Lumber Liquidators, Inc.
Form 4
October 27, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
SULLIVAN THOMAS D
(Last) (First) (Middle)
3000 JOHN DEERE ROAD
(Street)
TOANO, VA 23168
(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Lumber Liquidators, Inc. [LL]

3. Date of Earliest Transaction (Month/Day/Year)
10/26/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
__X__ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman of the Board; Founder

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/26/2009		S		25,000 (1)	D	$ 22.3461 (2)	6,150,269	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SULLIVAN THOMAS D 3000 JOHN DEERE ROAD TOANO, VA 23168	X	X	Chairman of the Board; Founder	

Signatures

/s/ E. Livingston B. Haskell, Power-of-Attorney	10/27/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) These sales were effected pursuant to a Rule 10b5-1 trading plan adopted by the reporting person on November 11, 2008.

(2) Weighted average sale price for prices ranging from $22.20 to $23.15. 68 shares were sold at $23.01 per share; 200 shares were sold at 22.33 per share; 400 shares were sold at each of the following prices: $22.45, $22.46, $23.00 and $23.10; 900 shares were sold at $22.26 per share; 1,132 shares were sold at $22.40 per share; 2,000 shares were sold at each of the following prices: $22.30 and $23.15; 4,100 shares were wold at $22.25 per share; 5,100 shares were sold at $22.22 per share; and 7,900 shares were sold at $22.20 per share.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ;">
)
Cash and cash equivalents at beginning of year

820

—

5,515

(401
)

5,934

Cash and cash equivalents at June 30,

$
1,441

$
—

$
3,493

$
(557
)

$
4,377

61

Six months ended June 30, 2016 ($ in millions)	Parent	Guarantors	Nonguarantors	Consolidating adjustments	Ally consolidated
Operating activities					
Net cash provided by operating activities	$146	$ —	$ 2,919	$ (629)	$ 2,436
Investing activities					
Purchases of available-for-sale securities	—	—	(8,657)	—	(8,657)
Proceeds from sales of available-for-sale securities	—	—	6,584	—	6,584
Proceeds from maturities and repayments of available-for-sale securities	—	—	1,536	—	1,536
Purchases of held-to-maturity securities	—	—	(571)	—	(571)
Purchases of finance receivables and loans held-for-investment	—	—	(2,442)	—	(2,442)
Proceeds from sales of finance receivables and loans originated as held-for-investment	—	—	4,156	—	4,156
Originations and repayments of finance receivables and loans held-for-investment and other	(834)	—	(2,377)	—	(3,211)
Net change in loans — intercompany	61	—	(2)	(59)	—
Purchases of operating lease assets	—	—	(1,472)	—	(1,472)
Disposals of operating lease assets	9	—	3,038	—	3,047
Acquisitions of subsidiaries, net of cash acquired	(288)	—	—	—	(288)
Capital contributions to subsidiaries	(988)	—	—	988	—
Returns of contributed capital	1,971	8	—	(1,979)	—
Net change in restricted cash	1	—	481	—	482
Net change in nonmarketable equity investments	—	—	(354)	—	(354)
Other, net	(82)	—	13	—	(69)
Net cash (used in) provided by investing activities	(150)	8	(67)	(1,050)	(1,259)
Financing activities					
Net change in short-term borrowings — third party	123	—	(2,235)	—	(2,112)
Net (decrease) increase in deposits	(29)	—	6,337	—	6,308
Proceeds from issuance of long-term debt — third party	1,115	—	7,905	—	9,020
Repayments of long-term debt — third party	(596)	—	(13,709)	—	(14,305)
Net change in debt — intercompany	(8)	—	(62)	70	—
Redemption of preferred stock	(696)	—	—	—	(696)
Repurchase of common stock	(14)	—	—	—	(14)
Dividends paid — third party	(30)	—	—	—	(30)
Dividends paid and returns of contributed capital — intercompany	—	(8)	(2,600)	2,608	—
Capital contributions from parent	—	—	988	(988)	—
Net cash used in financing activities	(135)	(8)	(3,376)	1,690	(1,829)
Effect of exchange-rate changes on cash and cash equivalents	—	—	3	—	3
Net decrease in cash and cash equivalents	(139)	—	(521)	11	(649)
Cash and cash equivalents at beginning of year	1,635	—	5,595	(850)	6,380
Cash and cash equivalents at June 30,	$1,496	$ —	$ 5,074	$ (839)	$ 5,731

25. Contingencies and Other Risks

Legal Matters

Ally and its subsidiaries, including Ally Bank, are or may be subject to potential liability in connection with pending or threatened legal proceedings and other matters. These legal matters may be formal or informal and include litigation and arbitration with one or more identified claimants, certified or purported class actions with yet-to-be-identified claimants, and regulatory or other governmental information-gathering requests, examinations, investigations, and enforcement proceedings. Our legal matters exist in varying stages of adjudication, arbitration, negotiation, or investigation and span our lines of business and operations. Claims may be based in law or equity—such as those arising under contracts or in tort and those involving banking, consumer-protection, securities, tax, employment, and other laws—and some can present novel legal theories and allege substantial or indeterminate damages.

