on October 1, 2022.

On January 10, 2022, our Board authorized a stock-repurchase program, permitting us to repurchase up to \$2.0 billion of our common stock from time to time from the first quarter of 2022 through the fourth quarter of 2022 subject to restrictions imposed by the FRB, and an increase in our cash dividend on common stock from \$0.25 per share for the fourth quarter of 2021 to \$0.30 per share for the first quarter of 2022. 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. During the nine months ended September 30, 2022, we repurchased \$1.6 billion of common stock under our stock-repurchase program. Amid the current macroeconomic environment, we intend to minimize the amount of common-stock repurchases in the fourth quarter of 2022.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| | Common stock repurchased during period (a) (b) | | Number of common shares outstanding | | Cash dividends declared per common share (c) |
|--|---|---------------------|--|---------------|--|
| | Approximate dollar value | Number of shares | Beginning of period | End of period | |
| (\$ in millions, except per share data; shares in thousands) | | | | | |
| 2021 | | | | | |
| First quarter | \$ 219 | 5,276 | 374,674 | 371,805 | \$ 0.19 |
| Second quarter | 502 | 9,641 | 371,805 | 362,639 | 0.19 |
| Third quarter | 679 | 13,055 | 362,639 | 349,599 | 0.25 |
| Fourth quarter | 594 | 12,046 | 349,599 | 337,941 | 0.25 |
| 2022 | | | | | |
| First quarter | \$ 584 | 12,548 | 337,941 | 327,306 | \$ 0.30 |
| Second quarter | 600 | 15,031 | 327,306 | 312,781 | 0.30 |
| Third quarter | 415 | 12,468 | 312,781 | 300,335 | 0.30 |

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

(b) Our aggregate common-stock dividends and share repurchases in the first and second quarters of 2021 were limited by actions taken by the FRB to address the economic uncertainty from the COVID-19 pandemic. Refer to Note 20 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for further details about these actions.

(c) On October 10, 2022, our Board declared a quarterly cash dividend of \$0.30 per share on all common stock, payable on November 15, 2022, to stockholders of record at the close of business on November 1, 2022. Refer to Note 25 for further information regarding this common-stock dividend.

19. 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 net investments in foreign subsidiaries as well as foreign-currency denominated assets and liabilities, and other market risks related to our investment portfolio.

Interest Rate Risk

We monitor our mix of fixed-rate and variable-rate assets and liabilities and may enter into interest rate swaps, forwards, and options to achieve 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 that do not qualify for hedge accounting treatment.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Investment Risk

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

Credit Risk

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

Counterparty Credit Risk

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

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

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

We also execute certain derivatives, such as interest rate swaps, with clearinghouses, which 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 nine months ended September 30, 2022, or 2021.

We placed cash and noncash collateral totaling \$2 million and \$274 million, respectively, supporting our derivative positions at September 30, 2022, compared to \$2 million and \$203 million of cash and noncash collateral at December 31, 2021, in accounts maintained by counterparties. These amounts include noncash collateral placed at clearinghouses and exclude cash and noncash collateral pledged under repurchase agreements. The receivables for cash collateral placed are included on our Condensed Consolidated Balance Sheet in other assets. We granted our counterparties the right to sell or pledge the noncash collateral.

We received cash collateral from counterparties totaling \$6 million and \$4 million in accounts maintained by counterparties at September 30, 2022, and December 31, 2021, respectively. These amounts exclude cash and noncash collateral pledged under repurchase agreements. The payables for cash collateral received are included on our Condensed Consolidated Balance Sheet in accrued expenses and other liabilities.

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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | September 30, 2022 | | | December 31, 2021 | | |
|---|---------------------------|------------------|-----------------|---------------------------|------------------|-----------------|
| | Derivative contracts in a | | Notional amount | Derivative contracts in a | | Notional amount |
| | receivable position | payable position | | receivable position | payable position | |
| Derivatives designated as accounting hedges | | | | | | |
| Interest rate contracts | | | | | | |
| Swaps | \$ — | \$ — | \$ 28,218 | \$ — | \$ — | \$ 17,039 |
| Purchased options | 3 | — | 450 | — | — | — |
| Foreign exchange contracts | | | | | | |
| Forwards | 5 | — | 142 | — | 2 | 171 |
| Total derivatives designated as accounting hedges | 8 | — | 28,810 | — | 2 | 17,210 |
| Derivatives not designated as accounting hedges | | | | | | |
| Interest rate contracts | | | | | | |
| Futures and forwards | 1 | — | 108 | 1 | — | 223 |
| Written options | — | 2 | 127 | 5 | 2 | 580 |
| Total interest rate risk | 1 | 2 | 235 | 6 | 2 | 803 |
| Foreign exchange contracts | | | | | | |
| Futures and forwards | 2 | — | 141 | — | 1 | 154 |
| Total foreign exchange risk | 2 | — | 141 | — | 1 | 154 |
| Credit contracts (a) | | | | | | |
| Other credit derivatives | — | 46 | n/a | — | 56 | n/a |
| Total credit risk | — | 46 | n/a | — | 56 | n/a |
| Equity contracts | | | | | | |
| Written options | — | — | — | — | 1 | 2 |
| Purchased options | — | — | — | 1 | — | — |
| Total equity risk | — | — | — | 1 | 1 | 2 |
| Total derivatives not designated as accounting hedges | 3 | 48 | 376 | 7 | 60 | 959 |
| Total derivatives | \$ 11 | \$ 48 | \$ 29,186 | \$ 7 | \$ 62 | \$ 18,169 |

n/a = not applicable

(a) The maximum potential amount of undiscounted future payments that could be required under these credit derivatives was \$94 million and \$119 million as of September 30, 2022, and December 31, 2021, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged items | | | | | |
|--|--|-------------------|--------------------|-------------------|--------------------|-------------------|
| | Carrying amount of the hedged items | | Total | | Discontinued (a) | |
| | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 |
| Assets | | | | | | |
| Available-for-sale securities (b) | \$ 4,989 | \$ 5,119 | \$ (189) | \$ (14) | \$ (153) | \$ (30) |
| Finance receivables and loans, net (c) | 41,527 | 44,098 | (658) | (37) | (66) | 46 |
| Liabilities | | | | | | |
| Long-term debt | \$ 7,048 | \$ 7,213 | \$ 105 | \$ 110 | \$ 107 | \$ 110 |

- (a) Represents the fair value hedging adjustment on qualifying hedges for which the hedging relationship was discontinued. This represents a subset of the amounts reported in the total hedging adjustment.
- (b) These amounts include the amortized cost basis and unallocated basis adjustments of closed portfolios of available-for-sale securities used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. At September 30, 2022, and December 31, 2021, the amortized cost basis and unallocated basis adjustments of the closed portfolios used in these hedging relationships was \$3.7 billion and \$3.9 billion, respectively, of which \$1.7 billion and \$1.6 billion, respectively, represents the amortized cost basis and unallocated basis adjustments of closed portfolios designated in an active hedge relationship. At September 30, 2022, and December 31, 2021, the total cumulative basis adjustments associated with these hedging relationships was a \$141 million liability and a \$6 million liability, respectively, of which the portion related to discontinued hedging relationships was a \$116 million liability and a \$20 million liability, respectively. At September 30, 2022, and December 31, 2021, the notional amounts of the designated hedged items were \$1.1 billion and \$1.2 billion, respectively, with cumulative basis adjustments of a \$25 million liability and a \$14 million asset, respectively, which would be allocated across the entire remaining closed pool upon termination or maturity of the hedge relationship. Refer to Note 7 for a reconciliation of the amortized cost and fair value of available-for-sale securities.
- (c) These amounts include the carrying value of closed portfolios of loan receivables used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. At September 30, 2022, and December 31, 2021, the carrying value of the closed portfolios used in these hedging relationships was \$41.5 billion and \$44.1 billion, respectively, of which \$41.2 billion and \$43.5 billion, respectively, represents the carrying value of closed portfolios designated in an active hedge relationship. At September 30, 2022, and December 31, 2021, the total cumulative basis adjustments associated with these hedging relationships was a \$658 million liability and a \$37 million liability, respectively, of which the portion related to discontinued hedging relationships was a \$66 million liability and a \$46 million asset, respectively. At September 30, 2022, and December 31, 2021, the notional amounts of the designated hedged items were \$21.5 billion and \$15.6 billion, respectively, with cumulative basis adjustments of a \$592 million liability and an \$82 million liability, respectively, which would be allocated across the entire remaining closed pool upon termination or maturity of the hedge relationship.

Statement of Income Presentation

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|--------|---------------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Gain (loss) recognized in earnings | | | | |
| Interest rate contracts | | | | |
| Gain (loss) on mortgage and automotive loans, net | \$ 7 | \$ (4) | \$ 8 | \$ (12) |
| Other income, net of losses | 4 | 4 | 10 | 6 |
| Total interest rate contracts | 11 | — | 18 | (6) |
| Foreign exchange contracts | | | | |
| Other operating expenses | 9 | 3 | 11 | (1) |
| Total foreign exchange contracts | 9 | 3 | 11 | (1) |
| Credit contracts | | | | |
| Other income, net of losses | — | (7) | (2) | (22) |
| Total credit contracts | — | (7) | (2) | (22) |
| Total gain (loss) recognized in earnings | \$ 20 | \$ (4) | \$ 27 | \$ (29) |

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| Three months ended September 30, (\$ in millions) | Interest and fees on finance receivables and loans | | Interest and dividends on investment securities and other earning assets | | Interest on deposits | | Interest on long-term debt | |
|---|---|----------|--|--------|----------------------|--------|----------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Gain (loss) on fair value hedging relationships | | | | | | | | |
| Interest rate contracts | | | | | | | | |
| Hedged fixed-rate unsecured debt | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 1 | \$ (4) |
| Derivatives designated as hedging instruments on fixed-rate unsecured debt | — | — | — | — | — | — | (1) | 4 |
| Hedged available-for-sale securities | — | — | (97) | (34) | — | — | — | — |
| Derivatives designated as hedging instruments on available-for-sale securities | — | — | 97 | 34 | — | — | — | — |
| Hedged fixed-rate consumer automotive loans | (174) | (35) | — | — | — | — | — | — |
| Derivatives designated as hedging instruments on fixed-rate consumer automotive loans | 174 | 35 | — | — | — | — | — | — |
| Total gain on fair value hedging relationships | — | — | — | — | — | — | — | — |
| Gain (loss) on cash flow hedging relationships | | | | | | | | |
| Interest rate contracts | | | | | | | | |
| Hedged variable-rate commercial loans | | | | | | | | |
| Reclassified from accumulated other comprehensive income into income | 5 | 12 | — | — | — | — | — | — |
| Other hedged forecasted transactions | | | | | | | | |
| Reclassified from accumulated other comprehensive income into income | — | — | — | — | — | — | (1) | — |
| Total gain (loss) on cash flow hedging relationships | \$ 5 | \$ 12 | \$ — | \$ — | \$ — | \$ — | \$ (1) | \$ — |
| Total amounts presented in the Condensed Consolidated Statement of Comprehensive Income | \$ 2,120 | \$ 1,619 | \$ 218 | \$ 155 | \$ 567 | \$ 245 | \$ 194 | \$ 191 |

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, (\$ in millions) | Interest and fees on finance receivables and loans | | Interest and dividends on investment securities and other earning assets | | Interest on deposits | | Interest on long-term debt | |
|--|---|----------|--|--------|----------------------|--------|----------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Gain (loss) on fair value hedging relationships | | | | | | | | |
| Interest rate contracts | | | | | | | | |
| Hedged fixed-rate unsecured debt | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 5 | \$ 69 |
| Derivatives designated as hedging instruments on fixed-rate unsecured debt | — | — | — | — | — | — | (5) | (69) |
| Hedged available-for-sale securities | — | — | (186) | (51) | — | — | — | — |
| Derivatives designated as hedging instruments on available-for-sale securities | — | — | 186 | 51 | — | — | — | — |
| Hedged fixed-rate consumer automotive loans | (627) | (112) | — | — | — | — | — | — |
| Derivatives designated as hedging instruments on fixed-rate consumer automotive loans | 627 | 112 | — | — | — | — | — | — |
| Total gain on fair value hedging relationships | — | — | — | — | — | — | — | — |
| (Loss) gain on cash flow hedging relationships | | | | | | | | |
| Interest rate contracts | | | | | | | | |
| Hedged deposit liabilities | | | | | | | | |
| Reclassified from accumulated other comprehensive income into income | — | — | — | — | — | (1) | — | — |
| Hedged variable-rate commercial loans | | | | | | | | |
| Reclassified from accumulated other comprehensive income into income | 16 | 52 | — | — | — | — | — | — |
| Reclassified from accumulated other comprehensive income into income as a result of a forecasted transaction being probable not to occur | — | 4 | — | — | — | — | — | — |
| Other hedged forecasted transactions | | | | | | | | |
| Reclassified from accumulated other comprehensive income into income | — | — | — | — | — | — | (1) | — |
| Total gain (loss) on cash flow hedging relationships | \$ 16 | \$ 56 | \$ — | \$ — | \$ — | \$ (1) | \$ (1) | \$ — |
| Total amounts presented in the Condensed Consolidated Statement of Comprehensive Income | \$ 5,676 | \$ 4,789 | \$ 609 | \$ 433 | \$ 1,041 | \$ 819 | \$ 563 | \$ 671 |

During the next 12 months, we estimate \$19 million of gains will be reclassified into pretax earnings from derivatives designated as cash flow hedges.

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

| Three months ended September 30, (\$ in millions) | Interest and fees on finance receivables and loans | | Interest and dividends on investment securities and other earning assets | | Interest on long-term debt | |
|--|---|---------|--|--------|----------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Gain (loss) on fair value hedging relationships | | | | | | |
| Interest rate contracts | | | | | | |
| Amortization of deferred unsecured debt basis adjustments | \$ — | \$ — | \$ — | \$ — | \$ 1 | \$ 1 |
| Amortization of deferred secured debt basis adjustments (FHLB advances) | — | — | — | — | (1) | (3) |
| Amortization of deferred basis adjustments of available-for-sale securities | — | — | 4 | (1) | — | — |
| Interest for qualifying accounting hedges of available-for-sale securities | — | — | — | (1) | — | — |
| Amortization of deferred loan basis adjustments | 17 | (11) | — | — | — | — |
| Interest for qualifying accounting hedges of consumer automotive loans held for investment | 36 | (31) | — | — | — | — |
| Total gain (loss) on fair value hedging relationships | \$ 53 | \$ (42) | \$ 4 | \$ (2) | \$ — | \$ (2) |

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, (\$ in millions) | Interest and fees on finance receivables and loans | | Interest and dividends on investment securities and other earning assets | | Interest on long-term debt | |
|--|--|----------|--|--------|----------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Gain (loss) on fair value hedging relationships | | | | | | |
| Interest rate contracts | | | | | | |
| Amortization of deferred unsecured debt basis adjustments | \$ — | \$ — | \$ — | \$ — | \$ 3 | \$ 3 |
| Interest for qualifying accounting hedges of unsecured debt | — | — | — | — | 1 | 3 |
| Amortization of deferred secured debt basis adjustments (FHLB advances) | — | — | — | — | (3) | (11) |
| Amortization of deferred basis adjustments of available-for-sale securities | — | — | 9 | (4) | — | — |
| Interest for qualifying accounting hedges of available-for-sale securities | — | — | (1) | (5) | — | — |
| Amortization of deferred loan basis adjustments | 6 | (35) | — | — | — | — |
| Interest for qualifying accounting hedges of consumer automotive loans held for investment | 13 | (93) | — | — | — | — |
| Total gain (loss) on fair value hedging relationships | \$ 19 | \$ (128) | \$ 8 | \$ (9) | \$ 1 | \$ (5) |

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|---------|---------------------------------|---------|
| | 2022 | 2021 | 2022 | 2021 |
| Interest rate contracts | | | | |
| Loss recognized in other comprehensive loss | \$ (4) | \$ (12) | \$ (15) | \$ (55) |

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|----------------------------------|------|---------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Foreign exchange contracts (a) (b) | | | | |
| Gain (loss) recognized in other comprehensive loss | \$ 10 | \$ 4 | \$ 11 | \$ (1) |

(a) There were no amounts excluded from effectiveness testing for the three months and nine months ended September 30, 2022, or 2021.

(b) Gains and losses reclassified from accumulated other comprehensive loss are reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income. There were no amounts reclassified for the three months and nine months ended September 30, 2022, or 2021.

20. Income Taxes

We recognized total income tax expense from continuing operations of \$117 million and \$460 million for the three months and nine months ended September 30, 2022, respectively, compared to income tax expense of \$195 million and \$549 million for the same periods in 2021. The decreases in income tax expense for the three months and nine months ended September 30, 2022, compared to the same periods in 2021, were primarily due to the tax effects of a decrease in pretax earnings, partially offset by adjustments to the valuation allowance on foreign tax credit carryforwards.

The valuation allowance establishment during the three months and nine months ended September 30, 2022, was primarily driven by a reduction in forecasted foreign-sourced income caused by revised estimates from certain previously executed and forecasted securitization transactions. During the three months and nine months ended September 30, 2022, we lowered our income tax benefit from these securitization transactions by \$27 million and \$47 million, respectively, due to the recharacterization of certain income that was previously foreign-sourced income as domestically-sourced and higher interest expense assumptions. The valuation allowance release during the nine months ended September 30, 2021, was primarily driven by increases in forecasted foreign-sourced income related to our capacity to engage in certain securitization transactions and the market demand from investors related to these transactions, coupled with the anticipated timing of the forecasted expiration of foreign tax credit carryforwards, resulting in a nonrecurring tax benefit in the second quarter of 2021.

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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

21. Fair Value

Fair Value Measurements

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

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

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

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

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

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

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

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

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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.

| September 30, 2022 (\$ in millions) | Recurring fair value measurements | | | |
|---|-----------------------------------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investment securities | | | | |
| Equity securities (a) (b) | \$ 606 | \$ — | \$ 1 | \$ 607 |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| U.S. Treasury and federal agencies | 1,999 | — | — | 1,999 |
| U.S. States and political subdivisions | — | 735 | 2 | 737 |
| Foreign government | 38 | 103 | — | 141 |
| Agency mortgage-backed residential | — | 16,675 | — | 16,675 |
| Mortgage-backed residential | — | 4,380 | — | 4,380 |
| Agency mortgage-backed commercial | — | 3,523 | — | 3,523 |
| Asset-backed | — | 467 | — | 467 |
| Corporate debt | — | 1,691 | — | 1,691 |
| Total available-for-sale securities | 2,037 | 27,574 | 2 | 29,613 |
| Mortgage loans held-for-sale (c) | — | 44 | — | 44 |
| Finance receivables and loans, net | | | | |
| Consumer other (c) | — | — | 6 | 6 |
| Other assets | | | | |
| Derivative contracts in a receivable position | | | | |
| Interest rate | — | 4 | — | 4 |
| Foreign currency | — | 7 | — | 7 |
| Total derivative contracts in a receivable position | — | 11 | — | 11 |
| Total assets | \$ 2,643 | \$ 27,629 | \$ 9 | \$ 30,281 |
| Liabilities | | | | |
| Accrued expenses and other liabilities | | | | |
| Derivative contracts in a payable position | | | | |
| Interest rate | \$ — | \$ — | \$ 2 | \$ 2 |
| Credit contracts | — | — | 46 | 46 |
| Total derivative contracts in a payable position | — | — | 48 | 48 |
| Total liabilities | \$ — | \$ — | \$ 48 | \$ 48 |

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

(b) Excludes \$40 million of equity securities that are measured at fair value using the net asset value practical expedient and therefore are not classified in the fair value hierarchy.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| December 31, 2021 (\$ in millions) | Recurring fair value measurements | | | |
|---|-----------------------------------|-----------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Investment securities | | | | |
| Equity securities (a) | \$ 1,093 | \$ — | \$ 9 | \$ 1,102 |
| Available-for-sale securities | | | | |
| Debt securities | | | | |
| U.S. Treasury and federal agencies | 2,155 | — | — | 2,155 |
| U.S. States and political subdivisions | — | 855 | 9 | 864 |
| Foreign government | 19 | 138 | — | 157 |
| Agency mortgage-backed residential | — | 19,039 | — | 19,039 |
| Mortgage-backed residential | — | 4,425 | — | 4,425 |
| Agency mortgage-backed commercial | — | 4,526 | — | 4,526 |
| Asset-backed | — | 534 | — | 534 |
| Corporate debt | — | 1,887 | — | 1,887 |
| Total available-for-sale securities | 2,174 | 31,404 | 9 | 33,587 |
| Mortgage loans held-for-sale (b) | — | 80 | — | 80 |
| Finance receivables and loans, net | | | | |
| Consumer other (b) | — | — | 7 | 7 |
| Other assets | | | | |
| Derivative contracts in a receivable position | | | | |
| Interest rate | — | 1 | 5 | 6 |
| Equity contracts | 1 | — | — | 1 |
| Total derivative contracts in a receivable position | 1 | 1 | 5 | 7 |
| Total assets | \$ 3,268 | \$ 31,485 | \$ 30 | \$ 34,783 |
| Liabilities | | | | |
| Accrued expenses and other liabilities | | | | |
| Derivative contracts in a payable position | | | | |
| Interest rate | \$ — | \$ — | \$ 2 | \$ 2 |
| Foreign currency | — | 3 | — | 3 |
| Credit contracts | — | — | 56 | 56 |
| Equity contracts | 1 | — | — | 1 |
| Total derivative contracts in a payable position | 1 | 3 | 58 | 62 |
| Total liabilities | \$ 1 | \$ 3 | \$ 58 | \$ 62 |

(a) Our direct investment in any one industry did not exceed 8%.