We accrue for a legal matter 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.

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The course and outcome of legal matters are inherently unpredictable. This is especially so when a matter is still in its early stages, the damages sought are indeterminate or unsupported, significant facts are unclear or disputed, novel questions of law or other meaningful legal uncertainties exist, a request to certify a proceeding as a class action is outstanding or granted, multiple parties are named, or regulatory or other governmental entities are involved. As a result, we cannot state with confidence how or when threatened or pending legal matters will be resolved and what losses may be incurred. Actual losses may be higher or lower than any amounts accrued for those matters, possibly to a significant degree.

On the basis of information currently available, advice of counsel, available insurance coverage, and established reserves, it is the opinion of management that, except as described in the next paragraph, the eventual outcome of our existing legal matters will not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows. It is possible, however, that an unfavorable resolution of legal matters may be material to our consolidated financial condition, results of operations, or cash flows in a particular period.

Descriptions of our material legal matters follow. In each case, the matter could have material adverse consequences for us, including substantial damages or settlements, injunctions, governmental fines or penalties, and reputational or operational risks. We do not believe, however, that an estimate of reasonably possible losses or a range of reasonably possible losses in excess of established reserves—whether in excess of any related accrual or where no accrual exists—can be made for any of these matters.

Securities Litigation

In October 2016, a purported class action—Bucks County Employees Retirement Fund v. Ally Financial Inc. et al.—was filed in the Circuit Court for Wayne County in the State of Michigan (Case No. 16-013616-CZ). This matter was removed to the U.S. District Court for the Eastern District of Michigan on November 18, 2016. The complaint alleges material misstatements and omissions in connection with Ally’s initial public offering in April 2014, including a failure to adequately disclose the severity of rising subprime automotive loan delinquency rates, deficient underwriting measures employed in the origination of subprime automotive loans, and aggressive tactics used with low-income borrowers. The request for relief includes an indeterminate amount of damages, fees, and costs and other remedies. In January 2017, another purported class action—National Shopmen Pension Fund v. Ally Financial Inc. et al.—was filed in the Circuit Court for Oakland County in the State of Michigan (Case No. 2017-156719-CB). This matter was removed to the U.S. District Court for the Eastern District of Michigan on January 30, 2017. In March 2017, a third purported class action—James McIntire v. Ally Financial Inc. et al.—was filed in the Circuit Court for Wayne County in the State of Michigan (Case No. 17-003811-CZ). This matter was removed to the U.S. District Court for the Eastern District of Michigan on March 15, 2017. The allegations and requested relief in the National Shopmen Pension Fund and James McIntire complaints are substantially similar to those included in the complaint filed by Bucks County Employees Retirement Fund. All three matters were remanded from the U.S. District Court for the Eastern District of Michigan to the state circuit courts on May 26, 2017. The parties have agreed to take steps to consolidate the three matters in Wayne County Circuit Court. We intend to vigorously defend against each of these actions.

Automotive Subprime Matters

In October 2014, we received a document request from the SEC in connection with its investigation related to subprime automotive finance and related securitization activities. Separately, in December 2014, we received a subpoena from the DOJ requesting similar information. In May 2015 and December 2016, we received information requests from the New York Department of Financial Services requesting similar information. We have cooperated with each of these agencies with respect to these matters.

Indirect Automotive Finance Matters

In December 2013, Ally Financial Inc. and Ally Bank entered into a Consent Order issued by the U.S. Consumer Financial Protection Bureau (CFPB) and a Consent Order jointly submitted with the DOJ and entered by the U.S. District Court for the Eastern District of Michigan (United States v. Ally Financial Inc. and Ally Bank, Civil Action

No. 13-15180), in each case, pertaining to allegations of discrimination involving the automotive finance business. The Consent Orders required Ally to create a compliance plan addressing, at a minimum, the communication of Ally's expectations of Equal Credit Opportunity Act (ECOA) compliance to our automotive dealer clients, maintenance of Ally's existing limits on dealer finance income for contracts acquired by Ally, and monitoring for potential discrimination both at the dealer level and within our portfolio of contracts acquired across all of our automotive dealer clients. Ally formed a compliance committee consisting of certain Ally Financial Inc. and Ally Bank directors to oversee Ally's execution of the Consent Orders' terms. Ally was required to meet certain stipulations under the Consent Orders, including a requirement to make monetary payments when ongoing remediation targets were not attained.

The Consent Orders terminated by their terms on July 27, 2017. Since 2013, Ally recognized expenses of approximately $240 million for judgments, fines, and monetary remuneration payments to customers related to the Consent Orders. During the term of the Consent Orders, the CFPB and the DOJ were precluded from pursuing any potential violations of the ECOA against Ally Financial Inc. or Ally Bank for conduct undertaken pursuant to the Consent Orders during the period of the Consent Orders. If the CFPB or the DOJ were to assert that Ally Financial Inc. or Ally Bank is violating the ECOA in the future, further legal proceedings could occur.

Other Contingencies

Ally and its subsidiaries, including Ally Bank, are or may be subject to potential liability under various other contingent exposures, including indemnification, tax, self-insurance, and other miscellaneous contingencies. We accrue for a 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. No assurance exists that our accruals will not need to be adjusted in the future, and actual losses may be higher or lower than any amounts accrued for those exposures, possibly to a significant degree. On the basis of information currently available, available insurance coverage, and established reserves, it is the opinion of management that the eventual outcome of our other contingent exposures will not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows. Refer to Note 1 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K for additional information related to our policy for establishing reserves for legal and regulatory matters.

26. Subsequent Events

Declaration of Quarterly Dividend Payment

On July 18, 2017, the Ally Board of Directors declared a quarterly cash dividend payment of $0.12 per share on all common stock. The dividend is payable on August 15, 2017, to shareholders of record at the close of business on August 1, 2017.

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

Selected Financial Data

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

The following table presents selected Condensed Consolidated Statement of Comprehensive Income and market price data.

	Three months ended June 30,		Six months ended June 30,	
($ in millions, except per share data; shares in thousands)	2017	2016	2017	2016
Total financing revenue and other interest income	$2,088	$ 2,069	$4,138	$ 4,178
Total interest expense	700	651	1,382	1,299
Net depreciation expense on operating lease assets	321	434	710	944
Net financing revenue and other interest income	1,067	984	2,046	1,935
Total other revenue	388	374	784	750
Total net revenue	1,455	1,358	2,830	2,685
Provision for loan losses	269	172	540	392
Total noninterest expense	810	773	1,588	1,483
Income from continuing operations before income tax expense	376	413	702	810
Income tax expense from continuing operations	122	56	235	206
Net income from continuing operations	254	357	467	604
(Loss) income from discontinued operations, net of tax	(2)	3	(1)	6
Net income	$252	$ 360	$466	$ 610
Basic earnings per common share (a):				
Net income from continuing operations	$0.55	$ 0.70	$1.01	$ 1.18
Net income	0.55	0.71	1.01	1.20
Weighted-average common shares outstanding	457,891	485,370	461,904	484,802
Diluted earnings per common share (a):				
Net income from continuing operations	$0.55	$ 0.70	$1.01	$ 1.18
Net income	0.55	0.71	1.01	1.19
Weighted-average common shares outstanding	458,819	486,074	462,802	485,364
Market price per common share:				
High closing	$21.21	$ 18.66	$23.48	$ 18.88
Low closing	18.22	14.90	18.22	14.90
Period-end closing	20.90	17.07	20.90	17.07
Cash dividends per common share	$0.08	$ —	$0.16	$ —
Period-end common shares outstanding	452,292	483,753	452,292	483,753

(a) Includes shares related to share-based compensation that vested but were not yet issued for the three months and six months ended June 30, 2017, and 2016.

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

	At and for the three months ended June 30,				At and for the six months ended June 30,			
($ in millions)	2017		2016		2017		2016	
Selected period-end balance sheet data:								
Total assets	$164,345		$157,931		$164,345		$157,931	
Total deposit liabilities	$86,183		$72,802		$86,183		$72,802	
Long-term debt	$49,145		$61,040		$49,145		$61,040	
Total equity	$13,473		$13,611		$13,473		$13,611	
Financial ratios:								
Return on average assets (a)	0.62	%	0.93	%	0.58	%	0.78	%
Return on average equity (a)	7.52	%	10.61	%	6.99	%	8.98	%
Equity to assets (a)	8.27	%	8.72	%	8.31	%	8.71	%
Common dividend payout ratio	14.55	%	—	%	15.84	%	—	%
Net interest spread (a) (b) (c)	2.63	%	2.56	%	2.55	%	2.52	%
Net yield on interest-earning assets (a) (c) (d)	2.76	%	2.68	%	2.68	%	2.64	%

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

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

(c) Amounts for the three months and six month ended June 30, 2016, were adjusted to include previously excluded equity investments and related income on equity investments. Refer to the section titled Statistical Table for additional information.