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | Equity securities (a) | | Available-for-sale securities | | Mortgage loans held-for-sale (b) (c) | | Finance receivables and loans, net (b) | |
|--|-----------------------|-------|-------------------------------|------|--------------------------------------|-------|--|------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | | | |
| Fair value at July 1, | \$ 2 | \$ 9 | \$ 12 | \$ 7 | \$ — | \$ 97 | \$ 7 | \$ 8 |
| Net realized/unrealized (losses) gains | | | | | | | | |
| Included in earnings | (1) | 1 | — | — | — | 15 | — | 1 |
| Included in OCI | — | — | — | — | — | — | — | — |
| Purchases | — | — | 1 | — | — | 789 | 4 | 4 |
| Sales | — | — | — | — | — | (799) | — | — |
| Issuances | — | — | — | — | — | — | — | — |
| Settlements | — | — | (11) | — | — | — | (5) | (5) |
| Transfers into Level 3 | — | 1 | — | — | — | — | — | — |
| Transfers out of Level 3 (d) | — | — | — | — | — | (102) | — | — |
| Fair value at September 30, | \$ 1 | \$ 11 | \$ 2 | \$ 7 | \$ — | \$ — | \$ 6 | \$ 8 |
| Net unrealized gains still held at September 30, | | | | | | | | |
| Included in earnings | \$ — | \$ 1 | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| Included in OCI | — | — | — | — | — | — | — | — |

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

(d) During the three months ended September 30, 2021, mortgage loans held for sale were transferred out of Level 3 and into Level 2 of the fair value hierarchy. This transfer reflects that the underlying assets are valued based on observable prices in an active market for similar assets, and is deemed to have occurred at the end of the reporting period.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| (\$ in millions) | Derivative liabilities, net of derivative assets (a) | |
|---|---|-------|
| | 2022 | 2021 |
| Liabilities | | |
| Fair value at July 1, | \$ 50 | \$ 37 |
| Net realized/unrealized (gains) losses | | |
| Included in earnings | (6) | 12 |
| Included in OCI | — | — |
| Purchases | — | — |
| Sales | — | — |
| Issuances | — | 1 |
| Settlements | (2) | — |
| Transfers into Level 3 | — | — |
| Transfers out of Level 3 (b) (c) | 6 | 2 |
| Fair value at September 30, | \$ 48 | \$ 52 |
| Net unrealized (gains) losses still held at September 30, | | |
| Included in earnings | \$ (1) | \$ 10 |
| Included in OCI | — | — |

- (a) Net realized/unrealized (gains) losses are reported as gain on mortgage and automotive loans, net, and other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.
- (b) Represents the settlement value of interest rate derivative assets that are transferred to loans held-for-sale within Level 2 of the fair value hierarchy during the three months ended September 30, 2022.
- (c) During the three months ended September 30, 2021, certain derivative assets were transferred out of Level 3 and into Level 2 of the fair value hierarchy. This transfer reflects that the underlying assets are valued based on observable prices in an active market for similar assets, and is deemed to have occurred at the end of the reporting period.

| (\$ in millions) | Equity securities (a) | | Available-for-sale securities | | Mortgage loans held-for- sale (b) (c) | | Finance receivables and loans, net (b) (d) | |
|---|-----------------------|-------|----------------------------------|------|--|---------|---|------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Assets | | | | | | | | |
| Fair value at January 1, | \$ 9 | \$ 7 | \$ 9 | \$ 7 | \$ — | \$ 91 | \$ 7 | \$ 8 |
| Net realized/unrealized gains (losses) | | | | | | | | |
| Included in earnings | 1 | 5 | — | — | — | 64 | (1) | 2 |
| Included in OCI | — | — | — | — | — | — | — | — |
| Purchases | — | — | 4 | — | — | 2,640 | 12 | 12 |
| Sales | (9) | (2) | — | — | — | (2,693) | — | — |
| Issuances | — | — | — | — | — | — | — | — |
| Settlements | — | — | (11) | — | — | — | (12) | (14) |
| Transfers into Level 3 | — | 1 | — | — | — | — | — | — |
| Transfers out of Level 3 (e) | — | — | — | — | — | (102) | — | — |
| Fair value at September 30, | \$ 1 | \$ 11 | \$ 2 | \$ 7 | \$ — | \$ — | \$ 6 | \$ 8 |
| Net unrealized gains (losses) still held at September 30, | | | | | | | | |
| Included in earnings | \$ — | \$ 5 | \$ — | \$ — | \$ — | \$ — | \$ (1) | \$ — |
| Included in OCI | — | — | — | — | — | — | — | — |

- (a) Net realized/unrealized gains 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 are reported as gain on mortgage and automotive loans, net, in the Condensed Consolidated Statement of Comprehensive Income.
- (d) Net realized/unrealized (losses) gains are reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.
- (e) During the nine months ended September 30, 2021, mortgage loans held for sale were transferred out of Level 3 and into Level 2 of the fair value hierarchy. This transfer reflects that the underlying assets are valued based on observable prices in an active market for similar assets, and is deemed to have occurred at the end of the reporting period.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| (\$ in millions) | Derivative liabilities, net of derivative assets (a) | |
|---|---|-------|
| | 2022 | 2021 |
| Liabilities | | |
| Fair value at January 1, | \$ 53 | \$ 12 |
| Net realized/unrealized losses | | |
| Included in earnings | 1 | 34 |
| Included in OCI | — | — |
| Purchases | — | — |
| Sales | — | — |
| Issuances | — | 4 |
| Settlements | (12) | — |
| Transfers into Level 3 | — | — |
| Transfers out of Level 3 (b) (c) | 6 | 2 |
| Fair value at September 30, | \$ 48 | \$ 52 |
| Net unrealized (gains) losses still held at September 30, | | |
| Included in earnings | \$ (5) | \$ 25 |
| Included in OCI | — | — |

- (a) Net realized/unrealized (gains) losses are reported as gain on mortgage and automotive loans, net, and other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.
- (b) Represents the settlement value of interest rate derivative assets that are transferred to loans held-for-sale within Level 2 of the fair value hierarchy during the nine months ended September 30, 2022.
- (c) During the nine months ended September 30, 2021, certain derivative assets were transferred out of Level 3 and into Level 2 of the fair value hierarchy. This transfer reflects that the underlying assets are valued based on observable prices in an active market for similar assets, and is deemed to have occurred at the end of the reporting period.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

Nonrecurring Fair Value

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

The following tables display assets and liabilities measured at fair value on a nonrecurring basis and still held at September 30, 2022, and December 31, 2021, respectively. The amounts are generally as of the end of each period presented, which approximate the fair value measurements that occurred during each period.

| September 30, 2022 (\$ in millions) | Nonrecurring fair value measurements | | | | Lower-of-cost-or-fair-value reserve, valuation reserve, or cumulative adjustments | Total gain (loss) included in earnings |
|---|--------------------------------------|---------|---------|--------|---|--|
| | Level 1 | Level 2 | Level 3 | Total | | |
| Assets | | | | | | |
| Loans held-for-sale, net | \$ — | \$ — | \$ 765 | \$ 765 | \$ — | n/m (a) |
| Commercial finance receivables and loans, net (b) | | | | | | |
| Other | — | — | 63 | 63 | (67) | n/m (a) |
| Total commercial finance receivables and loans, net | — | — | 63 | 63 | (67) | n/m (a) |
| Other assets | | | | | | |
| Nonmarketable equity investments | — | 1 | 32 | 33 | — | n/m (a) |
| Reposessed and foreclosed assets (c) | — | — | 5 | 5 | — | n/m (a) |
| Total assets | \$ — | \$ 1 | \$ 865 | \$ 866 | \$ (67) | n/m |

n/m = not meaningful

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

| December 31, 2021 (\$ in millions) | Nonrecurring fair value measurements | | | | Lower-of-cost-or-fair-value reserve, valuation reserve, or cumulative adjustments | Total gain (loss) included in earnings |
|---|--------------------------------------|---------|---------|--------|---|--|
| | Level 1 | Level 2 | Level 3 | Total | | |
| Assets | | | | | | |
| Loans held-for-sale, net | \$ — | \$ — | \$ 468 | \$ 468 | \$ — | n/m (a) |
| Commercial finance receivables and loans, net (b) | | | | | | |
| Automotive | — | — | 4 | 4 | — | n/m (a) |
| Other | — | — | 112 | 112 | (65) | n/m (a) |
| Total commercial finance receivables and loans, net | — | — | 116 | 116 | (65) | n/m (a) |
| Other assets | | | | | | |
| Nonmarketable equity investments | — | — | 7 | 7 | (5) | n/m (a) |
| Reposessed and foreclosed assets (c) | — | — | 4 | 4 | — | n/m (a) |
| Total assets | \$ — | \$ — | \$ 595 | \$ 595 | \$ (70) | n/m |

n/m = not meaningful

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

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled *Recurring Fair Value*. When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting current market data to develop the market assumptions and inputs necessary to estimate fair value. As such, the actual amount received to sell an asset or the amount paid to settle a liability could differ from our estimates. Fair value information presented herein was based on information available at September 30, 2022, and December 31, 2021.

| (\$ in millions) | Carrying value | Estimated fair value | | | |
|------------------------------------|----------------|----------------------|----------|-----------|-----------|
| | | Level 1 | Level 2 | Level 3 | Total |
| September 30, 2022 | | | | | |
| Financial assets | | | | | |
| Held-to-maturity securities | \$ 1,084 | \$ — | \$ 903 | \$ — | \$ 903 |
| Loans held-for-sale, net | 764 | — | — | 764 | 764 |
| Finance receivables and loans, net | 128,839 | — | — | 130,628 | 130,628 |
| FHLB/FRB stock (a) | 1,010 | — | 1,010 | — | 1,010 |
| Financial liabilities | | | | | |
| Deposit liabilities | \$ 38,507 | \$ — | \$ — | \$ 37,950 | \$ 37,950 |
| Short-term borrowings | 7,200 | — | — | 7,208 | 7,208 |
| Long-term debt | 16,628 | — | 10,933 | 6,151 | 17,084 |
| December 31, 2021 | | | | | |
| Financial assets | | | | | |
| Held-to-maturity securities | \$ 1,170 | \$ — | \$ 1,204 | \$ — | \$ 1,204 |
| Loans held-for-sale, net | 469 | — | — | 469 | 469 |
| Finance receivables and loans, net | 118,994 | — | — | 126,044 | 126,044 |
| FHLB/FRB stock (a) | 738 | — | 738 | — | 738 |
| Financial liabilities | | | | | |
| Deposit liabilities | \$ 40,953 | \$ — | \$ — | \$ 41,164 | \$ 41,164 |
| Long-term debt | 17,029 | — | 12,637 | 6,892 | 19,529 |

(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.

22. 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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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

In certain instances, as it relates to our derivative instruments, we have the option to report derivative assets and liabilities as well as assets and liabilities associated with cash collateral received or delivered that is governed by a master netting agreement on a net basis as long as certain qualifying criteria are met. Similarly, for our repurchase/reverse repurchase transactions, we have the option to report recognized assets and liabilities subject to a master netting agreement on a net basis if certain qualifying criteria are met. At September 30, 2022, 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 19.

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

| | Gross amounts of recognized assets/liabilities | | Gross amounts offset on the Condensed Consolidated Balance Sheet | | Net amounts of assets/liabilities presented on the Condensed Consolidated Balance Sheet | | Gross amounts not offset on the Condensed Consolidated Balance Sheet | | | | | |
|--|--|----|--|---|--|----|---|---------------------------|----|------------|----|----|
| | | | | | | | Financial instruments | Collateral (a) (b) (c) | | Net amount | | |
| (\$ in millions) | | | | | | | | | | | | |
| September 30, 2022 | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Derivative assets in net asset positions | \$ | 10 | \$ | — | \$ | 10 | \$ | — | \$ | (6) | \$ | 4 |
| Derivative assets with no offsetting arrangements | | 1 | | — | | 1 | | — | | — | | 1 |
| Total assets | \$ | 11 | \$ | — | \$ | 11 | \$ | — | \$ | (6) | \$ | 5 |
| Liabilities | | | | | | | | | | | | |
| Derivative liabilities in net liability positions | \$ | — | \$ | — | \$ | — | \$ | — | \$ | — | \$ | — |
| Derivative liabilities with no offsetting arrangements | | 48 | | — | | 48 | | — | | — | | 48 |
| Total liabilities | \$ | 48 | \$ | — | \$ | 48 | \$ | — | \$ | — | \$ | 48 |
| December 31, 2021 | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Derivative assets in net asset positions | \$ | 1 | \$ | — | \$ | 1 | \$ | (1) | \$ | — | \$ | — |
| Derivative assets with no offsetting arrangements | | 6 | | — | | 6 | | — | | — | | 6 |
| Total assets | \$ | 7 | \$ | — | \$ | 7 | \$ | (1) | \$ | — | \$ | 6 |
| Liabilities | | | | | | | | | | | | |
| Derivative liabilities in net liability positions | \$ | 3 | \$ | — | \$ | 3 | \$ | — | \$ | (2) | \$ | 1 |
| Derivative liabilities in net asset positions | | 1 | | — | | 1 | | (1) | | — | | — |
| Derivative liabilities with no offsetting arrangements | | 58 | | — | | 58 | | — | | — | | 58 |
| Total liabilities | \$ | 62 | \$ | — | \$ | 62 | \$ | (1) | \$ | (2) | \$ | 59 |

(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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

23. 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.

Dealer Financial Services

Dealer Financial Services comprises our Automotive Finance and Insurance segments.

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

Mortgage Finance operations

Our held-for-investment portfolio includes our direct-to-consumer Ally Home mortgage offering and bulk purchases of high-quality jumbo and LMI mortgage loans originated by third parties. Through our direct-to-consumer channel, we offer a variety of competitively priced jumbo and conforming fixed- and adjustable-rate mortgage products through a third-party 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, refinancing and recapitalizations, mergers and acquisitions, growth, turnarounds, and debtor-in-possession financings. We also provide, through our Lender Finance business, nonbank wholesale-funded managers with partial funding for their direct-lending activities, which is principally leveraged loans. Additionally, we offer a commercial real estate product to serve companies in the healthcare industry.

Corporate and Other

Corporate and Other primarily consists of centralized corporate treasury activities, such as management of the cash and corporate investment securities and loan portfolios, short- and long-term debt, retail and brokered deposit liabilities, derivative instruments, original issue discount, and the residual impacts of our corporate FTP and treasury ALM activities. Corporate and Other also includes certain equity investments, which primarily consist of FHLB and FRB stock—as well as other strategic investments—and the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, and reclassifications and eliminations between the reportable operating segments. Financial results related to Ally Invest, our digital brokerage and wealth management offering, Ally Lending, our point-of-sale financing business, Ally Credit Card, and CRA loans and related investments are also included within Corporate and Other.

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

The information presented in our reportable operating segments is based in part on internal allocations and methodologies, including a corporate overhead (COH) methodology, which involves management judgment. COH methodology is used for measuring the profit and loss of our reportable operating segments. We have various enterprise functions such as technology, marketing, finance, compliance, internal audit, and risk. Operating expenses from the enterprise functions are either directly allocated to the reportable operating segment, indirectly allocated to the reportable operating segment utilizing the COH methodology, or remain in Corporate and Other. COH methodology considers the reportable operating segment operating expense base and enterprise function expenses. The reportable operating segment expense base is used to determine the allocation mix. This mix is applied to the allocable expenses in Corporate and Other to determine the COH for the respective reportable operating segment. Allocable enterprise function costs are primarily technology and marketing expenses. Generally,

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

costs that remain within Corporate and Other that are not allocated to our reportable operating segments include marketing sponsorships, treasury and other corporate activities, and charitable contributions.

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

| Three months ended September 30, (\$ in millions) | Automotive Finance operations | Insurance operations | Mortgage Finance operations | Corporate Finance operations | Corporate and Other | Consolidated (a) |
|--|-------------------------------------|-------------------------|-----------------------------------|------------------------------------|------------------------|------------------|
| 2022 | | | | | | |
| Net financing revenue and other interest income | \$ 1,303 | \$ 24 | \$ 57 | \$ 80 | \$ 255 | \$ 1,719 |
| Other revenue (loss) | 74 | 236 | 7 | 54 | (74) | 297 |
| Total net revenue | 1,377 | 260 | 64 | 134 | 181 | 2,016 |
| Provision for credit losses | 328 | — | 2 | 13 | 95 | 438 |
| Total noninterest expense | 561 | 290 | 43 | 30 | 237 | 1,161 |
| Income (loss) from continuing operations before income tax expense | \$ 488 | \$ (30) | \$ 19 | \$ 91 | \$ (151) | \$ 417 |
| Total assets | \$ 109,114 | \$ 8,533 | \$ 19,862 | \$ 9,840 | \$ 41,291 | \$ 188,640 |
| 2021 | | | | | | |
| Net financing revenue and other interest income | \$ 1,329 | \$ 14 | \$ 36 | \$ 77 | \$ 138 | \$ 1,594 |
| Other revenue | 61 | 283 | 19 | 16 | 12 | 391 |
| Total net revenue | 1,390 | 297 | 55 | 93 | 150 | 1,985 |
| Provision for credit losses | 53 | — | 2 | 5 | 16 | 76 |
| Total noninterest expense | 512 | 273 | 47 | 27 | 143 | 1,002 |
| Income (loss) from continuing operations before income tax expense | \$ 825 | \$ 24 | \$ 6 | \$ 61 | \$ (9) | \$ 907 |
| Total assets | \$ 99,617 | \$ 9,354 | \$ 16,328 | \$ 6,729 | \$ 47,156 | \$ 179,184 |

(a) Net financing revenue and other interest income after the provision for credit losses totaled \$1.3 billion and \$1.5 billion for the three months ended September 30, 2022, and September 30, 2021, respectively.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, (\$ in millions) | Automotive Finance operations | Insurance operations | Mortgage Finance operations | Corporate Finance operations | Corporate and Other | Consolidated (a) |
|--|-------------------------------------|-------------------------|-----------------------------------|------------------------------------|------------------------|------------------|
| 2022 | | | | | | |
| Net financing revenue and other interest income | \$ 3,899 | \$ 61 | \$ 166 | \$ 240 | \$ 810 | \$ 5,176 |
| Other revenue | 214 | 664 | 25 | 97 | 51 | 1,051 |
| Total net revenue | 4,113 | 725 | 191 | 337 | 861 | 6,227 |
| Provision for credit losses | 660 | — | 2 | 27 | 220 | 909 |
| Total noninterest expense | 1,640 | 864 | 153 | 95 | 669 | 3,421 |
| Income (loss) from continuing operations before income tax expense | \$ 1,813 | \$ (139) | \$ 36 | \$ 215 | \$ (28) | \$ 1,897 |
| Total assets | \$ 109,114 | \$ 8,533 | \$ 19,862 | \$ 9,840 | \$ 41,291 | \$ 188,640 |
| 2021 | | | | | | |
| Net financing revenue and other interest income | \$ 3,868 | \$ 44 | \$ 82 | \$ 225 | \$ 294 | \$ 4,513 |
| Other revenue | 184 | 1,006 | 81 | 75 | 148 | 1,494 |
| Total net revenue | 4,052 | 1,050 | 163 | 300 | 442 | 6,007 |
| Provision for credit losses | 8 | — | (2) | 5 | 20 | 31 |
| Total noninterest expense | 1,499 | 798 | 136 | 86 | 501 | 3,020 |
| Income (loss) from continuing operations before income tax expense | \$ 2,545 | \$ 252 | \$ 29 | \$ 209 | \$ (79) | \$ 2,956 |
| Total assets | \$ 99,617 | \$ 9,354 | \$ 16,328 | \$ 6,729 | \$ 47,156 | \$ 179,184 |

(a) Net financing revenue and other interest income after the provision for credit losses totaled \$4.3 billion and \$4.5 billion for the nine months ended September 30, 2022, and September 30, 2021, respectively.

24. 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 2021 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.

Notes to Condensed Consolidated Financial Statements (unaudited)

Ally Financial Inc. • Form 10-Q

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.

25. Subsequent Events

Defined Pension Plan Settlement

On October 12, 2022, we settled the remainder of our qualified defined benefit pension plan. The settlement was completed through the purchase of an annuity contract from an independent insurance company for \$103 million. The independent insurance company has assumed the obligation to pay the outstanding accrued benefits to the participants and beneficiaries of the plan. As a result of this action, in October 2022, we realized a loss of \$99 million upon reclassification from accumulated other comprehensive loss, which included \$50 million of compensation and benefits expense and \$49 million of income tax expense. We expect to recognize additional insignificant expenses during the fourth quarter of 2022 within compensation and benefits expense related to the settlement of the plan.

Declaration of Common Dividend

On October 10, 2022, our Board declared a quarterly cash dividend of \$0.30 per share on all common stock. The dividend is payable on November 15, 2022, to stockholders of record at the close of business on November 1, 2022.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Notice about Forward-Looking Statements and Other Terms

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

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

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

- evolving local, regional, national, or international business, economic, or political conditions;
- changes in laws or the regulatory or supervisory environment, including as a result of financial-services legislation, regulation, or policies or changes in government officials or other personnel;
- changes in monetary, fiscal, or trade laws or policies, including as a result of actions by governmental agencies, central banks, or supranational authorities;
- changes in accounting standards or policies;
- changes in the automotive industry or the markets for new or used vehicles, including the rise of vehicle sharing and ride hailing, the development of autonomous and alternative-energy vehicles, and the impact of demographic shifts on attitudes and behaviors toward vehicle type, ownership, and use;
- any instability or breakdown in the financial system, including as a result of the failure of a financial institution or other participant in it;
- disruptions or shifts in investor sentiment or behavior in the securities, capital, or other financial markets, including financial or systemic shocks and volatility or changes in market liquidity, interest or currency rates, or valuations;
- the discontinuation of LIBOR and any negative impacts that could result;
- changes in business or consumer sentiment, preferences, or behavior, including spending, borrowing, or saving by businesses or households;
- changes in our corporate or business strategies, the composition of our assets, or the way in which we fund those assets;
- our ability to execute our business strategy for Ally Bank, including its digital focus;
- our ability to optimize our automotive finance and insurance businesses and to continue diversifying into and growing other consumer and commercial business lines, including mortgage lending, point-of-sale personal lending, credit cards, corporate finance, brokerage, and wealth management;
- our ability to develop capital plans acceptable to the FRB and our ability to implement them, including any payment of dividends or share repurchases;
- our ability to conduct appropriate stress tests and effectively plan for and manage capital or liquidity consistent with evolving business or operational needs, risk-management standards, and regulatory or supervisory requirements or expectations;
- our ability to cost-effectively fund our business and operations, including through deposits and the capital markets;
- changes in any credit rating assigned to Ally, including Ally Bank;
- adverse publicity or other reputational harm to us, our service providers, or our senior officers;
- our ability to develop, maintain, or market our products or services or to absorb unanticipated costs or liabilities associated with those products or services;

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

- our ability to innovate, to anticipate the needs of current or future customers, to successfully compete, to increase or hold market share in changing competitive environments, or to deal with pricing or other competitive pressures;
- the continuing profitability and viability of our dealer-centric automotive finance and insurance businesses, especially in the face of competition from captive finance companies and their automotive manufacturing sponsors and challenges to the dealer's role as intermediary between manufacturers and purchasers;
- our ability to appropriately underwrite loans that we originate or purchase and to otherwise manage credit risk;
- changes in the credit, liquidity, or other financial condition of our customers, counterparties, service providers, or competitors;
- our ability to effectively deal with economic, business, or market slowdowns or disruptions;
- our ability to address heightened scrutiny and expectations from supervisory or other governmental authorities and to timely and credibly remediate related concerns or deficiencies;
- judicial, regulatory, or administrative inquiries, examinations, investigations, proceedings, disputes, or rulings that create uncertainty for, or are adverse to, us or the financial services industry;
- the potential outcomes of judicial, regulatory, or administrative inquiries, examinations, investigations, proceedings, or disputes to which we are or may be subject, and our ability to absorb and address any damages or other remedies that are sought or awarded, and any collateral consequences;
- the performance and availability of third-party service providers on whom we rely in delivering products and services to our customers and otherwise conducting our business and operations;
- our ability to manage and mitigate security risks, including our capacity to withstand cyberattacks;
- our ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or infrastructure;
- the adequacy of our corporate governance, risk-management framework, compliance programs, or internal controls over financial reporting, including our ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;
- the efficacy of our methods or models in assessing business strategies or opportunities or in valuing, measuring, estimating, monitoring, or managing positions or risk;
- our ability to keep pace with changes in technology that affect us or our customers, counterparties, service providers, or competitors or to maintain rights or interests in associated intellectual property;
- our ability to successfully make and integrate acquisitions;
- the adequacy of our succession planning for key executives or other personnel and our ability to attract or retain qualified employees;
- natural or man-made disasters, calamities, or conflicts, including terrorist events, cyber-warfare, and pandemics (such as adverse effects of the COVID-19 pandemic on us and our customers, counterparties, employees, and service providers);
- our ability to maintain appropriate ESG practices, oversight, and disclosures;
- policies and other actions of governments to manage and mitigate climate and related environmental risks, and the effects of climate change or the transition to a lower-carbon economy on our business, operations, and reputation; or
- other assumptions, risks, or uncertainties described in the Risk Factors (Part II, Item 1A herein), Management's Discussion and Analysis of Financial Condition and Results of Operations (Part I, Item 2 herein), or the Notes to the Condensed Consolidated Financial Statements (Part I, Item 1 herein) in this Quarterly Report on Form 10-Q or described in any of the Company's annual, quarterly or current reports.

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

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

Management’s Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Overview

Ally Financial Inc. (together with its consolidated subsidiaries unless the context otherwise requires, Ally, the Company, we, us, or our) is a digital financial-services company committed to its promise to “Do It Right” for its consumer, commercial, and corporate customers. Ally is composed of an industry-leading independent automotive finance and insurance operation, an award-winning digital direct bank (Ally Bank, Member FDIC and Equal Housing Lender, which offers mortgage lending, point-of-sale personal lending, and a variety of deposit and other banking products), a consumer credit card business, a corporate finance business for equity sponsors and middle-market companies, and securities brokerage and investment advisory services. 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 remaining activity is reported in Corporate and Other, which primarily consists of centralized treasury activities as well as Ally Invest, our digital brokerage and wealth management offering, Ally Lending, our point-of-sale financing business, Ally Credit Card, and CRA loans and related investments. The following table summarizes the operating results excluding discontinued operations of each business line. Operating results for each of the business lines are more fully described in the MD&A sections that follow.

| (\$ in millions) | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|----------|-------------------------------------|---------------------------------|----------|-------------------------------------|
| | 2022 | 2021 | Favorable/(unfavorable) % change | 2022 | 2021 | Favorable/(unfavorable) % change |
| Total net revenue | | | | | | |
| Dealer Financial Services | | | | | | |
| Automotive Finance | \$ 1,377 | \$ 1,390 | (1) | \$ 4,113 | \$ 4,052 | 2 |
| Insurance | 260 | 297 | (12) | 725 | 1,050 | (31) |
| Mortgage Finance | 64 | 55 | 16 | 191 | 163 | 17 |
| Corporate Finance | 134 | 93 | 44 | 337 | 300 | 12 |
| Corporate and Other | 181 | 150 | 21 | 861 | 442 | 95 |
| Total | \$ 2,016 | \$ 1,985 | 2 | \$ 6,227 | \$ 6,007 | 4 |
| Income (loss) from continuing operations before income tax expense | | | | | | |
| Dealer Financial Services | | | | | | |
| Automotive Finance | \$ 488 | \$ 825 | (41) | \$ 1,813 | \$ 2,545 | (29) |
| Insurance | (30) | 24 | n/m | (139) | 252 | (155) |
| Mortgage Finance | 19 | 6 | n/m | 36 | 29 | 24 |
| Corporate Finance | 91 | 61 | 49 | 215 | 209 | 3 |
| Corporate and Other | (151) | (9) | n/m | (28) | (79) | 65 |
| Total | \$ 417 | \$ 907 | (54) | \$ 1,897 | \$ 2,956 | (36) |

n/m = not meaningful

- Our Dealer Financial Services business is one of the largest full-service automotive finance operations in the country and offers a wide range of financial services and insurance products to automotive dealerships and their customers. Dealer Financial Services comprises our Automotive Finance and Insurance segments.

Our Automotive Finance operations include purchasing retail installment sales contracts and operating leases from dealers and automotive retailers, extending automotive loans directly to consumers, offering term loans to dealers, financing dealer floorplans and providing other lines of credit to dealers, supplying warehouse lines to automotive retailers, offering automotive-fleet financing, providing financing to companies and municipalities for the purchase or lease of vehicles, and supplying vehicle-remarketing services. Our 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. We remain focused on meeting the needs of both our dealer and consumer customers and continuing to strengthen and expand upon our approximately 22,900 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. Additionally, we provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale vehicle transactions. SmartAuction provides diversified fee-based revenue and serves as a means

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

of deepening relationships with our dealership customers. Furthermore, 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. We have and continue to provide automobile financing for hybrid and battery-electric vehicles today, and are well positioned to remain a leader in automotive financing as we believe the 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 more than 16,000 dealer relationships, of which approximately 67% 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 400,000 consumers and are the VSC and other protection plan provider for GM Canada and VSC provider for Subaru Canada. Additionally, during the third quarter of 2022, we entered into a long-term commitment to continue as the preferred VSC and protection plan provider for GM Canada.

As part of our focus on offering dealers a broad range of consumer F&I products, we offer VSCs, VMCs, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory and offer additional products to protect a dealer's business including property and liability coverage that is underwritten by a third-party carrier. 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, 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. This partnership with BMC limits operational volatility as the mortgage industry continues to evolve in the current interest rate environment. During the nine months ended September 30, 2022, we originated \$3.1 billion of mortgage loans through our direct-to-consumer channel. During 2018, we made a strategic equity investment in the parent of BMC (BMC Holdco) that was subsequently increased in 2019 and 2020. This investment is recognized as a nonmarketable equity investment within other assets of our Condensed Consolidated Balance Sheet and is included in Corporate and Other. Refer to the *Market Risk* section of this MD&A and Note 11 to the Condensed Consolidated Financial Statements for more information.

Through the bulk loan channel, we purchase loans from several qualified sellers including direct originators and large aggregators who have the financial capacity to support strong representations and warranties and the industry knowledge and experience to originate high-quality assets. Bulk purchases are made on a servicing-released basis, allowing us to directly oversee servicing activities and manage refinancing through our direct-to-consumer channel. During the nine months ended September 30, 2022, we purchased \$2.8 billion 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 provide 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. Our focus is on businesses owned by private-equity sponsors with loans typically used for leveraged buyouts, refinancing and recapitalizations, mergers and acquisitions, growth, turnarounds, and debtor-in-possession financings. Additionally, our Lender

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Finance business provides asset managers with facilities to partially fund their direct-lending activities. We also 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 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. Additionally, Corporate and Other includes costs that are not allocated to our reportable operating segments as part of our COH methodology, which involves management judgment.

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 deposits through arrangements with Ally Invest's clearing broker.

Information related to our point-of-sale financing business, Ally Lending, is also included within Corporate and Other. Ally Lending 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 vertical, which was launched in the second quarter of 2020, had originations of \$367 million during the third quarter of 2022 and now represents approximately 62% of new originations, and is expected to grow. 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.

Additionally, beginning in December 2021 with the acquisition of Fair Square, which we rebranded as Ally Credit Card, financial information related to our credit card business is included within Corporate and Other. The acquisition provides us with a scalable, digital-first credit card platform, and advances our evolution as a leading digital consumer bank. Ally Credit Card features leading-edge technology, and a proprietary, analytics-based underwriting model. We believe the addition of credit card to our suite of products enhances our ability to grow and deepen both new and existing customer relationships.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Consolidated Results of Operations

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

| (\$ in millions) | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|---------------|-------------------------------------|---------------------------------|-----------------|-------------------------------------|
| | 2022 | 2021 | Favorable/(unfavorable) % change | 2022 | 2021 | Favorable/(unfavorable) % change |
| Net financing revenue and other interest income | | | | | | |
| Total financing revenue and other interest income | \$ 2,761 | \$ 2,177 | 27 | \$ 7,522 | \$ 6,396 | 18 |
| Total interest expense | 804 | 444 | (81) | 1,672 | 1,499 | (12) |
| Net depreciation expense on operating lease assets | 238 | 139 | (71) | 674 | 384 | (76) |
| Net financing revenue and other interest income | 1,719 | 1,594 | 8 | 5,176 | 4,513 | 15 |
| Other revenue | | | | | | |
| Insurance premiums and service revenue earned | 289 | 279 | 4 | 849 | 837 | 1 |
| Gain on mortgage and automotive loans, net | 10 | 18 | (44) | 28 | 73 | (62) |
| Loss on extinguishment of debt | — | (52) | 100 | — | (126) | 100 |
| Other (loss) gain on investments, net | (54) | 24 | n/m | (173) | 212 | (182) |
| Other income, net of losses | 52 | 122 | (57) | 347 | 498 | (30) |
| Total other revenue | 297 | 391 | (24) | 1,051 | 1,494 | (30) |
| Total net revenue | 2,016 | 1,985 | 2 | 6,227 | 6,007 | 4 |
| Provision for credit losses | 438 | 76 | n/m | 909 | 31 | n/m |
| Noninterest expense | | | | | | |
| Compensation and benefits expense | 467 | 389 | (20) | 1,397 | 1,230 | (14) |
| Insurance losses and loss adjustment expenses | 70 | 69 | (1) | 217 | 206 | (5) |
| Other operating expenses | 624 | 544 | (15) | 1,807 | 1,584 | (14) |
| Total noninterest expense | 1,161 | 1,002 | (16) | 3,421 | 3,020 | (13) |
| Income from continuing operations before income tax expense | 417 | 907 | (54) | 1,897 | 2,956 | (36) |
| Income tax expense from continuing operations | 117 | 195 | 40 | 460 | 549 | 16 |
| Net income from continuing operations | \$ 300 | \$ 712 | (58) | \$ 1,437 | \$ 2,407 | (40) |
| Financial ratios: | | | | | | |
| Return on average assets (a) | 0.64 % | 1.58 % | n/m | 1.05 % | 1.78 % | n/m |
| Return on average equity (a) | 8.36 % | 16.00 % | n/m | 12.86 % | 19.58 % | n/m |
| Equity to assets (a) | 7.60 % | 9.85 % | n/m | 8.13 % | 9.10 % | n/m |
| Common dividend payout ratio (b) | 34.09 % | 13.16 % | n/m | 21.43 % | 9.75 % | n/m |

n/m = not meaningful

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

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

We earned net income from continuing operations of \$300 million and \$1.4 billion for the three months and nine months ended September 30, 2022, respectively, compared to \$712 million and \$2.4 billion for the three months and nine months ended September 30, 2021. During the three months and nine months ended September 30, 2022, results were favorably impacted by higher net financing revenue and other interest income, as well as lower loss on extinguishment of debt. These items were more than offset by higher provision for credit losses, noninterest expense, and unrealized losses on investments for the three months and nine months ended September 30, 2022.

Net financing revenue and other interest income increased \$125 million and \$663 million for the three months and nine months ended September 30, 2022, respectively, as compared to the three months and nine months ended September 30, 2021. Consumer automotive revenue increased as higher average consumer assets contributed to the increase in revenue resulting from growth in the used-vehicle portfolio, primarily through franchised dealers, as well as increases in portfolio yields. The increases were also impacted by the acquisition of Ally Credit Card in December 2021. We experienced higher interest expense for the three months and nine months ended September 30, 2022, as compared to the same periods in 2021, driven by higher benchmark interest rates. Within our Automotive Finance operations, total net operating lease revenue decreased \$95 million and \$241 million for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021, driven by an increase in depreciation expense resulting from a declining impact of

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

downward adjustments to the rate of depreciation enacted in prior years, as well as a decrease in remarketing performance due to the continued shift in off-lease disposition channel mix with lessee and dealer buyouts increasing from the prior year. These decreases were partially offset by an increase in gross operating lease revenue driven by higher vehicle prices.

We incurred other loss on investments of \$54 million and \$173 million for the three months and nine months ended, September 30, 2022, respectively, compared to gains of \$24 million and \$212 million for the three months and nine months ended September 30, 2021. The decrease for the three months ended September 30, 2022, as compared to the same period in 2021, was primarily driven by elevated realized gains from the sale of available-for-sale securities and equity securities during the three months ended September 30, 2021, that did not reoccur. The decrease for the nine months ended September 30, 2022, as compared to the same period in 2021, was primarily driven by \$263 million of unrealized equity mark-to-market losses, as compared to results from the nine months ended September 30, 2021, which included \$29 million of unrealized losses.

Other income, net of losses decreased \$70 million and \$151 million for the three months and nine months ended September 30, 2022, respectively, as compared to the three months and nine months ended September 30, 2021. The decreases for the three months and nine months ended September 30, 2022, compared to the same periods in 2021, were primarily due to net downward adjustments (including impairment) of \$137 million and \$139 million related to equity investments without a readily determinable fair value during the three months and nine months ended September 30, 2022, respectively, compared to net upward adjustments of \$1 million and \$82 million during the three months and nine months ended September 30, 2021. Refer to Note 11 to the Condensed Consolidated Financial Statements for further information. The decreases were partially offset by the loss on extinguishment of debt during the three months and nine months ended September 30, 2021.

The provision for credit losses increased \$362 million and \$878 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. The increases in provision for credit losses for the three months and nine months ended September 30, 2022, were primarily driven by higher net charge-offs as credit continued to normalize during the three and nine months ended September 30, 2022, as well as reserve reductions during the three months and nine months ended September 30, 2021, associated with improvements to the macroeconomic environment following the onset of the COVID-19 pandemic. Additionally, provision expense for the three months and nine months ended September 30, 2022, includes net charge-offs and portfolio growth related to Ally Credit Card, following our acquisition in December 2021. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Noninterest expense was \$1.2 billion and \$3.4 billion for the three months and nine months ended September 30, 2022, respectively, compared to \$1.0 billion and \$3.0 billion for the three months and nine months ended September 30, 2021. The increases for the three months and nine months ended September 30, 2022, were driven by increased expenses to support the growth of our consumer product suite and expand our digital capabilities and portfolio of products.

We recognized total income tax expense from continuing operations of \$117 million and \$460 million for the three months and nine months ended September 30, 2022, respectively, compared to income tax expense of \$195 million and \$549 million for the same periods in 2021. The decreases in income tax expense for the three months and nine months ended September 30, 2022, compared to the same periods in 2021, were primarily due to the tax effects of a decrease in pretax earnings, partially offset by adjustments to the valuation allowance on foreign tax credit carryforwards. Refer to Note 20 to the Condensed Consolidated Financial Statements for further information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Dealer Financial Services

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

Automotive Finance

Results of Operations

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

| (\$ in millions) | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|------------------|-------------------------------------|---------------------------------|------------------|-------------------------------------|
| | 2022 | 2021 | Favorable/(unfavorable) % change | 2022 | 2021 | Favorable/(unfavorable) % change |
| Net financing revenue and other interest income | | | | | | |
| Consumer | \$ 1,461 | \$ 1,320 | 11 | \$ 4,125 | \$ 3,859 | 7 |
| Commercial | 189 | 112 | 69 | 460 | 398 | 16 |
| Operating leases | 397 | 393 | 1 | 1,196 | 1,147 | 4 |
| Total financing revenue and other interest income | 2,047 | 1,825 | 12 | 5,781 | 5,404 | 7 |
| Interest expense | 506 | 357 | (42) | 1,208 | 1,152 | (5) |
| Net depreciation expense on operating lease assets (a) | 238 | 139 | (71) | 674 | 384 | (76) |
| Net financing revenue and other interest income | 1,303 | 1,329 | (2) | 3,899 | 3,868 | 1 |
| Other revenue | | | | | | |
| Gain on automotive loans, net | 3 | — | n/m | 3 | — | n/m |
| Other income | 71 | 61 | 16 | 211 | 184 | 15 |
| Total other revenue | 74 | 61 | 21 | 214 | 184 | 16 |
| Total net revenue | 1,377 | 1,390 | (1) | 4,113 | 4,052 | 2 |
| Provision for credit losses | 328 | 53 | n/m | 660 | 8 | n/m |
| Noninterest expense | | | | | | |
| Compensation and benefits expense | 155 | 136 | (14) | 475 | 425 | (12) |
| Other operating expenses | 406 | 376 | (8) | 1,165 | 1,074 | (8) |
| Total noninterest expense | 561 | 512 | (10) | 1,640 | 1,499 | (9) |
| Income from continuing operations before income tax expense | \$ 488 | \$ 825 | (41) | \$ 1,813 | \$ 2,545 | (29) |
| Total assets | \$ 109,114 | \$ 99,617 | 10 | \$ 109,114 | \$ 99,617 | 10 |

n/m = not meaningful

(a) Includes net remarketing gains of \$39 million and \$139 million for the three months and nine months ended September 30, 2022, respectively, compared to \$86 million and \$278 million for the three months and nine months ended September 30, 2021.

Our Automotive Finance operations earned income from continuing operations before income tax expense of \$488 million and \$1.8 billion for the three months and nine months ended September 30, 2022, respectively, compared to \$825 million and \$2.5 billion for the three months and nine months ended September 30, 2021. For the three months and nine months ended September 30, 2022, the decreases were primarily due to higher provision for credit losses, higher net depreciation expense on operating lease assets, and higher noninterest expense, partially offset by higher financing revenue.

Consumer automotive loan financing revenue increased \$141 million and \$266 million for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. Higher average consumer assets contributed to the increase in revenue resulting from growth in the used-vehicle portfolio, primarily through franchised dealers, as well as increases in portfolio yields.

Commercial loan financing revenue increased \$77 million and \$62 million for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. The increases were primarily due to higher yields from higher benchmark interest rates. The increase for the nine months ended September 30, 2022, was partially offset by lower average outstanding wholesale floorplan receivable balances resulting from lower new vehicle supply.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Interest expense was \$506 million and \$1.2 billion for the three months and nine months ended September 30, 2022, respectively, compared to \$357 million and \$1.2 billion for the three months and nine months ended September 30, 2021. The increases for the three months and nine months ended September 30, 2022, were primarily due to market and industry dynamics, which drove an increase in our deposit rates and other funding costs.

Total noninterest expense increased \$49 million and \$141 million for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. The increases were primarily due to higher overhead expense, as well as compensation and benefits expense, which increased primarily due to higher headcount to support the growth of the business.

Total net operating lease revenue decreased \$95 million and \$241 million for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. We recognized remarketing gains of \$39 million and \$139 million for the three months and nine months ended September 30, 2022, respectively, compared to remarketing gains of \$86 million and \$278 million for the three months and nine months ended September 30, 2021, while depreciation expense on operating lease assets increased \$52 million and \$151 million for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. The decreases in net operating lease revenue were primarily driven by an increase in depreciation expense resulting from a declining impact of downward adjustments to the rate of depreciation enacted in prior years, as well as a decrease in remarketing performance due to the continued shift in off-lease disposition channel mix with lessee and dealer buyouts increasing from the prior year. These decreases were partially offset by an increase in gross operating lease revenue driven by higher vehicle prices. Refer to the *Operating Lease Residual Risk Management* section of this MD&A for further discussion.

The provision for credit losses increased \$275 million and \$652 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. The increases in provision for credit losses were primarily driven by higher net charge-offs during the three months and nine months ended September 30, 2022, as well as reserve reductions during the three months and nine months ended September 30, 2021, associated with improvements to the macroeconomic environment following the onset of the COVID-19 pandemic. Additionally, provision was impacted by \$19 million in additional reserves associated with the estimated impacts of Hurricane Ian for the three months ended September 30, 2022, as well as reserve increases associated with portfolio growth in our consumer automotive portfolio for the nine months ended September 30, 2022. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

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

| (\$ in millions) | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|---|----------------------------------|--------|---------------------|--------|---------------------------------|--------|---------------------|--------|
| | 2022 | | 2021 | | 2022 | | 2021 | |
| | Average balance (a) | Yield | Average balance (a) | Yield | Average balance (a) | Yield | Average balance (a) | Yield |
| Finance receivables and loans, net (b) | | | | | | | | |
| Consumer automotive (c) | \$ 82,360 | 7.29 % | \$ 76,557 | 6.62 % | \$ 80,108 | 6.92 % | \$ 74,918 | 6.66 % |
| Commercial | | | | | | | | |
| Wholesale floorplan (d) | 10,886 | 5.03 | 8,849 | 3.18 | 11,282 | 3.80 | 11,737 | 3.22 |
| Other commercial automotive (e) | 5,059 | 4.33 | 5,038 | 4.16 | 4,904 | 4.21 | 5,423 | 4.24 |
| Investment in operating leases, net (f) | 10,588 | 5.98 | 10,919 | 9.21 | 10,693 | 6.54 | 10,372 | 9.83 |

(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 2021 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 7.04% and 6.88% for the three months and nine months ended September 30, 2022, respectively, and 6.84% and 6.89% for the three months and nine months ended September 30, 2021.

(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 4.85% and 3.62% for the three months and nine months ended September 30, 2022, respectively, and 2.65% and 2.58% for the three months and nine months ended September 30, 2021.

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

(f) Yield includes net gains on the sale of off-lease vehicles of \$39 million and \$139 million for the three months and nine months ended September 30, 2022, respectively, compared to \$86 million and \$278 million for the three months and nine months ended September 30, 2021. Excluding these gains and losses on sale, the yield was 4.52% and 4.80% for the three months and nine months ended September 30, 2022, respectively, and 6.09% and 6.24% for the three months and nine months ended September 30, 2021.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Our portfolio yield for consumer automotive loans, excluding the impact of hedging activities, increased 20 basis points and decreased 1 basis point for the three months and nine months ended September 30, 2022, respectively, relative to the same periods in 2021. The increase for the three months ended September 30, 2022, was primarily due to higher benchmark interest rates. The decrease for the nine months ended September 30, 2022, was primarily driven by increased prepayment activity. Our portfolio yield for consumer automotive loans including the effects of derivative financial instruments designated as hedges were 25 basis points and 4 basis points higher than our portfolio yield for consumer automotive loans excluding the effects of derivative financial instruments designated as hedges for the three months and nine months ended September 30, 2022, respectively. This is attributable to the successful execution of hedging strategies that are used to mitigate interest rate risks. Refer to Note 19 to the Condensed Consolidated Financial Statements for further discussion.

Our portfolio yield for investment in operating leases, net, including net gains on the sale of off-lease vehicles, decreased approximately 323 and 329 basis points to 5.98% and 6.54% for the three months and nine months ended September 30, 2022, respectively, as compared to 9.21% and 9.83% for the three months and nine months ended September 30, 2021. These declines were due to a decrease in remarketing performance due to the continued shift in off-lease disposition channel mix with lessee and dealer buyouts increasing from the prior year. The shift in off-lease vehicle disposition mix is expected to continue in the near term and may limit our ability to optimize remarketing proceeds. Refer to the section titled *Operating Lease Residual Risk Management* within this MD&A for additional information.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Automotive Financing Volume

Consumer Automotive Financing

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

| Credit Tier (a) | Used retail | | | New retail | | |
|--|----------------------------|----------------------|------------------|----------------------------|----------------------|------------------|
| | Volume (\$ in billions) | % Share of volume | Average FICO® | Volume (\$ in billions) | % Share of volume | Average FICO® |
| Three months ended September 30, 2022 | | | | | | |
| S | \$ 1.8 | 23 | 742 | \$ 1.2 | 35 | 744 |
| A | 3.9 | 49 | 687 | 1.8 | 53 | 687 |
| B | 1.6 | 20 | 649 | 0.4 | 12 | 655 |
| C | 0.4 | 6 | 607 | — | — | 633 |
| D | 0.1 | 1 | 566 | — | — | 631 |
| E | 0.1 | 1 | 548 | — | — | 550 |
| Total retail originations | \$ 7.9 | 100 | 684 | \$ 3.4 | 100 | 699 |
| Three months ended September 30, 2021 | | | | | | |
| S | \$ 1.5 | 19 | 738 | \$ 1.1 | 33 | 742 |
| A | 4.0 | 51 | 682 | 1.7 | 52 | 683 |
| B | 1.8 | 24 | 647 | 0.5 | 15 | 650 |
| C | 0.5 | 6 | 612 | — | — | 621 |
| Total retail originations | \$ 7.8 | 100 | 679 | \$ 3.3 | 100 | 694 |
| Nine months ended September 30, 2022 | | | | | | |
| S | \$ 5.2 | 21 | 741 | \$ 3.2 | 33 | 744 |
| A | 12.2 | 50 | 685 | 5.1 | 53 | 685 |
| B | 5.3 | 22 | 648 | 1.2 | 13 | 653 |
| C | 1.3 | 4 | 610 | 0.1 | 1 | 629 |
| D | 0.4 | 2 | 568 | — | — | 600 |
| E | 0.2 | 1 | 553 | — | — | 541 |
| Total retail originations | \$ 24.6 | 100 | 682 | \$ 9.6 | 100 | 698 |
| Nine months ended September 30, 2021 | | | | | | |
| S | \$ 4.1 | 20 | 736 | \$ 3.4 | 33 | 738 |
| A | 10.4 | 50 | 682 | 5.2 | 51 | 680 |
| B | 5.1 | 25 | 648 | 1.5 | 15 | 650 |
| C | 0.9 | 4 | 608 | 0.1 | 1 | 613 |
| D | 0.2 | 1 | 563 | — | — | 583 |
| E | 0.1 | — | 544 | — | — | 567 |
| Total retail originations | \$ 20.8 | 100 | 679 | \$ 10.2 | 100 | 693 |

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---------------------------|----------------------------------|-------|---------------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| 0–71 | 14 % | 14 % | 14 % | 15 % |
| 72–75 | 63 | 66 | 65 | 66 |
| 76 + | 23 | 20 | 21 | 19 |
| Total retail originations | 100 % | 100 % | 100 % | 100 % |

Retail originations with a term of 76 months or more represented 23% and 21% of total retail originations for the three months and nine months ended September 30, 2022, respectively, compared to 20% and 19% for the three months and nine months ended September 30, 2021. Substantially all the loans originated with a term of 76 months or more during the three months and nine months ended September 30, 2022, and 2021, were considered to be prime and in credit tiers S, A, or B.

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

| September 30, | 2022 | 2021 |
|---------------|-------|-------|
| Pre-2018 | 3 % | 10 % |
| 2018 | 5 | 10 |
| 2019 | 9 | 18 |
| 2020 | 15 | 25 |
| 2021 | 31 | 37 |
| 2022 | 37 | — |
| Total retail | 100 % | 100 % |

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

| Three months ended September 30, (\$ in millions) | Consumer automotive financing originations | | % Share of Ally originations | |
|--|--|-----------|------------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Used retail | \$ 7,857 | \$ 7,809 | 64 | 64 |
| New retail | 3,403 | 3,216 | 27 | 26 |
| Lease | 1,076 | 1,260 | 9 | 10 |
| Total consumer automotive financing originations (a) | \$ 12,336 | \$ 12,285 | 100 | 100 |

(a) Includes CSG originations of \$1.5 billion and \$1.1 billion for the three months ended September 30, 2022, and 2021, respectively.

| Nine months ended September 30, (\$ in millions) | Consumer automotive financing originations | | % Share of Ally originations | |
|--|--|-----------|------------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Used retail | \$ 24,584 | \$ 20,783 | 66 | 59 |
| New retail | 9,617 | 10,163 | 26 | 29 |
| Lease | 2,948 | 4,441 | 8 | 12 |
| Total consumer automotive financing originations (a) | \$ 37,149 | \$ 35,387 | 100 | 100 |

(a) Includes CSG originations of \$4.2 billion and \$3.4 billion for the nine months ended September 30, 2022, and 2021, respectively.

| Three months ended September 30, (\$ in millions) | Consumer automotive financing originations | | % Share of Ally originations | |
|---|--|-----------|------------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Growth channel | \$ 6,914 | \$ 6,738 | 56 | 55 |
| Stellantis dealers | 2,757 | 3,076 | 22 | 25 |
| GM dealers | 2,665 | 2,471 | 22 | 20 |
| Total consumer automotive financing originations | \$ 12,336 | \$ 12,285 | 100 | 100 |

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, (\$ in millions) | Consumer automotive financing originations | | % Share of Ally originations | |
|--|--|-----------|------------------------------|------|
| | 2022 | 2021 | 2022 | 2021 |
| Growth channel | \$ 21,031 | \$ 18,835 | 57 | 53 |
| Stellantis dealers | 8,348 | 9,224 | 22 | 26 |
| GM dealers | 7,770 | 7,328 | 21 | 21 |
| Total consumer automotive financing originations | \$ 37,149 | \$ 35,387 | 100 | 100 |

Total consumer automotive loan and operating lease originations increased \$51 million and \$1.8 billion for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021. The increases were primarily driven by continued momentum in used-vehicle lending and higher financed transaction amounts, partially offset by decreased application flow.

We have included origination metrics by loan term and FICO® Score within this MD&A. In addition, we employ our own risk evaluation, including proprietary risk models, in evaluating credit risk, as described in the section titled *Automotive Financing Volume—Acquisition and Underwriting* within the MD&A in our 2021 Annual Report on Form 10-K.

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

| Three months ended September 30, | Used retail | | New retail | | Lease | |
|--|-------------|-------|------------|-------|-------|-------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| 760 + | 14 % | 11 % | 14 % | 14 % | 48 % | 46 % |
| 720–759 | 13 | 12 | 12 | 12 | 18 | 19 |
| 660–719 | 33 | 34 | 35 | 33 | 23 | 23 |
| 620–659 | 24 | 27 | 21 | 24 | 7 | 9 |
| 540–619 | 10 | 11 | 3 | 5 | 2 | 2 |
| < 540 | 2 | 2 | — | — | — | — |
| Unscored (a) | 4 | 3 | 15 | 12 | 2 | 1 |
| Total consumer automotive financing originations | 100 % | 100 % | 100 % | 100 % | 100 % | 100 % |

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

| Nine months ended September 30, | Used retail | | New retail | | Lease | |
|--|-------------|-------|------------|-------|-------|-------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| 760 + | 13 % | 11 % | 14 % | 13 % | 46 % | 43 % |
| 720–759 | 12 | 11 | 12 | 12 | 18 | 19 |
| 660–719 | 34 | 35 | 33 | 33 | 23 | 25 |
| 620–659 | 25 | 27 | 22 | 24 | 9 | 10 |
| 540–619 | 10 | 11 | 4 | 5 | 2 | 2 |
| < 540 | 2 | 2 | — | — | — | — |
| Unscored (a) | 4 | 3 | 15 | 13 | 2 | 1 |
| 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 each of the three months and nine months ended September 30, 2022, and 2021. Consumer loans and operating leases with FICO® Scores of less than 540 represented 2% and 1% of total originations for the three months and nine months ended September 30, 2022, respectively, compared to 1% for both the three months and nine months ended September 30, 2021. Nonprime applications are subject to more stringent underwriting criteria (for example, minimum payment-to-income ratio, maximum debt-to-income ratio, and maximum amount financed), and our nonprime loan portfolio generally does not include any loans with a term of 76 months or more. The carrying value of our held-for-investment nonprime consumer automotive loans before allowance for loan losses was \$9.1 billion, or approximately 10.9%, of our total consumer automotive loans at September 30, 2022, as compared to \$8.8 billion, or approximately 11.3% of our total consumer automotive loans at December 31, 2021. For discussion of our credit-risk-management practices and performance, refer to the section titled *Risk Management*.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

During the first quarter of 2022, we expanded our relationship with Carvana, a leading e-commerce platform for buying and selling used vehicles. Specifically, we increased our committed facility from a maximum of \$4.0 billion to a maximum of \$5.0 billion to support our continued efforts to optimize risk-adjusted returns. This commitment is effective for 365 days. As part of the agreement, we purchase finance receivables meeting certain prescribed eligibility requirements on a periodic basis from Carvana. We also have the opportunity to purchase additional contracts from Carvana on an ad-hoc basis that may fall outside of the prescribed eligibility requirements utilized within the recurring pools. The risk profile of the contractual purchases is similar to the volume we fund through other dealer-facing channels. All the finance receivables purchased through this channel are used vehicles, and are included in the Growth channel in our consumer origination metrics. To date, finance receivables purchased from Carvana have exhibited (1) favorable delinquency and loss performance, as compared to original expectations assumed at the time of purchase and (2) consistent delinquency and loss performance compared to loans with similar credit characteristics acquired through our indirect dealer channel. Consumer finance receivables sourced from Carvana represented 7% of our total consumer automotive finance receivables as of September 30, 2022.

For discussion of manufacturer marketing incentives, refer to the section titled *Automotive Financing Volume—Manufacturer Marketing Incentives* within the MD&A in our 2021 Annual Report on Form 10-K.

Commercial Wholesale Financing Volume

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

| (\$ in millions) | Average balance | | | |
|--|----------------------------------|----------|---------------------------------|-----------|
| | Three months ended September 30, | | Nine months ended September 30, | |
| | 2022 | 2021 | 2022 | 2021 |
| Used vehicles | 44 % | 44 % | 48 % | 31 % |
| Stellantis new vehicles | 32 | 29 | 30 | 32 |
| GM new vehicles | 16 | 16 | 15 | 22 |
| Growth new vehicles | 8 | 11 | 7 | 15 |
| Total | 100 % | 100 % | 100 % | 100 % |
| Total commercial wholesale finance receivables | \$ 10,886 | \$ 8,849 | \$ 11,282 | \$ 11,737 |

Average commercial wholesale financing receivables outstanding increased \$2.0 billion during the three months ended September 30, 2022, and decreased \$455 million during the nine months ended September 30, 2022, as compared to the same periods in 2021. The increase for the three months ended September 30, 2022, was primarily driven by increases in dealer inventory levels and higher average vehicle values. The decrease for the nine months ended September 30, 2022, was primarily due to a reduction in the number of GM dealer relationships due to the competitive environment across the automotive lending market. The decrease was also impacted by lower dealer inventory levels, driven by strong consumer demand for vehicles that outpaced lower automotive production levels due to the continued global supply chain constraints, which was partially offset by an increase in average vehicle values. 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. While the severity and duration of these supply chain disruptions is not currently clear, we anticipate this will continue to limit the growth in commercial wholesale finance receivables throughout 2022 and into 2023 commensurate with lower dealer inventory levels.

During the third quarter of 2022, we decreased Carvana's commercial line of credit to a total of \$2.2 billion and concurrently amended the existing participation agreement for a total of \$200 million. The amended participation agreement met the requirements for derecognition and therefore all outstanding amounts under this \$200 million agreement will be excluded from finance receivables and loans on our Condensed Consolidated Balance Sheet. The \$2.2 billion line of credit and related \$200 million participation agreement are scheduled to terminate in the third quarter of 2023. The credit line will revert to \$2.0 billion thereafter, with a scheduled maturity in the first quarter of 2024. The line of credit represents a commitment to fund Carvana's wholesale floorplan financing of used vehicles and is consistent in form and structure with our other wholesale floorplan financing arrangements. At September 30, 2022, Carvana's wholesale floorplan assets outstanding balance was \$523 million, net of \$52 million attributable to the third-party participation agreement.

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 \$21 million and decreased \$519 million for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021, to an average of \$5.1 billion and \$4.9 billion for the three months and nine months ended September 30, 2022, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Insurance

Results of Operations

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

| (\$ in millions) | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|----------------------------------|----------|-------------------------------------|---------------------------------|----------|-------------------------------------|
| | 2022 | 2021 | Favorable/(unfavorable) % change | 2022 | 2021 | Favorable/(unfavorable) % change |
| Insurance premiums and other income | | | | | | |
| Insurance premiums and service revenue earned | \$ 289 | \$ 279 | 4 | \$ 849 | \$ 837 | 1 |
| Interest and dividends on investment securities, cash and cash equivalents, and other earning assets, net (a) | 24 | 14 | 71 | 61 | 44 | 39 |
| Other (loss) gain on investments, net (b) | (56) | 1 | n/m | (197) | 160 | n/m |
| Other income | 3 | 3 | — | 12 | 9 | 33 |
| Total insurance premiums and other income | 260 | 297 | (12) | 725 | 1,050 | (31) |
| Expense | | | | | | |
| Insurance losses and loss adjustment expenses | 70 | 69 | (1) | 217 | 206 | (5) |
| Acquisition and underwriting expense | | | | | | |
| Compensation and benefits expense | 26 | 23 | (13) | 78 | 69 | (13) |
| Insurance commissions expense | 152 | 142 | (7) | 452 | 416 | (9) |
| Other expenses | 42 | 39 | (8) | 117 | 107 | (9) |
| Total acquisition and underwriting expense | 220 | 204 | (8) | 647 | 592 | (9) |
| Total expense | 290 | 273 | (6) | 864 | 798 | (8) |
| (Loss) income from continuing operations before income tax expense | \$ (30) | \$ 24 | n/m | \$ (139) | \$ 252 | (155) |
| Total assets | \$ 8,533 | \$ 9,354 | (9) | \$ 8,533 | \$ 9,354 | (9) |
| Insurance premiums and service revenue written | \$ 291 | \$ 295 | (1) | \$ 818 | \$ 929 | (12) |
| Combined ratio (c) | 98.7 % | 96.4 % | | 100.3 % | 94.2 % | |

n/m = not meaningful

- (a) Includes interest expense of \$7 million and \$30 million for the three months and nine months ended September 30, 2022, respectively, and \$15 million and \$43 million for the three months and nine months ended September 30, 2021.
- (b) Includes net unrealized losses on equity securities of \$62 million and \$259 million for the three months and nine months ended September 30, 2022, respectively, and net unrealized losses on equity securities of \$65 million and \$34 million for the three months and nine months ended September 30, 2021.
- (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 (excluding interest, dividends, and other investment activity).

Our Insurance operations incurred a loss from continuing operations before income tax expense of \$30 million and \$139 million for the three months and nine months ended September 30, 2022, respectively, compared to income earned of \$24 million and \$252 million for the three months and nine months ended September 30, 2021. The decrease for the three months ended September 30, 2022, was primarily due to lower levels of realized investment gains driven by broader equity market performance, as compared to the same period in 2021. The decrease for the nine months ended September 30, 2022, was primarily driven by higher unrealized losses on equity securities, as compared to the same period in 2021.

Insurance premiums and service revenue earned was \$289 million and \$849 million for the three months and nine months ended September 30, 2022, respectively, compared to \$279 million and \$837 million for the three months and nine months ended September 30, 2021. For the three months ended September 30, 2022, the increase was driven by higher F&I earned premium of \$5 million primarily related to VSCs and higher P&C revenues driven by higher dealer vehicle inventory exposure and growth in other dealer-related products. For the nine months ended September 30, 2022, the increase was driven by higher F&I earned premium of \$17 million primarily related to VSCs and higher P&C revenues driven by growth in other dealer-related products, partially offset by lower P&C premiums driven by lower industry-wide dealer vehicle levels as a result of supply chain disruptions.

Other loss on investments, net was \$56 million and \$197 million for the three months and nine months ended September 30, 2022, respectively, compared to other gain on investments, net of \$1 million and \$160 million for the same periods in 2021. The decreases for the three months and nine months ended September 30, 2022, were primarily attributable to elevated realized capital gains from equity securities

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

during the three months and nine months ended September 30, 2021, that did not reoccur. Additionally, results are inclusive of \$62 million and \$259 million of unrealized equity mark-to-market losses, as compared to results from the three months and nine months ended September 30, 2021, which included \$65 million and \$34 million, respectively, of unrealized losses driven by broader equity market performance.

Insurance losses and loss adjustment expenses totaled \$70 million and \$217 million for the three months and nine months ended September 30, 2022, respectively, compared to \$69 million and \$206 million for the same periods in 2021. The increase for the nine months ended September 30, 2022, was primarily driven by higher VSC and other F&I service contract losses, volume growth in other ancillary P&C products, and higher weather-related losses within our vehicle inventory insurance program including the estimated impact of \$4 million related to Hurricane Ian during the three months ended September 30, 2022. These increases were partially offset by lower GAP claims as a result of higher used vehicle values. In April 2022, 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. Our weather-related losses during the three months ended September 30, 2022, were \$8 million, inclusive of the estimated impacts of Hurricane Ian, and based on such amounts we did not cede weather-related losses for the three months ended September 30, 2022, pursuant to our reinsurance agreement.

Total acquisition and underwriting expense increased \$16 million and \$55 million for the three months and nine months ended September 30, 2022, respectively, as compared to the same periods in 2021. The changes were primarily due to an increase in insurance commission expense, commensurate with higher earned premiums from our F&I products and higher incentive program expense driven by favorable F&I loss performance. Acquisition and underwriting expenses also increased as a result of higher compensation and benefits expense and business support costs.

Our combined ratio was 98.7% and 100.3% for the three months and nine months ended September 30, 2022, respectively, compared to 96.4% and 94.2% for the three months and nine months ended September 30, 2021. The increases for the three months and nine months ended September 30, 2022, were primarily driven by higher acquisition and underwriting expense. The increase for the nine months ended September 30, 2022, was also driven by lower industry dealer inventory levels impacting our P&C exposure.

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 2021 Annual Report on Form 10-K for further discussion of this revenue stream.

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|--------|------------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Finance and insurance products | | | | |
| Vehicle service contracts | \$ 185 | \$ 201 | \$ 544 | \$ 660 |
| Guaranteed asset protection and other finance and insurance products (a) | 48 | 41 | 126 | 125 |
| Total finance and insurance products | 233 | 242 | 670 | 785 |
| Property and casualty insurance (b) | 58 | 53 | 148 | 144 |
| Total | \$ 291 | \$ 295 | \$ 818 | \$ 929 |

(a) Other financial and insurance 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 \$291 million and \$818 million for the three months and nine months ended September 30, 2022, respectively, compared to \$295 million and \$929 million for the same periods in 2021. The decreases for the three months and nine months ended September 30, 2022, were primarily due to lower F&I volume commensurate with lower industry retail sales and a shift in VSC product mix toward dealer reinsurance structures. These decreases were partially offset by growth in other P&C dealer-related products, which also more than offset declines in P&C vehicle inventory insurance premiums for the nine months ended September 30, 2022, related to lower industry vehicle inventory levels that resulted from supply chain disruptions.

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.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| Cash and cash equivalents | | |
| Noninterest-bearing cash | \$ 158 | \$ 173 |
| Interest-bearing cash | 321 | 549 |
| Total cash and cash equivalents | 479 | 722 |
| Equity securities | 636 | 1,085 |
| Available-for-sale securities | | |
| Debt securities | | |
| U.S. Treasury and federal agencies | 482 | 255 |
| U.S. States and political subdivisions | 457 | 526 |
| Foreign government | 141 | 157 |
| Agency mortgage-backed residential | 1,036 | 703 |
| Mortgage-backed residential | 239 | 195 |
| Corporate debt | 1,691 | 1,887 |
| Total available-for-sale securities | 4,046 | 3,723 |
| Total cash, cash equivalents, and securities | \$ 5,161 | \$ 5,530 |

In addition to these cash and investment securities, the Insurance segment has an interest-bearing intercompany arrangement with Corporate and Other, callable on demand. The intercompany loan balance due to Insurance was \$390 million and \$923 million at September 30, 2022, and December 31, 2021, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Mortgage Finance

Results of Operations

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

| (\$ in millions) | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|------------------|-------------------------------------|---------------------------------|------------------|-------------------------------------|
| | 2022 | 2021 | Favorable/(unfavorable) % change | 2022 | 2021 | Favorable/(unfavorable) % change |
| Net financing revenue and other interest income | | | | | | |
| Total financing revenue and other interest income | \$ 151 | \$ 106 | 42 | \$ 420 | \$ 288 | 46 |
| Interest expense | 94 | 70 | (34) | 254 | 206 | (23) |
| Net financing revenue and other interest income | 57 | 36 | 58 | 166 | 82 | 102 |
| Gain on mortgage loans, net | 7 | 18 | (61) | 25 | 73 | (66) |
| Other income, net of losses | — | 1 | (100) | — | 8 | (100) |
| Total other revenue | 7 | 19 | (63) | 25 | 81 | (69) |
| Total net revenue | 64 | 55 | 16 | 191 | 163 | 17 |
| Provision for credit losses | 2 | 2 | — | 2 | (2) | n/m |
| Noninterest expense | | | | | | |
| Compensation and benefits expense | 5 | 5 | — | 17 | 16 | (6) |
| Other operating expenses | 38 | 42 | 10 | 136 | 120 | (13) |
| Total noninterest expense | 43 | 47 | 9 | 153 | 136 | (13) |
| Income from continuing operations before income tax expense | \$ 19 | \$ 6 | n/m | \$ 36 | \$ 29 | 24 |
| Total assets | \$ 19,862 | \$ 16,328 | 22 | \$ 19,862 | \$ 16,328 | 22 |

n/m = not meaningful

Our Mortgage Finance operations earned income from continuing operations before income tax expense of \$19 million and \$36 million for the three months and nine months ended September 30, 2022, respectively, compared to \$6 million and \$29 million for the three months and nine months ended September 30, 2021. The increases for the three months and nine months ended September 30, 2022, were primarily driven by higher net financing revenue and other interest income, partially offset by lower net gains on the sale of mortgage loans. For the nine months ended September 30, 2022, the increase was also partially offset by higher noninterest expense.

Net financing revenue and other interest income was \$57 million and \$166 million for the three months and nine months ended September 30, 2022, respectively, compared to \$36 million and \$82 million for the three months and nine months ended September 30, 2021. The increases in net financing revenue and other interest income for the three months and nine months ended September 30, 2022, were primarily due to higher asset balances and lower prepayment activity, driven by a higher interest rate environment, which resulted in lower premium amortization. Premium amortization was \$3 million and \$17 million for the three months and nine months ended September 30, 2022, respectively, compared to \$18 million and \$77 million for the three months and nine months ended September 30, 2021. During the three months and nine months ended September 30, 2022, we purchased \$1.1 billion and \$2.8 billion of mortgage loans that were originated by third parties, respectively, compared to \$1.2 billion and \$3.1 billion for the three months and nine months ended September 30, 2021. We originated \$105 million and \$1.1 billion of mortgage loans held-for-investment during the three months and nine months ended September 30, 2022, respectively, compared to \$2.8 billion and \$4.9 billion during the three months and nine months ended September 30, 2021.

Gain on sale of mortgage loans, net, was \$7 million and \$25 million for the three months and nine months ended September 30, 2022, respectively, compared to \$18 million and \$73 million for the three months and nine months ended September 30, 2021. The decreases were attributable to lower margins and lower volume on direct-to-consumer mortgage originations and the subsequent sale of these loans to our fulfillment provider. We originated \$415 million and \$2.0 billion of loans held-for-sale during the three months and nine months ended September 30, 2022, respectively, compared to \$788 million and \$2.6 billion during the three months and nine months ended September 30, 2021.

The provision for credit losses increased \$4 million for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The increase in provision for credit losses for the nine months ended September 30, 2022, was primarily driven by reserve increases associated with portfolio growth, as total assets grew 22% from the prior year, which more than offset net recoveries for the period. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Total noninterest expense was \$43 million and \$153 million for the three months and nine months ended September 30, 2022, respectively, compared to \$47 million and \$136 million for the three months and nine months ended September 30, 2021. The increase for the nine months ended September 30, 2022, was primarily due to higher overall operating costs.

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

| FICO® Score | Volume (\$ in millions) | % Share of volume |
|--|----------------------------|----------------------|
| Three months ended September 30, 2022 | | |
| 740 + | \$ 1,010 | 82 |
| 720–739 | 111 | 9 |
| 700–719 | 84 | 7 |
| 680–699 | 27 | 2 |
| Total consumer mortgage financing volume | \$ 1,232 | 100 |
| Three months ended September 30, 2021 | | |
| 740 + | \$ 3,585 | 91 |
| 720–739 | 277 | 7 |
| 700–719 | 92 | 2 |
| 680–699 | 2 | — |
| Total consumer mortgage financing volume | \$ 3,956 | 100 |
| Nine months ended September 30, 2022 | | |
| 740 + | \$ 3,179 | 83 |
| 720–739 | 387 | 10 |
| 700–719 | 232 | 6 |
| 680–699 | 49 | 1 |
| 660–679 | 2 | — |
| Total consumer mortgage financing volume | \$ 3,849 | 100 |
| Nine months ended September 30, 2021 | | |
| 740 + | \$ 7,299 | 91 |
| 720–739 | 559 | 7 |
| 700–719 | 189 | 2 |
| 680–699 | 2 | — |
| Total consumer mortgage financing volume | \$ 8,049 | 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) |
|---------------------------|------------------------------|--------------------|--------|------------------------------|---------------------------|-----------------------------|
| September 30, 2022 | | | | | | |
| Adjustable-rate | \$ 419 | 2 | 3.07 % | \$ 2 | 51.14 % | 769 |
| Fixed-rate | 19,295 | 98 | 3.18 | (1) | 54.28 | 780 |
| Total | \$ 19,714 | 100 | 3.18 | \$ 1 | 54.21 | 780 |
| December 31, 2021 | | | | | | |
| Adjustable-rate | \$ 378 | 2 | 2.76 % | \$ 3 | 50.37 % | 763 |
| Fixed-rate | 17,158 | 98 | 3.15 | 106 | 57.09 | 776 |
| Total | \$ 17,536 | 100 | 3.14 | \$ 109 | 56.94 | 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.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Corporate Finance

Results of Operations

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

| (\$ in millions) | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|----------|-------------------------------------|---------------------------------|----------|-------------------------------------|
| | 2022 | 2021 | Favorable/(unfavorable) % change | 2022 | 2021 | Favorable/(unfavorable) % change |
| Net financing revenue and other interest income | | | | | | |
| Interest and fees on finance receivables and loans | \$ 141 | \$ 83 | 70 | \$ 336 | \$ 244 | 38 |
| Interest on loans held-for-sale | 7 | 3 | 133 | 11 | 8 | 38 |
| Interest expense | 68 | 9 | n/m | 107 | 27 | n/m |
| Net financing revenue and other interest income | 80 | 77 | 4 | 240 | 225 | 7 |
| Total other revenue | 54 | 16 | n/m | 97 | 75 | 29 |
| Total net revenue | 134 | 93 | 44 | 337 | 300 | 12 |
| Provision for credit losses | 13 | 5 | (160) | 27 | 5 | n/m |
| Noninterest expense | | | | | | |
| Compensation and benefits expense | 17 | 15 | (13) | 55 | 52 | (6) |
| Other operating expenses | 13 | 12 | (8) | 40 | 34 | (18) |
| Total noninterest expense | 30 | 27 | (11) | 95 | 86 | (10) |
| Income from continuing operations before income tax expense | \$ 91 | \$ 61 | 49 | \$ 215 | \$ 209 | 3 |
| Total assets | \$ 9,840 | \$ 6,729 | 46 | \$ 9,840 | \$ 6,729 | 46 |

n/m = not meaningful

Our Corporate Finance operations earned income from continuing operations before income tax expense of \$91 million and \$215 million for the three months and nine months ended September 30, 2022, respectively, compared to income earned of \$61 million and \$209 million for the three months and nine months ended September 30, 2021. The increases for the three months and nine months ended September 30, 2022, were primarily due to higher interest income from sustained asset growth and a gain from the sale of a previously restructured exposure. This was partially offset by an increase in interest expense and a higher provision for credit losses.

Net financing revenue and other interest income was \$80 million and \$240 million for the three months and nine months ended September 30, 2022, respectively, compared to \$77 million and \$225 million for the three months and nine months ended September 30, 2021. The increases for the three months and nine months ended September 30, 2022, were primarily due to higher average assets from continued growth in the portfolio. This was partially offset by an increase in interest expense as benchmark interest rates continued to rise.

Other revenue increased \$38 million and \$22 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. The increases were primarily due to a gain from the sale of a previously restructured exposure and higher fee income.

The provision for credit losses increased \$8 million and \$22 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. The increases in provision for credit losses were primarily driven by reserve increases associated with portfolio growth, as well as higher specific provision activity. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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.

| <i>(\$ in millions)</i> | September 30, 2022 | December 31, 2021 |
|----------------------------------|--------------------|-------------------|
| Loans held-for-sale, net | \$ 544 | \$ 305 |
| Finance receivables and loans | \$ 9,355 | \$ 7,770 |
| Unfunded lending commitments (a) | \$ 5,997 | \$ 4,967 |
| Total serviced loans | \$ 14,005 | \$ 11,180 |

(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.

| | September 30, 2022 | December 31, 2021 |
|---------------------------------------|--------------------|-------------------|
| Industry | | |
| Financial services | 41.5 % | 38.1 % |
| Health services | 15.0 | 16.4 |
| Services | 13.4 | 13.8 |
| Automotive and transportation | 8.6 | 8.9 |
| Chemicals and metals | 7.9 | 8.8 |
| Machinery, equipment, and electronics | 6.8 | 5.4 |
| Wholesale | 2.4 | 1.7 |
| Retail trade | 1.3 | 1.2 |
| Other manufactured products | 1.2 | 1.4 |
| Construction | 1.0 | 1.0 |
| Other | 0.9 | 3.3 |
| Total finance receivables and loans | 100.0 % | 100.0 % |

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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, Ally Lending, Ally Credit Card, CRA loans and related investments, and reclassifications and eliminations between the reportable operating segments. Additionally, Corporate and Other includes costs that are not allocated to our reportable operating segments as part of our COH methodology, which involves management judgment.

| (\$ in millions) | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|----------------------------------|------------------|-------------------------------------|---------------------------------|------------------|-------------------------------------|
| | 2022 | 2021 | Favorable/(unfavorable) % change | 2022 | 2021 | Favorable/(unfavorable) % change |
| Net financing revenue and other interest income | | | | | | |
| Interest and fees on finance receivables and loans (a) | \$ 177 | \$ (4) | n/m | \$ 330 | \$ (6) | n/m |
| Interest on loans held-for-sale | 2 | 1 | 100 | 5 | 2 | 150 |
| Interest and dividends on investment securities and other earning assets | 190 | 130 | 46 | 526 | 357 | 47 |
| Interest on cash and cash equivalents | 15 | 4 | n/m | 22 | 12 | 83 |
| Total financing revenue and other interest income | 384 | 131 | 193 | 883 | 365 | 142 |
| Interest expense | | | | | | |
| Original issue discount amortization (b) | 13 | 12 | (8) | 39 | 36 | (8) |
| Other interest expense (c) | 116 | (19) | n/m | 34 | 35 | 3 |
| Total interest expense | 129 | (7) | n/m | 73 | 71 | (3) |
| Net financing revenue and other interest income | 255 | 138 | 85 | 810 | 294 | 176 |
| Other revenue | | | | | | |
| Loss on extinguishment of debt | — | (52) | 100 | — | (126) | 100 |
| Other gain on investments, net | 2 | 22 | (91) | 22 | 47 | (53) |
| Other income, net of losses | (76) | 42 | n/m | 29 | 227 | (87) |
| Total other revenue | (74) | 12 | n/m | 51 | 148 | (66) |
| Total net revenue | 181 | 150 | 21 | 861 | 442 | 95 |
| Provision for credit losses | 95 | 16 | n/m | 220 | 20 | n/m |
| Total noninterest expense (d) | 237 | 143 | (66) | 669 | 501 | (34) |
| Loss from continuing operations before income tax expense | \$ (151) | \$ (9) | n/m | \$ (28) | \$ (79) | 65 |
| Total assets | \$ 41,291 | \$ 47,156 | (12) | \$ 41,291 | \$ 47,156 | (12) |

n/m = not meaningful

- (a) Primarily related to impacts associated with hedging activities within our automotive loan portfolio, consumer other 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 \$321 million and \$938 million for the three months and nine months ended September 30, 2022, respectively, and \$290 million and \$815 million for the three months and nine months ended September 30, 2021, related to the allocation of COH expenses to other segments. The receiving segments record their allocation of COH expense within other operating expense.

The following table presents the scheduled remaining amortization of the original issue discount at September 30, 2022.

| Year ended December 31, (\$ in millions) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter (a) | Total |
|--|--------|--------|--------|--------|--------|-------------------------|--------|
| Original issue discount | | | | | | | |
| Outstanding balance at year end | \$ 874 | \$ 815 | \$ 749 | \$ 676 | \$ 597 | \$ — | |
| Total amortization (b) | 14 | 59 | 66 | 72 | 80 | 597 | \$ 888 |

- (a) The maximum annual scheduled amortization for any individual year is \$141 million in 2030.
- (b) The amortization is included as interest on long-term debt in the Condensed Consolidated Statement of Comprehensive Income.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Corporate and Other incurred a loss from continuing operations before income tax expense of \$151 million and \$28 million for the three months and nine months ended September 30, 2022, respectively, compared to a loss of \$9 million and \$79 million for the three months and nine months ended September 30, 2021. The decrease in income for the three months ended September 30, 2022, was primarily driven by a decrease in other revenue resulting from an impairment of an equity investment without a readily determinable fair value as well as increases in both noninterest expense and provision expense. For the nine months ended September 30, 2022, the increase in income was primarily driven by an increase in financing revenue and other interest income, and the loss on extinguishment of debt in 2021. This increase was partially offset by an impairment of an equity investment without a readily determinable fair value as well as increases in both noninterest expense and provision expense.

Total financing revenue and other interest income was \$384 million and \$883 million for the three months and nine months ended September 30, 2022, respectively, compared to \$131 million and \$365 million for the three months and nine months ended September 30, 2021. The increases were primarily driven by the impacts of a higher interest rate environment on the investment securities portfolio and hedging activities, along with financing revenue from Ally Credit Card, which we acquired in the fourth quarter of 2021.

Total interest expense increased \$136 million and \$2 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. The increases were primarily driven by a higher interest rate environment, which was partially offset during the nine months ended September 30, 2022, by our continued shift to more cost-efficient deposit funding.

Total other revenue decreased \$86 million and \$97 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. The decreases were primarily driven by net downward adjustments (including impairment) of \$137 million and \$139 million related to equity investments without a readily determinable fair value during the three months and nine months ended September 30, 2022, respectively, compared to net upward adjustments of \$1 million and \$82 million during the three months and nine months ended September 30, 2021. Refer to Note 11 to the Condensed Consolidated Financial Statements for additional information. The decreases were partially offset by the loss on extinguishment of debt during the three months and nine months ended September 30, 2021.

The provision for credit losses increased \$79 million and \$200 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. For the three months and nine months ended September 30, 2022, the increase in provision for credit losses was primarily driven by portfolio growth and higher net charge-offs within Ally Lending. Additionally, provision expense for the three months and nine months ended September 30, 2022, includes net charge-offs and portfolio growth related to Ally Credit Card, following our acquisition in December 2021. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Noninterest expense increased \$94 million and \$168 million for the three months and nine months ended September 30, 2022, respectively, as compared to the three months and nine months ended September 30, 2021. The increases were primarily driven by increased compensation and benefits expense, as well as incremental costs associated with Ally Credit Card.

Total assets were \$41.3 billion as of September 30, 2022, compared to \$47.2 billion as of September 30, 2021. This decrease was primarily the result of a reduction in our total cash and cash equivalents and investment securities balances, partially offset by growth in consumer loans associated with Ally Lending and Ally Credit Card. Additionally, as of September 30, 2022, the amortized cost of the legacy mortgage portfolio was \$306 million, compared to \$396 million at September 30, 2021, which also contributed to the decrease.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Cash and Securities

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

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| Cash and cash equivalents | | |
| Noninterest-bearing cash | \$ 480 | \$ 306 |
| Interest-bearing cash | 4,045 | 4,011 |
| Total cash and cash equivalents | 4,525 | 4,317 |
| Equity securities | 5 | 6 |
| Available-for-sale securities | | |
| Debt securities | | |
| U.S. Treasury and federal agencies | 1,517 | 1,900 |
| U.S. States and political subdivisions | 280 | 338 |
| Agency mortgage-backed residential | 15,639 | 18,336 |
| Mortgage-backed residential | 4,141 | 4,230 |
| Agency mortgage-backed commercial | 3,523 | 4,526 |
| Asset-backed | 467 | 534 |
| Total available-for-sale securities | 25,567 | 29,864 |
| Held-to-maturity securities | | |
| Debt securities | | |
| Agency mortgage-backed residential | 903 | 1,204 |
| Total held-to-maturity securities | 903 | 1,204 |
| Total cash, cash equivalents, and securities | \$ 31,000 | \$ 35,391 |

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.

| | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
|---|--------------------|---------------|----------------|-------------------|--------------------|
| Trading days (a) | 64.0 | 62.0 | 62.0 | 63.5 | 64.0 |
| Average customer trades per day, (in thousands) | 29.1 | 33.7 | 40.2 | 42.8 | 40.8 |
| Funded accounts (b) (in thousands) | 521 | 518 | 517 | 506 | 503 |
| Total net customer assets (b) (\$ in millions) | \$ 13,095 | \$ 13,508 | \$ 16,773 | \$ 17,391 | \$ 16,290 |
| Total customer cash balances (b) (\$ in millions) | \$ 1,917 | \$ 2,027 | \$ 2,268 | \$ 2,195 | \$ 2,175 |

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

(b) Represents activity across the brokerage, robo, and wealth management portfolios.

During the three months ended September 30, 2022, macroeconomic uncertainty and market volatility resulted in lower customer engagement and lower trade activity. Total funded accounts increased 1% from the prior quarter and increased 4% from the third quarter of 2021. Average customer trades per day decreased 14% from the prior quarter and decreased 29% from the third quarter of 2021, driven primarily by lower customer engagement. Additionally, net customer assets decreased 3% from the prior quarter and decreased 20% from the third quarter of 2021, as a result of lower equity market valuations.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Ally Lending

Ally Lending is our unsecured personal lending 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. Total active merchants totaled approximately 3,500 as of September 30, 2022, reflecting an increase of 19% from September 30, 2021. Total active borrowers totaled approximately 426,000 as of September 30, 2022, reflecting an increase of 68% compared to September 30, 2021.

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

| | Three months ended September 30, 2022 | | Three months ended September 30, 2021 | | Nine months ended September 30, 2022 | | Nine months ended September 30, 2021 | |
|---|--|--------------------------|--|------------------|---|--------------------------|---|---------------|
| <i>(\$ in millions)</i> | Volume | Average FICO® | Volume | Average FICO® | Volume | Average FICO® | Volume | Average FICO® |
| Total personal lending originations (a) | \$ 599 | 735 | \$ 362 | 733 | \$ 1,632 | 734 | \$ 872 | 737 |

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

During the three months and nine months ended September 30, 2022, personal lending originations increased \$237 million and \$760 million, respectively, to \$599 million and \$1.6 billion, as compared to the three months and nine months ended September 30, 2021. We continue to expand our relationships across the home improvement and medical verticals.

The carrying value of our personal lending portfolio was \$1.8 billion at September 30, 2022, compared to \$836 million at September 30, 2021, while the associated yield was 11.0% and 11.8% for the three months and nine months ended September 30, 2022, respectively, as compared to 13.9% and 14.3% for the three months and nine months ended September 30, 2021. The decreases in associated yields for both the three months and nine months ended September 30, 2022, as compared to the same periods in 2021, were due to increased originations in the home improvement vertical.

Ally Credit Card

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

| | September 30, 2022 | December 31, 2021 |
|--|---------------------------|-------------------|
| Total active cardholders <i>(in thousands)</i> | 1,010 | 766 |
| Consumer finance receivables <i>(\$ in millions)</i> | \$ 1,427 | \$ 953 |

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Risk Management

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

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

Our risk-management framework is overseen by the RC 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. Our primary types of risks include credit risk, insurance/underwriting risk, liquidity risk, market risk, business/strategic risk, reputation risk, operational risk, information technology/cybersecurity risk, compliance risk, and conduct risk. For more information on our risk management process, refer to the *Risk Management* MD&A section of our 2021 Annual Report on Form 10-K.

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Loan and Operating Lease Exposure

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

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| Finance receivables and loans | | |
| Automotive Finance (a) | \$ 99,622 | \$ 94,326 |
| Mortgage Finance | 19,715 | 17,644 |
| Corporate Finance | 9,354 | 7,770 |
| Corporate and Other (b) | 3,765 | 2,528 |
| Total finance receivables and loans | 132,456 | 122,268 |
| Loans held-for-sale | | |
| Automotive Finance | 6 | — |
| Mortgage Finance (c) | 44 | 80 |
| Corporate Finance | 544 | 305 |
| Corporate and Other | 214 | 164 |
| Total loans held-for-sale | 808 | 549 |
| Total on-balance-sheet loans | 133,264 | 122,817 |
| Whole-loan sales | | |
| Automotive Finance | 57 | — |
| Corporate and Other | 76 | 4 |
| Total off-balance-sheet loans (d) | 133 | 4 |
| Operating lease assets | | |
| Automotive Finance | 10,577 | 10,862 |
| Total operating lease assets | 10,577 | 10,862 |
| Total loan and operating lease exposure | \$ 143,974 | \$ 133,683 |

(a) Includes a liability of \$658 million and \$37 million associated with fair value hedging adjustments at September 30, 2022, and December 31, 2021, respectively. Refer to Note 19 to the Condensed Consolidated Financial Statements for additional information.

(b) Includes \$306 million and \$368 million of consumer mortgage loans in our legacy mortgage portfolio at September 30, 2022, and December 31, 2021, respectively.

(c) Represents the current balance of conforming mortgages originated directly to the held-for-sale portfolio.

(d) Represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions.

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

Credit Risk

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

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

To mitigate risk, we have implemented specific policies and practices across business lines, utilizing both qualitative and quantitative analyses. This reflects our commitment to maintaining an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and operating lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, 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 periodic stress tests, which include economic

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

scenarios whose severity mirrors those developed and distributed by the FRB to assess how the portfolios may perform in a severe economic downturn. In addition, we establish and maintain underwriting policies and limits across our portfolios and higher risk segments (for example, nonprime) based on our risk appetite.

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

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market and economic conditions. We monitor the credit risk profile of individual borrowers, various segmentations (for example, geographic region, product type, industry segment), as well as the aggregate portfolio. We perform quarterly analyses of the consumer automotive, consumer mortgage, consumer other, and commercial portfolios to assess the adequacy of the allowance for loan losses based on historical, current, and anticipated trends. Refer to Note 8 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, lending arrangements, and certain cash balances. For more information on derivative counterparty credit risk, refer to Note 19 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. As measured by GDP, the U.S. economy has contracted in the first nine months of 2022, but the unemployment rate has remained low at 3.5% as of September 30, 2022. Sales of new light vehicles have been adversely affected primarily by supply chain difficulties and slowed to an average annual rate of 13.6 million during the nine months ended September 30, 2022. Sales of new light motor vehicles remain below the pre-pandemic annual pace of 17.0 million in 2019, driving an increase in used vehicle values, as further described in the section below titled *Operating Lease Vehicle Terminations and Remarketing*. Additionally, used vehicle values may also be impacted by availability, price of new vehicles, or changes in customer preferences.

Consumer Credit Portfolio

During the three months and nine months ended September 30, 2022, 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, beginning in December 2021 with the acquisition of Ally Credit Card, financial information related to our credit card business is included within Corporate and Other. Credit performance in the consumer loan portfolio is influenced by general business and economic conditions, including unemployment rates, GDP growth, and inflation.

The carrying value of our nonprime held-for-investment consumer automotive loans before allowance for loan losses represented approximately 10.9% and 11.3% of our total consumer automotive loans at September 30, 2022, and December 31, 2021, respectively. During the three months ended September 30, 2022, we continued to experience credit performance normalization in our consumer automotive portfolio from prior year COVID-19 pandemic lows in delinquency and loss statistics, and anticipate this credit normalization trend to continue consistent with our continued strategic growth in used-vehicle lending and lending to consumer customers with prime FICO® Scores of 620–719. We have been consistent in underwriting new originations and remain within our approved risk appetite. 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 2021 Annual Report on Form 10-K.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | Outstanding | | Nonperforming (a) | | Accruing past due 90 days or more (b) | |
|--|--------------------|-------------------|--------------------|-------------------|---------------------------------------|-------------------|
| | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 |
| Consumer automotive (c) (d) | \$ 83,459 | \$ 78,252 | \$ 1,129 | \$ 1,078 | \$ — | \$ — |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 19,715 | 17,644 | 36 | 59 | — | — |
| Mortgage — Legacy | 306 | 368 | 18 | 26 | — | — |
| Total consumer mortgage | 20,021 | 18,012 | 54 | 85 | — | — |
| Consumer other | | | | | | |
| Personal Lending (e) | 1,807 | 1,002 | 9 | 5 | — | — |
| Credit Card | 1,427 | 953 | 28 | 11 | — | — |
| Total consumer other | 3,234 | 1,955 | 37 | 16 | — | — |
| Total consumer finance receivables and loans | \$ 106,714 | \$ 98,219 | \$ 1,220 | \$ 1,179 | \$ — | \$ — |

(a) Includes nonaccrual TDR loans of \$691 million and \$714 million at September 30, 2022, and December 31, 2021, 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 2021 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 19 to the Condensed Consolidated Financial Statements for additional information.

(d) Includes outstanding CSG loans of \$9.6 billion and \$8.6 billion at September 30, 2022, and December 31, 2021, respectively, and RV loans of \$613 million and \$763 million at September 30, 2022, and December 31, 2021, respectively.

(e) Excludes finance receivables of \$6 million and \$7 million at September 30, 2022, and December 31, 2021, respectively, for which we have elected the fair value option.

Total consumer finance receivables and loans increased \$8.5 billion at September 30, 2022, compared with December 31, 2021. The increase consists of \$5.2 billion of consumer automotive finance receivables and loans, \$2.0 billion of consumer mortgage finance receivables and loans and \$1.3 billion of consumer other finance receivables and loans. The increase was primarily due to an increase in consumer automotive finance receivables and loans, primarily related to continued momentum in our used-vehicle lending. Growth within the consumer mortgage and consumer other finance receivables and loans portfolios was primarily due to loan originations and purchases, which outpaced portfolio runoff.

Total consumer nonperforming finance receivables and loans at September 30, 2022, increased \$41 million to \$1.2 billion from December 31, 2021. The increase in our consumer automotive portfolio was driven by credit normalization following the onset of the COVID-19 pandemic. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.1% and 1.2% at September 30, 2022, and December 31, 2021, respectively.

Total consumer TDRs outstanding at September 30, 2022, decreased \$261 million since December 31, 2021, to \$1.9 billion. Results primarily reflect a \$262 million decrease in our consumer automotive loan portfolio. The level of consumer TDRs is continuing to stabilize, following our 2020 loan modification program offered to borrowers affected by the COVID-19 pandemic which are continuing to runoff in the current year. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information.

Consumer automotive loans accruing and past due 30 days or more increased \$765 million to \$2.4 billion at September 30, 2022, compared to \$1.7 billion at December 31, 2021, which was driven by growth in the consumer automotive portfolio, as well as credit normalization to reflect the current macroeconomic environment.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|--|----------------------------------|-------|---------------------------|-------|---------------------------------|--------|---------------------------|-------|
| | Net charge-offs (recoveries) | | Net charge-off ratios (a) | | Net charge-offs (recoveries) | | Net charge-off ratios (a) | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Consumer automotive | \$ 217 | \$ 51 | 1.1 % | 0.3 % | \$ 438 | \$ 143 | 0.7 % | 0.3 % |
| Consumer mortgage | | | | | | | | |
| Mortgage Finance | 1 | — | — | — | — | 2 | — | — |
| Mortgage — Legacy | (2) | (2) | (3.1) | (1.8) | (7) | (6) | (2.9) | (1.8) |
| Total consumer mortgage | (1) | (2) | — | — | (7) | (4) | (0.1) | — |
| Consumer other | | | | | | | | |
| Personal Lending | 16 | 5 | 3.9 | 2.8 | 44 | 17 | 4.3 | 4.0 |
| Credit Card | 13 | — | 4.0 | — | 32 | — | 3.7 | — |
| Total consumer other | 29 | 5 | 4.0 | 2.8 | 76 | 17 | 4.0 | 4.0 |
| Total consumer finance receivables and loans | \$ 245 | \$ 54 | 0.9 | 0.2 | \$ 507 | \$ 156 | 0.7 | 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 consumer finance receivables and loans were \$245 million and \$507 million for the three months and nine months ended September 30, 2022, respectively, compared to net charge-offs of \$54 million and \$156 million for the three months and nine months ended September 30, 2021. Net charge-offs for our consumer automotive portfolio increased by \$166 million and \$295 million for the three months and nine months ended September 30, 2022, respectively, compared to the same periods in 2021, driven by credit normalization following the onset of the COVID-19 pandemic. Net charge-offs in our consumer other portfolio increased primarily due to the acquisition of Ally Credit Card, which we acquired in December 2021.

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|----------------------------------|----------------------------------|-----------|---------------------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| Consumer automotive (a) | \$ 11,323 | \$ 11,025 | \$ 34,264 | \$ 30,946 |
| Consumer mortgage (b) | 521 | 3,553 | 3,086 | 7,559 |
| Consumer other (c) (d) | 599 | 362 | 1,632 | 872 |
| Total consumer loan originations | \$ 12,443 | \$ 14,940 | \$ 38,982 | \$ 39,377 |

(a) Includes \$63 million of loans originated as held-for-sale for both the three months and nine months ended September 30, 2022.

(b) Excludes bulk loan purchases associated with our Mortgage Finance operations, and includes \$415 million and \$2.0 billion of loans originated as held-for-sale for the three months and nine months ended September 30, 2022, respectively, and \$788 million and \$2.6 billion for the three months and nine months ended September 30, 2021.

(c) Includes acquired loans related to our Ally Lending business, for which we have elected the fair value option measurement.

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

Total consumer loan originations decreased \$2.5 billion and \$395 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. These decreases were primarily due to decreased loan originations within the consumer mortgage portfolio, due to a higher interest rate environment. These decreases were partially offset by increased originations in the consumer automotive portfolio, driven by higher financed transaction amounts, and partially offset by decreased application flow in the consumer automotive portfolio.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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 \$83.5 billion and \$78.3 billion at September 30, 2022, and December 31, 2021, respectively. Total consumer mortgage loans were \$20.0 billion and \$18.0 billion at September 30, 2022, and December 31, 2021, respectively.

| | September 30, 2022 (a) | | December 31, 2021 | |
|----------------------|------------------------|-------------------|---------------------|-------------------|
| | Consumer automotive | Consumer mortgage | Consumer automotive | Consumer mortgage |
| California | 8.7 % | 38.7 % | 8.7 % | 39.6 % |
| Texas | 13.5 | 7.3 | 13.0 | 7.3 |
| Florida | 9.4 | 6.6 | 9.3 | 6.3 |
| Pennsylvania | 4.5 | 2.1 | 4.4 | 2.3 |
| Georgia | 4.1 | 3.0 | 4.0 | 3.0 |
| North Carolina | 4.1 | 1.9 | 4.1 | 1.6 |
| Illinois | 3.6 | 2.8 | 3.7 | 3.1 |
| New York | 3.6 | 1.9 | 3.3 | 2.1 |
| New Jersey | 3.1 | 2.4 | 3.0 | 2.5 |
| Ohio | 3.5 | 0.4 | 3.4 | 0.5 |
| Other United States | 41.9 | 32.9 | 43.1 | 31.7 |
| 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 September 30, 2022.

We monitor our consumer loan portfolio for concentration risk across the states in which we lend. The highest concentrations of consumer loans are in California and Texas, which represented an aggregate of 26.8% and 26.4% of our total outstanding consumer automotive and mortgage finance receivables and loans at September 30, 2022, and December 31, 2021, 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.

Reposessed and Foreclosed Assets

We classify a reposessed or foreclosed asset as held-for-sale, which is included in other assets on our Condensed Consolidated Balance Sheet, when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on reposessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K.

Reposessed consumer automotive loan assets in our Automotive Finance operations were \$164 million and \$120 million at September 30, 2022, and December 31, 2021, respectively, and foreclosed mortgage assets were \$2 million and \$1 million at September 30, 2022, and December 31, 2021, respectively.

Commercial Credit Portfolio

During the three months and nine months ended September 30, 2022, the credit performance of the commercial portfolio remained strong. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

| (\$ in millions) | Outstanding | | Nonperforming (a) | | Accruing past due 90 days or more (b) | |
|--|--------------------|-------------------|--------------------|-------------------|---------------------------------------|-------------------|
| | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 | September 30, 2022 | December 31, 2021 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Automotive | \$ 12,158 | \$ 12,229 | \$ 4 | \$ 33 | \$ — | \$ — |
| Other (c) | 8,425 | 6,874 | 159 | 221 | — | — |
| Commercial real estate | 5,153 | 4,939 | — | 3 | — | — |
| Total commercial finance receivables and loans | \$ 25,736 | \$ 24,042 | \$ 163 | \$ 257 | \$ — | \$ — |

(a) Includes nonaccrual TDR loans of \$160 million and \$117 million at September 30, 2022, and December 31, 2021, 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 2021 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 increased \$1.7 billion from December 31, 2021, to \$25.7 billion at September 30, 2022. Results were driven by a \$1.6 billion increase in our Corporate Finance segment, primarily within the commercial and industrial receivables class.

Total commercial nonperforming finance receivables and loans were \$163 million at September 30, 2022, reflecting a decrease of \$94 million compared to December 31, 2021. This decrease was primarily impacted by a \$62 million decrease in our Corporate Finance segment within the commercial and industrial receivables. Nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans decreased to 0.6% at September 30, 2022, compared to 1.1% at December 31, 2021.

Total commercial TDRs outstanding at September 30, 2022, increased \$385 million since December 31, 2021, to \$556 million. The increase was primarily driven by the restructuring of four exposures within commercial other in our commercial and industrial portfolio class. Refer to Note 8 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.

| (\$ in millions) | Three months ended September 30, | | | | Nine months ended September 30, | | | |
|--|----------------------------------|------|---------------------------|------|---------------------------------|-------|---------------------------|------|
| | Net charge-offs (recoveries) | | Net charge-off ratios (a) | | Net charge-offs (recoveries) | | Net charge-off ratios (a) | |
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Commercial | | | | | | | | |
| Commercial and industrial | | | | | | | | |
| Automotive | \$ — | \$ — | — % | — % | \$ (1) | \$ — | — % | — % |
| Other | 31 | — | 1.6 | — | 57 | 10 | 1.0 | 0.3 |
| Commercial real estate | — | — | — | — | (1) | — | — | — |
| Total commercial finance receivables and loans | \$ 31 | \$ — | 0.5 | — | \$ 55 | \$ 10 | 0.3 | 0.1 |

(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 \$31 million and \$55 million for the three months and nine months ended September 30, 2022, respectively, compared to a net charge off of \$10 million for the nine months ended September 30, 2021. The increases for the three months and nine months ended September 30, 2022, were primarily driven by our Corporate Finance operations and included the partial charge-off of one exposure during the third quarter of 2022.

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 \$5.2 billion and \$4.9 billion at September 30, 2022, and December 31, 2021, respectively.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

| | September 30, 2022 | December 31, 2021 |
|--|--------------------|-------------------|
| Florida | 16.2 % | 16.4 % |
| Texas | 14.6 | 13.9 |
| California | 8.4 | 8.3 |
| New York | 6.2 | 3.8 |
| North Carolina | 5.4 | 5.8 |
| Michigan | 4.5 | 5.8 |
| Ohio | 4.0 | 3.4 |
| Georgia | 3.2 | 3.3 |
| Utah | 2.9 | 3.0 |
| Illinois | 2.8 | 2.9 |
| Other United States | 31.8 | 33.4 |
| 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 increased \$63 million from December 31, 2021, to \$1.8 billion at September 30, 2022. The increase in total criticized exposures was primarily driven by an increase in Special Mention loans within our Corporate Finance operations. Total criticized exposures represented 7.1% and 7.3% of total commercial finance receivables and loans at September 30, 2022, and December 31, 2021, respectively, representing strong overall credit performance as the commercial loan portfolio continues to grow.

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

| | September 30, 2022 | December 31, 2021 |
|---|--------------------|-------------------|
| Industry | | |
| Automotive | 39.7 % | 50.8 % |
| Chemicals | 21.2 | 14.4 |
| Services | 13.7 | 11.0 |
| Other | 25.4 | 23.8 |
| Total commercial criticized finance receivables and loans | 100.0 % | 100.0 % |

Allowance for Loan Losses

We adopted CECL on January 1, 2020. 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 macroeconomic 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 available, which includes data points from the most recent recessionary period.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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 2021 Annual Report on Form 10-K. For example, our consumer automotive allowance for loan losses is most sensitive to state-level unemployment rates. Our process for determining the allowance for loan losses considers a borrower's willingness and ability to pay and considers other factors, including loan modification programs. In addition to our quantitative allowance for loan losses, we also incorporate qualitative adjustments that may relate to idiosyncratic risks, weather-related events, changes in current economic conditions that may not be reflected in quantitatively derived results such as the impacts associated with COVID-19, and other macroeconomic uncertainty. 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. Additionally, we perform a sensitivity analysis of our allowance utilizing varying macroeconomic scenarios, as described further within *Critical Accounting Estimates — Allowance for Credit Losses* within the MD&A in our 2021 Annual Report on Form 10-K.

Through September 30, 2022, forecasted economic variables incorporated into 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 rising to approximately 4% in the third quarter of 2023, before reverting to the historical mean of approximately 6% by the third quarter of 2025, deceleration of GDP growth as measured on a quarter-over-quarter seasonally adjusted annualized rate basis through the first quarter of 2023, before reverting to the historical mean of approximately 2% by the third quarter of 2025, and new light vehicle sales on a seasonally adjusted annualized rate basis peaking to approximately 16 million units in the third quarter of 2023, before reverting to the historical mean of approximately 15 million by the third quarter of 2025. We continue to use our qualitative allowance framework to reassess and adjust management reserve levels to account for ongoing uncertainty and volatility in the macroeconomic environment, including the global supply chain and manufacturing challenges, workforce participation, inflation, weather-related events, and other complexities stemming from the COVID-19 pandemic and current geopolitical environment that could adversely impact frequency of loss and LGD. Our overall allowance for loan losses increased \$161 million from the prior quarter to \$3.6 billion at September 30, 2022, representing 2.7% as a percentage of total finance receivables as of both September 30, 2022, and December 31, 2021.

The following tables present an analysis of the activity in the allowance for loan losses on finance receivables and loans for the three months and nine months ended, September 30, 2022, and September 30, 2021, respectively.

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

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for information regarding our charge-off policies.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for information regarding our charge-off policies.

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

| Three months ended September 30, 2021 (\$ in millions) | Consumer automotive | Consumer mortgage | Consumer other | Total consumer | Commercial | Total |
|--|----------------------------|--------------------------|-----------------------|-----------------------|-------------------|--------------|
| Allowance at July 1, 2021 | \$ 2,802 | \$ 24 | \$ 72 | \$ 2,898 | \$ 228 | \$ 3,126 |
| Charge-offs (a) | (211) | (2) | (5) | (218) | — | (218) |
| Recoveries | 160 | 4 | — | 164 | — | 164 |
| Net charge-offs | (51) | 2 | (5) | (54) | — | (54) |
| Provision due to change in portfolio size | 69 | 5 | 22 | 96 | — | 96 |
| Provision due to incremental charge-offs | 51 | (2) | 5 | 54 | — | 54 |
| Provision due to all other factors | (61) | (4) | (8) | (73) | (1) | (74) |
| Total provision for credit losses | 59 | (1) | 19 | 77 | (1) | 76 |
| Allowance at September 30, 2021 | \$ 2,810 | \$ 25 | \$ 86 | \$ 2,921 | \$ 227 | \$ 3,148 |
| Net charge-offs to average finance receivables and loans outstanding for the three months ended September 30, 2021 | 0.3 % | (0.1)% | 2.8 % | 0.2 % | — % | 0.2 % |
| Ratio of allowance for loan losses to annualized net charge-offs at September 30, 2021 | 13.6 | (2.5) | 4.2 | 13.4 | n/m | 14.5 |

n/m = not meaningful

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for information regarding our charge-off policies.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, 2021 (\$ in millions) | Consumer automotive | Consumer mortgage | Consumer other | Total consumer | Commercial | Total |
|---|---------------------|-------------------|----------------|----------------|------------|----------|
| Allowance at January 1, 2021 | \$ 2,902 | \$ 33 | \$ 73 | \$ 3,008 | \$ 275 | \$ 3,283 |
| Charge-offs (a) | (678) | (6) | (18) | (702) | (21) | (723) |
| Recoveries | 535 | 10 | 1 | 546 | 11 | 557 |
| Net charge-offs | (143) | 4 | (17) | (156) | (10) | (166) |
| Provision due to change in portfolio size | 160 | 3 | 57 | 220 | (16) | 204 |
| Provision due to incremental charge-offs | 143 | (4) | 17 | 156 | 10 | 166 |
| Provision due to all other factors | (252) | (11) | (44) | (307) | (32) | (339) |
| Total provision for credit losses | 51 | (12) | 30 | 69 | (38) | 31 |
| Allowance at September 30, 2021 | \$ 2,810 | \$ 25 | \$ 86 | \$ 2,921 | \$ 227 | \$ 3,148 |
| Net charge-offs to average finance receivables and loans outstanding for the nine months ended September 30, 2021 | 0.3 % | — % | 4.0 % | 0.2 % | 0.1 % | 0.2 % |
| Ratio of allowance for loan losses to annualized net charge-offs at September 30, 2021 | 14.7 | (4.2) | 3.7 | 14.0 | 16.0 | 14.2 |

(a) Refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K for information regarding our charge-off policies.

| (\$ in millions) | Consumer automotive | Consumer mortgage | Consumer other | Total consumer | Commercial | Total |
|--|---------------------|-------------------|----------------|----------------|------------|-------|
| September 30, 2022 | | | | | | |
| Allowance for loan losses to finance receivables and loans outstanding (a) | 3.6 % | 0.1 % | 11.5 % | 3.2 % | 0.9 % | 2.7 % |
| Allowance for loan losses to total nonperforming finance receivables and loans (a) | 265.1 | 49.9 | n/m | 278.1 | 134.0 | 261.1 |
| Nonaccrual loans to finance receivables and loans outstanding | 1.4 | 0.3 | 1.1 | 1.1 | 0.6 | 1.0 |
| September 30, 2021 | | | | | | |
| Allowance for loan losses to finance receivables and loans outstanding (a) | 3.6 % | 0.2 % | 10.3 % | 3.1 % | 1.2 % | 2.8 % |
| Allowance for loan losses to total nonperforming finance receivables and loans (a) | 276.8 | 36.3 | n/m | 268.6 | 114.5 | 244.8 |

n/m = not meaningful

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

The allowance for consumer loan losses as of September 30, 2022, increased \$471 million compared to September 30, 2021, reflecting an increase of \$286 million in the consumer other allowance, along with an increase of \$183 million in the consumer automotive allowance. The increase in the consumer other allowance was primarily driven by the establishment of reserves related to the Ally Credit Card acquisition, as well as continued growth in Ally Lending and Ally Credit Card. The increase in our consumer automotive allowance was primarily driven by portfolio growth.

The allowance for commercial loan losses as of September 30, 2022, decreased \$8 million compared to September 30, 2021. The decrease was primarily driven by reserve declines associated with continued improvements to the macroeconomic environment following the onset of the COVID-19 pandemic.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Provision for Loan Losses

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|-------------------------------------|----------------------------------|-------|---------------------------------|-------|
| | 2022 | 2021 | 2022 | 2021 |
| Consumer | | | | |
| Consumer automotive | \$ 326 | \$ 59 | \$ 663 | \$ 51 |
| Consumer mortgage | | | | |
| Mortgage Finance | 2 | 2 | 2 | (2) |
| Mortgage — Legacy | (3) | (3) | (9) | (10) |
| Total consumer mortgage | (1) | (1) | (7) | (12) |
| Consumer other | | | | |
| Personal Lending | 42 | 19 | 109 | 30 |
| Credit Card | 57 | — | 119 | — |
| Total consumer other | 99 | 19 | 228 | 30 |
| Total consumer | 424 | 77 | 884 | 69 |
| Commercial | | | | |
| Commercial and industrial | | | | |
| Automotive | — | (5) | (1) | (27) |
| Other | 13 | 6 | 29 | 7 |
| Commercial real estate | 1 | (2) | (5) | (18) |
| Total commercial | 14 | (1) | 23 | (38) |
| Total provision for loan losses (a) | \$ 438 | \$ 76 | \$ 907 | \$ 31 |

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

The provision for consumer credit losses increased \$347 million and \$815 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. The increase in provision for consumer credit losses for the three months and nine months ended September 30, 2022, was primarily driven by higher net charge-offs as credit continued to normalize during the three and nine months ended September 30, 2022, and reserve reductions during the three months and nine months ended September 30, 2021, associated with improvements to the macroeconomic environment following the onset of the COVID-19 pandemic. Additionally, provision expense for the three months and nine months ended September 30, 2022, includes net charge-offs and portfolio growth related to Ally Credit Card, following our acquisition in December 2021.

The provision for commercial credit losses increased \$15 million and \$61 million for the three months and nine months ended September 30, 2022, respectively, compared to the three months and nine months ended September 30, 2021. For the three months and nine months ended September 30, 2022, the increase in provision for commercial credit losses was primarily driven by higher provisions on specific exposures and reserve increases associated with portfolio growth within our Corporate Finance operations.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Allowance for Loan Losses by Type

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

| September 30, (\$ in millions) | 2022 | | | 2021 | | |
|---------------------------------|---------------------------|---------------------------------------|---|---------------------------|---------------------------------------|---|
| | 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 | \$ 2,993 | 3.6 % | 82.9 % | \$ 2,810 | 3.6 % | 89.3 % |
| Consumer mortgage | | | | | | |
| Mortgage Finance | 21 | 0.1 | 0.6 | 17 | 0.1 | 0.5 |
| Mortgage — Legacy | 6 | 1.9 | 0.1 | 8 | 2.0 | 0.3 |
| Total consumer mortgage | 27 | 0.1 | 0.7 | 25 | 0.2 | 0.8 |
| Consumer other | | | | | | |
| Personal Lending | 167 | 9.2 | 4.6 | 86 | 10.3 | 2.7 |
| Credit Card | 205 | 14.4 | 5.7 | — | — | — |
| Total consumer other | 372 | 11.5 | 10.3 | 86 | 10.3 | 2.7 |
| Total consumer loans | 3,392 | 3.2 | 93.9 | 2,921 | 3.1 | 92.8 |
| Commercial | | | | | | |
| Commercial and industrial | | | | | | |
| Automotive | 12 | 0.1 | 0.4 | 15 | 0.2 | 0.5 |
| Other | 171 | 2.0 | 4.7 | 169 | 2.9 | 5.3 |
| Commercial real estate | 36 | 0.7 | 1.0 | 43 | 0.9 | 1.4 |
| Total commercial loans | 219 | 0.9 | 6.1 | 227 | 1.2 | 7.2 |
| Total allowance for loan losses | \$ 3,611 | 2.7 | 100.0 % | \$ 3,148 | 2.8 | 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, off-lease vehicle prices, and other equity investments.

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

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 primarily from Canadian denominated assets and liabilities. We enter into foreign currency 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 nonmarketable equity investments without readily determinable fair market values, which may cause volatility in our earnings. This includes our investment in BMC Holdco as described in the section above titled *Primary Business Lines*.

- During 2021, we sold a portion of our investment in BMC Holdco for proceeds of \$45 million and realized gains totaling \$38 million. In addition, during 2021, BMC Holdco and Aurora Acquisition Corp (Aurora) announced several agreements relevant to the valuation of our remaining investment in BMC Holdco.
 - BMC Holdco entered into a merger agreement (together with all 2021 amendments, the Merger Agreement) with Aurora that provides for our remaining investment in BMC Holdco to be converted into publicly traded common stock of the entity surviving the merger. The Merger Agreement established a price per share reflecting a pre-money equity valuation

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

of approximately \$6.9 billion for BMC Holdco and included an Agreement End Date (as defined in the Merger Agreement) of September 30, 2022.

- BMC Holdco and Aurora entered into a bridge note purchase agreement with investors to issue debt (the Notes) that converts into publicly traded common stock of the entity surviving the merger as contemplated by the Merger Agreement.
- During the third quarter of 2022, BMC Holdco and Aurora announced a further amendment of the Merger Agreement that extends the Agreement End Date to March 8, 2023. Contemporaneously, BMC Holdco and Aurora entered into a letter agreement with one of its existing investors that, in part and subject to specified conditions, (i) extends the maturity date of the investor's Notes to March 8, 2023, and (ii) without limiting the investor's rights under the bridge note purchase agreement, if the merger has not been consummated by the maturity date of the Notes, provides the investor with an option to alternatively exchange its Notes for Class B common stock and preferred stock of BMC Holdco at specified valuations.

The letter agreement was a triggering event to assess our remaining investment in BMC Holdco for impairment. We recognized an impairment charge on this investment of \$136 million during the three months ended September 30, 2022. As of September 30, 2022, both the cost basis at acquisition and the carrying value of this investment were \$19 million. The carrying value of this investment reflects cumulative upward adjustments of \$136 million and cumulative downward adjustments (including impairment) of \$136 million since acquisition. Refer to the section titled *Risk Factors* in Part I, Item 1A of our 2021 Annual Report on Form 10-K for additional information regarding risk associated with the valuation of our nonmarketable equity investments and Note 11 to the Condensed Consolidated Financial Statements for additional information.

During the three months and nine months ended September 30, 2022, we recorded \$1.3 billion and \$4.2 billion of net unrealized losses on our available-for-sale securities, respectively, primarily due to an increase in market interest rates. These unrealized losses are recorded in other comprehensive income of our Condensed Consolidated Statement of Comprehensive Income, and are generally not realized unless we decide to sell the securities prior to their stated maturity date. If held until maturity, we would recapture the par value of the securities and not realize any losses associated with changes in interest rates. During the nine months ended September 30, 2022, management determined that there were no expected credit losses for securities in an unrealized loss position. Refer to Note 7 and Note 16 to the Condensed Consolidated Financial Statements for additional information.

The composition of our balance sheet, including shorter-duration consumer automotive loans and variable-rate commercial loans, along with our primary funding source of low-cost retail deposits, partially mitigates market risk. Additionally, we maintain risk-management controls that measure and monitor market risk using a variety of analytical techniques including market value and sensitivity analysis. Refer to Note 19 to the Condensed Consolidated Financial Statements for additional information.

LIBOR Transition

In recognition of the significance of LIBOR cessation, in July 2018, Ally formed an enterprise-wide LIBOR transition program that devotes numerous resources throughout all levels of the organization to facilitate the transition to alternative reference rates. Our program spans impacted business lines and functions to evaluate risks associated with the transition, while taking into account specific considerations related to our customers, products and instruments, and counterparty exposures. Through this program, we continue to plan for and guide the transition away from LIBOR to alternative reference rates, and evaluate the impacts and potential impacts to our existing and future contracts with customers and counterparties, financial forecasts, operational processes, technology, modeling, and vendor relationships. Our program is also subject to the governance and oversight of our Board through the RC and certain executive committees, including the ALCO and the ERM. For a more detailed discussion of our transition away from LIBOR, refer to the section titled *Risk Management—LIBOR Transition* in our 2021 Annual Report on Form 10-K.

We continue to make progress on our transition efforts, including the development of new products and agreements that utilize alternative reference rates, such as Prime and SOFR. We continue to engage our commercial automotive dealer customers with transitioning their existing wholesale floorplan financing agreements from LIBOR to Prime as appropriate. Additionally, we continue to reduce our LIBOR exposure through other strategic actions. For example, during 2021, we executed the sale of a portion of our adjustable-rate mortgage loans that were tied to LIBOR, and redeemed our Series 2 TRUPS with an interest rate linked to LIBOR and replaced these regulatory capital instruments with new preferred stock referencing U.S. treasury rates. We also advanced our efforts of transitioning existing bilateral commercial automotive lending arrangements from LIBOR to alternative rates, commenced direct-to-consumer mortgage lending in our held-for-investment channel using SOFR, and commenced originating corporate-finance loans using SOFR. In alignment with guidance from U.S. banking regulators, we also updated our policies and procedures and established enhanced governance to adhere to safe-and-sound practices with regard to new LIBOR contracts and existing LIBOR exposures beyond December 31, 2021, and are planning to transition our remaining exposure to alternative rates prior to the cessation of the remaining U.S. dollar LIBOR tenors, which will no longer be published after June 30, 2023.

Net Financing Revenue Sensitivity Analysis

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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 simulations 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 increase by \$690 million if interest rates remain unchanged due to expected increases in the federal funds rate, resulting in an inversion of the yield curve.

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 September 30, 2022, and December 31, 2021.

| | September 30, 2022 | | December 31, 2021 | |
|---------------------------------|--------------------|---------------|-------------------|---------------|
| | Gradual (a) | Instantaneous | Gradual (a) | Instantaneous |
| | (\$ in millions) | | (\$ in millions) | |
| Change in interest rates | | | | |
| +200 basis points | \$ (17) | \$ (208) | \$ 2 | \$ (169) |
| +100 basis points | (3) | (99) | 16 | (37) |
| -100 basis points (b) | 7 | 95 | n/m | n/m |

n/m = not meaningful

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

(b) Our models currently assume rates do not go below zero.

Since December 31, 2021, the implied forward rate curve has increased, flattened, and inverted as market expectations for short-term interest rates have increased more than long-term rates. The impact of this change is reflected in our baseline net financing revenue projections. As of September 30, 2022, we remain liability sensitive to a parallel move in interest rates, as the assumed repricing of our assets and pay-fixed swap position is more than offset by assumed repricing of our liabilities.

Our exposure to the downward interest rate shock scenario as of December 31, 2021, is not provided as many interest rates were at or near historical lows, limiting our model's ability to reprice lower.

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 use interest rate floor contracts designated as cash flow hedges on certain floating-rate assets. The size, maturity, and mix of our hedging activities are adjusted as our balance sheet, ALM objectives, and 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 9 to the Condensed Consolidated Financial Statements. Our operating lease portfolio, net of accumulated depreciation was \$10.6 billion and \$10.9 billion as of September 30, 2022, and December 31, 2021, respectively. The expected lease residual value of our operating lease portfolio at scheduled termination was \$8.2 billion and \$8.6 billion as of September 30, 2022, and December 31, 2021, 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 2021 Annual Report on Form 10-K.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Operating Lease Vehicle Terminations and Remarketing

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|----------------------------------|----------|---------------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Off-lease vehicles terminated (<i>in units</i>) | 29,562 | 34,475 | 89,715 | 99,731 |
| Average gain per vehicle (\$ <i>per unit</i>) | \$ 1,325 | \$ 2,495 | \$ 1,547 | \$ 2,793 |
| Method of vehicle sales | | | | |
| Sale to dealer, lessee, and other | 90 % | 76 % | 89 % | 59 % |
| Auction | | | | |
| Internet | 7 | 19 | 8 | 33 |
| Physical | 3 | 5 | 3 | 8 |

We recognized an average gain per vehicle of \$1,325 and \$1,547 for the three months and nine months ended September 30, 2022, respectively, compared to an average gain per vehicle of \$2,495 and \$2,793 for the same periods in 2021. The number of off-lease vehicles remarketed during the three months and nine months ended September 30, 2022, decreased 14% and 10%, respectively, compared to the same periods in 2021, reflecting the normalization of termination volume to pre-COVID-19 levels. The decrease in remarketing performance was primarily due to a shift in off-lease vehicle disposition channel mix. The remarketing channel mix for dealer and lessee buyouts increased during the three months and nine months ended September 30, 2022, primarily due to supply constraints increasing dealer demand for off-lease vehicles, as well as increases in new vehicle prices that are causing a shift in consumer preference. The shift in off-lease vehicle disposition mix is expected to continue in the near term and may limit our ability to optimize remarketing proceeds.

Operating Lease Portfolio Mix

We monitor the concentration of our outstanding operating leases. Our exposure to Stellantis vehicles represented approximately 78% and 82% of our operating lease units as of September 30, 2022, and 2021, respectively.

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

| September 30, | 2022 | 2021 |
|-----------------------|------|------|
| Sport utility vehicle | 63 % | 58 % |
| Truck | 31 | 34 |
| Car | 6 | 8 |

Climate-Related Risk

We have identified and defined climate-related risk as an emerging risk. Pursuant to our risk-management framework, emerging risks include those that have yet to create a material impact or would only arise during stressful or unlikely circumstances.

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

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

- Defined climate-related risk as an emerging risk within our risk-management framework.
- Appointed an Environmental Sustainability Risk Executive reporting to our Chief Risk Officer and established a sustainability office staffed with employees focused on adopting sustainability measures and developing and executing a comprehensive enterprise strategy on climate-related risks and opportunities.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

- Included sustainability and climate-related matters in executive level forums and Board education.
- Completed a formal ESG Stakeholder Assessment in 2021 that includes customers, investors, community partners, local governments and employees to gain perspective on ESG priorities and their importance to Ally.
- Committed to developing a comprehensive enterprise environmental sustainability strategy focusing on greater data collection, aggregation and analysis, with the goal of aligning with the recommendations from the Task Force on Climate-related Financial Disclosures in assessing and reporting on our exposures to climate-related risks and opportunities consistent with the financial industry.
- Performed our annual assessment and calculation of our greenhouse gas emissions including Scope 1 emissions (direct emissions from owned or controlled sources), Scope 2 emissions (indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the company), and relevant Scope 3 emissions (all other indirect emissions that occur in the company's value chain) for 2021.
- Executed Ally's carbon neutrality strategy for 2021 Scope I and II emissions through a combined purchase of carbon offsets and Green-e Energy Certified renewable energy credits.
- Submitted our annual CDP (formally the Carbon Disclosure Project) climate change questionnaire for 2021.
- Prioritized sustainable facilities by purchasing or leasing LEED certified buildings that accounted for approximately 40% of the total square footage in Ally facilities as of September 30, 2022.
- Activated the "Green Teams" initiative in Q4 2021 to engage Ally employees in support of environmental volunteer opportunities within local communities where Ally operates. Completed over 1,000 volunteer hours since activation.

Refer to the section titled *Risk Factors* in Part I, Item 1A of our 2021 Annual Report on Form 10-K for information on climate-related risks.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Liquidity Management, Funding, and Regulatory Capital

Overview

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

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

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

The monthly liquidity forecasts demonstrate our ability to generate and obtain adequate amounts of cash to meet loan and operating lease demand, debt maturities, deposit withdrawals, and other cash commitments under normal operating conditions throughout the forecast horizon (currently through December 2024). Refer to Note 13 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt as of September 30, 2022. In recent years, we have become less reliant on market-based funding, reducing our exposure to disruptions in wholesale funding markets.

Funding Strategy

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

We manage our funding to achieve a well-balanced portfolio across a spectrum of risk, maturity, and cost-of-funds characteristics. Optimizing funding at Ally Bank continues to be a key part of our long-term liquidity strategy. We optimize our funding sources at Ally Bank by prioritizing retail deposits, maintaining active 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 substantially all our automotive finance and other assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Liquidity Risk Management

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

Our liquidity stress testing is designed to allow us to operate our businesses and to meet our contractual and contingent obligations, including unsecured debt maturities, for at least 12 months, assuming our normal access to funding is disrupted by severe market-wide and enterprise-specific events. We maintain available liquidity in the form of cash and unencumbered highly liquid securities. 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.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

The following table summarizes our total available liquidity.

| (\$ in millions) | September 30, 2022 | December 31, 2021 |
|---|--------------------|-------------------|
| Unencumbered highly liquid securities (a) | \$ 22,731 | \$ 26,767 |
| Liquid cash and equivalents | 4,573 | 4,426 |
| Total available liquidity | \$ 27,304 | \$ 31,193 |

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

Recent Funding Developments

Key funding highlights from January 1, 2022, to date were as follows:

- During June 2022, we accessed the unsecured debt capital markets and raised \$750 million through the issuance of senior notes, which provided additional liquidity at Ally Financial Inc. Additionally, we had \$1.1 billion of unsecured debt mature during the nine months ended September 30, 2022.
- During the nine months ended September 30, 2022, the balance of outstanding short-term and long-term FHLB advances grew by \$7.2 billion and decreased by \$125 million, respectively.

Funding Sources

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

| (\$ in millions) | September 30, 2022 | | December 31, 2021 | |
|--------------------------------|--------------------------|--------------------|--------------------------|--------------------|
| | On-balance sheet funding | % Share of funding | On-balance sheet funding | % Share of funding |
| Deposits | \$ 145,751 | 86 | \$ 141,558 | 89 |
| Debt | | | | |
| Secured financings | 14,627 | 9 | 7,619 | 5 |
| Institutional term debt | 8,920 | 5 | 9,194 | 6 |
| Retail term notes | 281 | — | 216 | — |
| Total debt (a) | 23,828 | 14 | 17,029 | 11 |
| Total on-balance-sheet funding | \$ 169,579 | 100 | \$ 158,587 | 100 |

(a) Includes hedge basis adjustments as described in Note 19 to the Condensed Consolidated Financial Statements.

Refer to Note 13 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at September 30, 2022.

Deposits

Ally Bank is a digital direct bank with no branch network that obtains retail deposits directly from customers. We offer competitive rates and fees on a full spectrum of retail deposit products, including online savings accounts, money-market demand accounts, CDs, interest-bearing checking accounts, trust accounts, and IRAs. Our primary funding source is retail deposits, which provide us with stable, low-cost funding. We believe retail deposits are less sensitive to interest rate changes, market volatility, or changes in credit ratings when compared to other funding sources. Retail deposits constituted 79% of our total funding sources at September 30, 2022. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries.

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

| | September 30, 2022 | June 30, 2022 | March 31, 2022 | December 31, 2021 | September 30, 2021 |
|--|--------------------|---------------|----------------|-------------------|--------------------|
| Total primary retail deposit customers (<i>in thousands</i>) | 2,597 | 2,546 | 2,518 | 2,476 | 2,448 |
| Deposits (\$ in millions) | | | | | |
| Retail | \$ 133,878 | \$ 131,155 | \$ 135,978 | \$ 134,672 | \$ 131,590 |
| Brokered | 9,617 | 6,962 | 4,049 | 4,669 | 5,667 |
| Other (a) | 2,256 | 2,284 | 2,448 | 2,217 | 2,187 |
| Total deposits | \$ 145,751 | \$ 140,401 | \$ 142,475 | \$ 141,558 | \$ 139,444 |

(a) Other deposits include mortgage escrow and other deposits. Additionally, other deposits also include a deposit related to Ally Invest customer cash balances deposited at Ally Bank by a third party of \$2.0 billion as of both September 30, 2022, and September 30, 2021, \$2.1 billion as of both June 30, 2022, and December 31, 2021, and \$2.3 billion as of March 31, 2022.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

During the nine months ended September 30, 2022, our total deposit base increased \$4.2 billion and we added approximately 120,000 retail deposit customers, ending with approximately 3 million retail deposit customers as of September 30, 2022. Total retail deposits decreased \$794 million during the nine months ended September 30, 2022, bringing the total retail deposits portfolio to \$133.9 billion as of September 30, 2022. The decrease during the nine months ended September 30, 2022, was primarily driven by larger payments from consumers owing taxes during the second quarter of 2022—as compared to prior years—as a result of the demographic composition of our deposit customer base. Additionally, brokered deposits increased \$4.9 billion during the nine months ended September 30, 2022. Overall, strong customer acquisition and retention rates, reflecting the strength of the brand, continue to deliver a favorable funding mix.

We continue to advance our digital capabilities and deliver incremental value to our retail deposit customers beyond competitive rates. We have continued to deliver enhancements—such as our smart savings tools—improving our customer's digital banking experience and providing unique opportunities to organize and build their savings. On May 25, 2021, we eliminated all overdraft fees across our retail deposit products for all customers. In January 2022, we announced Ally CoverDraft service, which provides a no fee overdraft allowance to our qualifying customers on debit transactions subject to a certain amount. In September 2022, we announced early direct deposit, an account feature that allows customers to access qualifying direct deposits up to two days in advance of receipt. These changes are examples of our “Do It Right” commitment for our customers.

We continue to be recognized for the experience and value we provide our customers. In 2021, Ally Bank's checking account earned national Bank On certification from the CFE Fund. The organization recognized Ally's existing checking account, which goes above and beyond CFE criteria, for providing lower- and moderate-income consumers with a safe, affordable path to join the financial mainstream and achieve financial stability. In October 2021, MONEY® Magazine named Ally to its “Best Online Bank” list for the fourth consecutive year, as well as the ninth time in the past eleven years, and in June 2021, Kiplinger named Ally Bank the “Best Internet Bank” for the fifth consecutive year. In April 2022, Forbes named Ally to its “World's Best Banks” list and in September 2022, The Wall Street Journal named Ally Bank the “Best Overall Online Bank.” For additional information on our deposit funding by type, refer to Note 12 to the Condensed Consolidated Financial Statements.

Securitizations and Secured Financings

In addition to building a larger deposit base in recent years, we maintain a presence in the securitization markets to finance our automotive loan portfolios. Securitizations and secured funding transactions, collectively referred to as securitization transactions due to their similarities, allow us to convert our automotive-finance receivables into cash earlier than what would have occurred in the normal course of business. For additional details surrounding our securitization activities, refer to the section titled *Liquidity Management, Funding, and Regulatory Capital* in our 2021 Annual Report on Form 10-K.

During the first nine months of 2022, we raised \$1.0 billion through the completion of term securitization transactions backed by consumer automotive loans.

We have access to funding through advances with the FHLB. These advances are primarily secured by consumer mortgage finance receivables and loans and investment securities. As of September 30, 2022, we had pledged \$27.2 billion of assets to the FHLB resulting in \$19.5 billion in total funding capacity with \$13.4 billion of debt outstanding.

At September 30, 2022, \$38.2 billion of our total assets were restricted as collateral for the payment of debt obligations accounted for as secured borrowings. Refer to Note 13 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 \$281 million of retail term notes outstanding at September 30, 2022. The remainder of our unsecured debt is composed of institutional term debt. In June 2022, we accessed the unsecured debt capital markets and raised \$750 million through the issuance of senior notes. Refer to Note 13 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt.

Other Secured and Unsecured Short-term Borrowings

We have access to repurchase agreements. A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. The securities sold in repurchase agreements include U.S. government and federal agency obligations. As of September 30, 2022, 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 September 30, 2022. We had no debt outstanding with the FRB as of September 30, 2022.

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Guarantors are primary obligors with respect to payment when due, whether at maturity, by acceleration or otherwise, of all payment obligations of the Parent in respect of the Guaranteed Notes pursuant to the terms of the applicable indenture. At both September 30, 2022, and December 31, 2021, the outstanding principal balance of the Guaranteed Notes was \$2.0 billion, with the last scheduled maturity to take place in 2031.

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

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

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

| (\$ in millions) | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| Net financing loss and other interest income | \$ (246) | \$ (279) | \$ (783) | \$ (799) |
| Dividends from bank subsidiaries | 900 | 1,000 | 2,300 | 2,300 |
| Dividends from nonbank subsidiaries | — | 9 | 1 | 25 |
| Total other (loss) revenue | (75) | 26 | 50 | 187 |
| Total net revenue | 579 | 756 | 1,568 | 1,713 |
| Provision for credit losses | (4) | (20) | (24) | (91) |
| Total noninterest expense | 168 | 143 | 478 | 491 |
| Income from continuing operations before income tax benefit | 415 | 633 | 1,114 | 1,313 |
| Income tax benefit from continuing operations (a) | (92) | (97) | (248) | (342) |
| Net income from continuing operations | 507 | 730 | 1,362 | 1,655 |
| (Loss) income from discontinued operations, net of tax | (1) | — | (1) | 1 |
| Net income (b) | \$ 506 | \$ 730 | \$ 1,361 | \$ 1,656 |

(a) There is a significant variation in the customary relationship between pretax 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) | September 30, 2022 | December 31, 2021 |
|-------------------|--------------------|-------------------|
| Total assets (a) | \$ 4,205 | \$ 5,737 |
| Total liabilities | \$ 10,254 | \$ 11,304 |

(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 \$5.1 billion and \$3.1 billion for the nine months ended September 30, 2022, and 2021, respectively. Operating cash inflows were higher as compared to the prior year as our operating environment and results are returning to pre-COVID-19 pandemic levels.

Net cash used in investing activities was \$13.9 billion and \$1.6 billion for the nine months ended September 30, 2022, and 2021, respectively. The change was primarily due to an increase of \$13.7 billion in net cash outflows related to higher originations of loans held-for-investment, primarily driven by continued momentum in used-vehicle lending and higher financed transaction amounts, partially offset by decreased application flow in the consumer automotive portfolio. This was partially offset by a decrease of \$1.8 billion in net cash outflows related to available-for-sale securities.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Net cash provided by financing activities for the nine months ended September 30, 2022, was \$8.9 billion, compared to net cash used in financing activities of \$6.5 billion for the same period in 2021. The change was primarily attributable to an increase of \$9.3 billion in net cash inflows related to short-term borrowings and an increase of \$4.6 billion in net cash inflows from the issuance of long-term debt. Refer to the above section titled *Recent Funding Developments* for further information.

Capital Planning and Stress Tests

Under the tailoring framework described earlier in the section titled *Basel Capital Framework* of Note 18 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.

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. Ally did not opt into the 2021 supervisory stress test but was subject to the 2022 supervisory stress test.

We submitted our 2021 capital plan on April 5, 2021, which included planned capital distributions to common stockholders through share repurchases and cash dividends and other capital actions over the nine-quarter planning horizon. 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. On July 12, 2021, our Board authorized an increase in the maximum amount of this stock-repurchase program, from \$1.6 billion to \$2.0 billion. During the second quarter of 2021, we issued \$1.35 billion of Series B Preferred Stock and \$1.0 billion of Series C Preferred Stock, both of which qualify as additional Tier 1 capital under U.S. Basel III. The proceeds from these issuances were used to redeem a portion of the Series 2 TRUPS then outstanding. Refer to Note 15 to the Condensed Consolidated Financial Statements for additional details about these instruments and capital actions. In June 2021, we submitted an updated capital plan to the FRB reflecting these capital actions and increases in our stock-repurchase program and common-stock dividend. This updated capital plan was used by the FRB to recalculate Ally's final stress capital buffer requirement, which was announced in August 2021 and remained unchanged at 3.5%. We submitted our 2022 capital plan to the FRB on April 5, 2022. Ally received an updated preliminary stress capital buffer requirement from the FRB in June 2022, which was determined to be 2.5%. The updated 2.5% stress capital buffer requirement was finalized in August 2022, and became effective on October 1, 2022.

On January 10, 2022, our Board authorized a stock-repurchase program, permitting us to repurchase up to \$2.0 billion of our common stock from time to time from the first quarter of 2022 through the fourth quarter of 2022 subject to restrictions imposed by the FRB, and an increase in our cash dividend on common stock from \$0.25 per share for the fourth quarter of 2021 to \$0.30 per share for the first quarter of 2022. 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. During the nine months ended September 30, 2022, we repurchased \$1.6 billion of common stock under our stock-repurchase program. Amid the current macroeconomic environment, we intend to minimize the amount of common-stock repurchases in the fourth quarter of 2022.

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Regulatory Capital

We became subject to U.S. Basel III on January 1, 2015, although a number of its provisions—including capital buffers and certain regulatory capital deductions—were subject to phase-in periods. For further information on U.S. Basel III, refer to Note 18 to the Condensed Consolidated Financial Statements. The following table presents selected regulatory capital data under U.S. Basel III.

| (\$ in millions) | September 30, | |
|--|---------------|------------|
| | 2022 | 2021 |
| Common Equity Tier 1 capital ratio | 9.30 % | 11.20 % |
| Tier 1 capital ratio | 10.77 % | 12.81 % |
| Total capital ratio | 12.39 % | 14.56 % |
| Tier 1 leverage ratio (to adjusted quarterly average assets) (a) | 8.78 % | 9.99 % |
| Total equity | \$ 12,434 | \$ 17,289 |
| CECL phase-in adjustment (b) | 887 | 1,155 |
| Preferred stock (c) | (2,324) | (2,324) |
| Goodwill and certain other intangibles | (910) | (370) |
| Deferred tax assets arising from net operating loss and tax credit carryforwards (d) | (4) | (48) |
| Other adjustments (e) | 4,358 | (32) |
| Common Equity Tier 1 capital | 14,441 | 15,670 |
| Preferred stock (c) | 2,324 | 2,324 |
| Other adjustments | (49) | (64) |
| Tier 1 capital | 16,716 | 17,930 |
| Qualifying subordinated debt and other instruments qualifying as Tier 2 | 624 | 830 |
| Qualifying allowance for loan losses and other adjustments | 1,898 | 1,615 |
| Total capital | \$ 19,238 | \$ 20,375 |
| Risk-weighted assets (f) | \$ 155,214 | \$ 139,957 |

- (a) Tier 1 leverage ratio equals Tier 1 capital divided by adjusted quarterly average total assets, which both reflect adjustments for disallowed goodwill, certain intangible assets, and disallowed deferred tax assets.
- (b) We elected to delay recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extended through December 31, 2021. Beginning on January 1, 2022, we phased in 25% of the previously deferred estimated capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025. Refer to Note 18 to the Condensed Consolidated Financial Statements for further information.
- (c) In connection with our issuances of non-cumulative perpetual preferred stock in the second and third quarter of 2021, we redeemed a portion of the Series 2 TRUPS outstanding. In September 2021, we announced our intent to redeem the remaining shares of the Series 2 TRUPS outstanding without issuing a replacement capital instrument. The redemption was effectuated on October 15, 2021. Refer to Note 15 to the Condensed Consolidated Financial Statements for additional details about our issuances of non-cumulative perpetual preferred stock.
- (d) Contains deferred tax assets required to be deducted from capital under U.S. Basel III.
- (e) 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.
- (f) Risk-weighted assets are defined by regulation and are generally determined by allocating assets and specified off-balance sheet exposures to various risk categories.

Credit Ratings

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

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

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

(a) Fitch affirmed our senior unsecured debt rating of BBB-, short-term rating of F3, and our outlook of Stable on March 24, 2022.

(b) Moody's upgraded our senior unsecured rating to Baa3 from Ba1, upgraded our short-term rating to P-3 from Non-Prime and changed the outlook to Stable from Rating Under Review on August 27, 2021.

(c) Standard & Poor's affirmed our senior unsecured debt rating of BBB-, affirmed our short-term rating of A-3, and changed the outlook to Stable from Negative on March 25, 2021.

(d) DBRS upgraded our senior unsecured debt rating from BBB (low) to BBB, upgraded our short-term rating to R-2 (high) from R-3, and affirmed the outlook of Stable on February 18, 2022.

As illustrated by the issuer ratings above, as of September 30, 2022, Ally holds an investment-grade rating from all the respective nationally recognized rating agencies.

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

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

Critical Accounting Estimates

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

Our most critical accounting estimates are as follows:

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

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

Statistical Table

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

Net Interest Margin Table

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

| | 2022 | | | 2021 | | | Increase (decrease) due to | | |
|---|---------------------|----------------------------------|------------|---------------------|----------------------------------|------------|----------------------------|------------|--------|
| | Average balance (a) | Interest income/interest expense | Yield/rate | Average balance (a) | Interest income/interest expense | Yield/rate | Volume | Yield/rate | Total |
| Three months ended September 30, (\$ in millions) | | | | | | | | | |
| Assets | | | | | | | | | |
| Interest-bearing cash and cash equivalents | \$ 3,627 | \$ 16 | 1.73 % | \$ 13,055 | \$ 5 | 0.14 % | \$ (4) | \$ 15 | \$ 11 |
| Investment securities (b) | 33,220 | 206 | 2.47 | 34,508 | 150 | 1.73 | (6) | 62 | 56 |
| Loans held-for-sale, net | 748 | 10 | 5.27 | 464 | 5 | 3.87 | 3 | 2 | 5 |
| Finance receivables and loans, net (b) (c) | 129,996 | 2,120 | 6.47 | 112,907 | 1,619 | 5.69 | 245 | 256 | 501 |
| Investment in operating leases, net (d) | 10,588 | 159 | 5.98 | 10,919 | 254 | 9.21 | (8) | (87) | (95) |
| Other earning assets | 946 | 12 | 4.81 | 685 | 5 | 2.57 | 2 | 5 | 7 |
| Total interest-earning assets | 179,125 | 2,523 | 5.59 | 172,538 | 2,038 | 4.68 | | | 485 |
| Noninterest-bearing cash and cash equivalents | 503 | | | 526 | | | | | |
| Other assets | 10,338 | | | 9,328 | | | | | |
| Allowance for loan losses | (3,494) | | | (3,152) | | | | | |
| Total assets | \$ 186,472 | | | \$ 179,240 | | | | | |
| Liabilities and equity | | | | | | | | | |
| Interest-bearing deposit liabilities (b) | \$ 142,586 | \$ 567 | 1.58 % | \$ 139,084 | \$ 245 | 0.70 % | \$ 6 | \$ 316 | \$ 322 |
| Short-term borrowings | 6,266 | 43 | 2.77 | — | — | — | 43 | — | 43 |
| Long-term debt | 16,798 | 194 | 4.59 | 15,487 | 191 | 4.87 | 16 | (13) | 3 |
| Total interest-bearing liabilities | 165,650 | 804 | 1.93 | 154,571 | 436 | 1.12 | | | 368 |
| Noninterest-bearing deposit liabilities | 207 | | | 160 | | | | | |
| Total funding sources | 165,857 | 804 | 1.93 | 154,731 | 436 | 1.12 | | | |
| Other liabilities (e) | 6,435 | — | — | 6,852 | 8 | n/m | n/m | n/m | (8) |
| Total liabilities | 172,292 | | | 161,583 | | | | | |
| Total equity | 14,180 | | | 17,657 | | | | | |
| Total liabilities and equity | \$ 186,472 | | | \$ 179,240 | | | | | |
| Net financing revenue and other interest income | | \$ 1,719 | | | \$ 1,594 | | | | \$ 125 |
| Net interest spread (f) | | | 3.66 % | | | 3.56 % | | | |
| Net yield on interest-earning assets (g) | | | 3.81 % | | | 3.66 % | | | |

n/m = not meaningful

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

(b) Includes the effects of derivative financial instruments designated as hedges. Refer to Note 19 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 2021 Annual Report on Form 10-K.

(d) Yield includes gains on the sale of off-lease vehicles of \$39 million and \$86 million for the three months ended September 30, 2022, and 2021, respectively. Excluding these gains and losses on sale, the annualized yield was 4.52% and 6.09% for the three months ended September 30, 2022, and 2021, respectively.

(e) Represents interest expense on tax liabilities included in other liabilities on the Condensed Consolidated Balance Sheet. The interest expense on tax liabilities is included in the net yield on interest-earning assets and excluded from the interest spread. For more information on our accounting policies regarding income taxes, refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K.

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

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

Management's Discussion and Analysis

Ally Financial Inc. • Form 10-Q

| Nine months ended September 30, (\$ in millions) | 2022 | | | 2021 | | | Increase (decrease) due to | | |
|--|---------------------|----------------------------------|------------|---------------------|----------------------------------|------------|----------------------------|------------|--------|
| | Average balance (a) | Interest income/interest expense | Yield/rate | Average balance (a) | Interest income/interest expense | Yield/rate | Volume | Yield/rate | Total |
| Assets | | | | | | | | | |
| Interest-bearing cash and cash equivalents | \$ 3,804 | \$ 23 | 0.81 % | \$ 14,986 | \$ 13 | 0.11 % | \$ (10) | \$ 20 | \$ 10 |
| Investment securities (b) | 34,282 | 584 | 2.28 | 34,756 | 417 | 1.61 | (6) | 173 | 167 |
| Loans held-for-sale, net | 580 | 18 | 4.14 | 496 | 14 | 3.74 | 2 | 2 | 4 |
| Finance receivables and loans, net (b) (c) | 126,159 | 5,676 | 6.02 | 113,168 | 4,789 | 5.66 | 550 | 337 | 887 |
| Investment in operating leases, net (d) | 10,693 | 522 | 6.54 | 10,372 | 763 | 9.83 | 24 | (265) | (241) |
| Other earning assets | 879 | 25 | 3.76 | 696 | 16 | 3.04 | 4 | 5 | 9 |
| Total interest-earning assets | 176,397 | 6,848 | 5.19 | 174,474 | 6,012 | 4.61 | | | 836 |
| Noninterest-bearing cash and cash equivalents | 423 | | | 517 | | | | | |
| Other assets | 10,226 | | | 8,939 | | | | | |
| Allowance for loan losses | (3,371) | | | (3,201) | | | | | |
| Total assets | \$ 183,675 | | | \$ 180,729 | | | | | |
| Liabilities and equity | | | | | | | | | |
| Interest-bearing deposit liabilities (b) | \$ 141,206 | \$ 1,041 | 0.99 % | \$ 138,633 | \$ 819 | 0.79 % | \$ 15 | \$ 207 | \$ 222 |
| Short-term borrowings | 4,333 | 67 | 2.11 | 269 | 1 | 0.31 | 15 | 51 | 66 |
| Long-term debt | 16,481 | 563 | 4.57 | 18,336 | 671 | 4.89 | (68) | (40) | (108) |
| Total interest-bearing liabilities | 162,020 | 1,671 | 1.38 | 157,238 | 1,491 | 1.27 | | | 180 |
| Noninterest-bearing deposit liabilities | 186 | | | 154 | | | | | |
| Total funding sources | 162,206 | 1,671 | 1.38 | 157,392 | 1,491 | 1.27 | | | |
| Other liabilities (e) | 6,537 | 1 | n/m | 6,897 | 8 | n/m | n/m | n/m | (7) |
| Total liabilities | 168,743 | | | 164,289 | | | | | |
| Total equity | 14,932 | | | 16,440 | | | | | |
| Total liabilities and equity | \$ 183,675 | | | \$ 180,729 | | | | | |
| Net financing revenue and other interest income | \$ | 5,176 | | \$ | 4,513 | | | | \$ 663 |
| Net interest spread (f) | | | 3.81 % | | | 3.34 % | | | |
| Net yield on interest-earning assets (g) | | | 3.92 % | | | 3.46 % | | | |

n/m = not meaningful

- Average balances are calculated using an average daily balance methodology.
- Includes the effects of derivative financial instruments designated as hedges. Refer to Note 19 to the Condensed Consolidated Financial Statements for further information about the effects of our hedging activities.
- 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 2021 Annual Report on Form 10-K.
- Yield includes gains on the sale of off-lease vehicles of \$139 million and \$279 million for the nine months ended September 30, 2022, and 2021, respectively. Excluding these gains and losses on sale, the annualized yield was 4.80% and 6.24% for the nine months ended September 30, 2022, and 2021, respectively.
- Represents interest expense on tax liabilities included in other liabilities on the Condensed Consolidated Balance Sheet. The interest expense on tax liabilities is included in the net yield on interest-earning assets and excluded from the interest spread. For more information on our accounting policies regarding income taxes, refer to Note 1 to the Consolidated Financial Statements in our 2021 Annual Report on Form 10-K.
- Net interest spread represents the difference between the rate on total interest-earning assets and the rate on total interest-bearing liabilities.
- Net yield on interest-earning assets represents annualized net financing revenue and other interest income as a percentage of total interest-earning assets.

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Quantitative and Qualitative Disclosures about Market Risk

Ally Financial Inc. • Form 10-Q

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk section of Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Controls and Procedures

Ally Financial Inc. • Form 10-Q

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 Interim Chief Financial Officer (Principal Financial Officer), to allow for timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of internal control including the possibility of human error or the circumvention or overriding of controls through individual actions or collusion. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

As of the end of the period covered by this report, our Principal Executive Officer and Principal Financial Officer evaluated, with the participation of our management, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) and concluded that our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

In the normal course of business, we review our controls and procedures and make enhancements or modifications intended to support the quality of our financial reporting. There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended September 30, 2022, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Ally Financial Inc. • Form 10-Q

Item 1. Legal Proceedings

Refer to Note 24 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 2021 Annual Report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors described in our 2021 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

We did not have any unregistered sales of equity securities during the three months ended September 30, 2022.

Purchases of Equity Securities by the Issuer

The following table presents repurchases of our common stock, by month, for the three months ended September 30, 2022.

| Three months ended September 30, 2022 | 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) |
|---------------------------------------|---|--|---|---|
| July 2022 | 4,456 | \$ 33.65 | 4,456 | 667 |
| August 2022 | 4,264 | 34.31 | 4,264 | 521 |
| September 2022 | 3,748 | 31.74 | 3,748 | 401 |
| Total | 12,468 | 33.30 | 12,468 | |

(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 11, 2022, we announced a common stock-repurchase program of up to \$2.0 billion. The program commenced in the first quarter of 2022 and will expire on December 31, 2022. Refer to Note 18 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 |
|----------------------|--|---|
| 22.1 | Subsidiary Guarantors | Filed as Exhibit 22 to the Company's Quarterly Report for the period ended March 31, 2020, on Form 10-Q (File No. 1-3754) , incorporated herein by reference. |
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) | Filed herewith. |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) | Filed herewith. |
| 32 | Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350 | Filed herewith. |
| 101 | The following information from our Form 10-Q for the quarter ended September 30, 2022, formatted in Inline XBRL: (i) Condensed Consolidated Statement of Comprehensive Income (unaudited), (ii) Condensed Consolidated Balance Sheet (unaudited), (iii) Condensed Consolidated Statement of Changes in Equity (unaudited), (iv) Condensed Consolidated Statement of Cash Flows (unaudited), and (v) the Notes to the Condensed Consolidated Financial Statements (unaudited) | Filed herewith. |
| 104 | The cover page of our Form 10-Q for the quarter ended September 30, 2022, (formatted in Inline XBRL and contained in Exhibit 101) | Filed herewith. |

Signatures

Ally Financial Inc. • Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized, this 2nd day of November, 2022.

Ally Financial Inc.
(Registrant)

/S/ BRADLEY J. BROWN

Bradley J. Brown
Corporate Treasurer and Interim Chief Financial Officer

/S/ DAVID J. DEBRUNNER

David J. DeBrunner
Vice President, Controller, and Chief Accounting Officer

Exhibit 31.1

Ally Financial Inc.

I, Jeffrey J. Brown, certify that:

1. I have reviewed this report on Form 10-Q of Ally Financial Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 2, 2022

/s/ JEFFREY J. BROWN

Jeffrey J. Brown
Chief Executive Officer

Exhibit 31.2

Ally Financial Inc.

I, Bradley 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: November 2, 2022

/s/ BRADLEY J. BROWN

Bradley J. Brown
Corporate Treasurer and Interim Chief Financial Officer

Exhibit 32

Ally Financial Inc.

Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350

In connection with the Quarterly Report of Ally Financial Inc. (the Company) on Form 10-Q for the period ending September 30, 2022, 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
November 2, 2022

/S/ BRADLEY J. BROWN

Bradley J. Brown
Corporate Treasurer and Interim Chief Financial Officer
November 2, 2022

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.