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

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As of January 1, 2015, Ally became subject to the rules implementing the 2010 Basel III capital framework in the United States (U.S. Basel III), which reflect new and higher capital requirements, capital buffers, and new regulatory capital definitions, deductions and adjustments. Certain aspects of U.S. Basel III, including the new capital buffers and regulatory capital deductions, will be phased in over several years. To assess our capital adequacy against the full impact of U.S. Basel III, we also present "fully phased-in" information that reflects regulatory capital rules that will take effect as of January 1, 2019. Refer to Note 18 to the Condensed Consolidated Financial Statements for further information. The following table presents selected regulatory capital data.

($ in millions)	June 30, 2017 Transitional	June 30, 2017 Fully Phased-in (a)	June 30, 2016 Transitional	June 30, 2016 Fully Phased-in (a)
Common Equity Tier 1 capital ratio	9.47 %	9.37 %	9.59 %	9.31 %
Tier 1 capital ratio	11.18 %	11.13 %	11.18 %	11.13 %
Total capital ratio	12.83 %	12.79 %	12.83 %	12.77 %
Tier 1 leverage ratio (to adjusted quarterly average assets) (b)	9.51 %	9.51 %	9.63 %	9.61 %
Total equity	$13,473	$13,473	$13,611	$13,611
Goodwill and certain other intangibles	(279)	(289)	(252)	(273)
Deferred tax assets arising from net operating loss and tax credit carryforwards (c)	(378)	(473)	(466)	(777)
Other adjustments	250	250	(64)	(64)
Common Equity Tier 1 capital	13,066	12,961	12,829	12,497
Trust preferred securities	2,490	2,490	2,488	2,488
Deferred tax assets arising from net operating loss and tax credit carryforwards	(95)	—	(311)	—
Other adjustments	(44)	(44)	(47)	(47)
Tier 1 capital	15,417	15,407	14,959	14,938
Qualifying subordinated debt and other instruments qualifying as Tier 2	1,106	1,106	1,165	1,165
Qualifying allowance for credit losses and other adjustments	1,181	1,181	1,042	1,042
Total capital	$17,704	$17,694	$17,166	$17,145
Risk-weighted assets (d)	$137,947	$138,380	$133,787	$134,225

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

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

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

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

Overview

Ally Financial Inc. (together with its consolidated subsidiaries unless the context requires otherwise, Ally, the Company, or we, us, or our) is a leading digital financial services company offering diversified financial products for consumers, businesses, automotive dealers and corporate clients. Our legacy dates back to 1919, and Ally was redesigned in 2009 with a distinctive brand and relentless focus on our customers. We reconverted to a Delaware corporation in 2009 and are registered as a bank holding company (BHC) under the Bank Holding Company Act of 1956 as amended and a financial holding company under the Gramm-Leach-Bliley Act of 1999 as amended. Our banking subsidiary, Ally Bank, is an award-winning online bank, and an indirect, wholly-owned subsidiary of Ally Financial Inc. Collectively, Ally Financial Inc. and its subsidiaries offer a variety of deposit and banking products including CDs, online savings, money market and checking accounts, IRA products, automotive lending products to customers and dealers, corporate finance lending, insurance products and services, a cash back credit card, mortgage lending offerings through Ally Home, and wealth management solutions through Ally Invest.

Discontinued Operations

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

Primary Lines of Business

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

Segment results include cost of funds associated with product offerings. For products originated at Ally Bank, the cost of funds is more beneficial than products originated at other entities as Ally Bank is a deposit gathering organization, which helps fund assets at a lower cost. Noninterest costs associated with deposit gathering activities were $66 million and $131 million during the three months and six months ended June 30, 2017, respectively, and $57 million and $125 million during the three months and six months ended June 30, 2016, respectively, and are allocated to each segment based on their relative balance sheets. Ally Bank's assets and operating results are included within our Automotive Finance, Mortgage Finance, and Corporate Finance segments based on its underlying business activities.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2017	2016	Favorable/(unfavorable) % change	2017	2016	Favorable/(unfavorable) % change
Total net revenue						
Dealer Financial Services						
Automotive Finance	$1,039	$1,006	3	$2,032	$1,979	3
Insurance	259	275	(6)	538	543	(1)
Mortgage Finance	33	26	27	67	46	46
Corporate Finance	58	33	76	110	67	64
Corporate and Other	66	18	n/m	83	50	66
Total	$1,455	$1,358	7	$2,830	$2,685	5
Income (loss) from continuing operations before income tax expense						
Dealer Financial Services						

Automotive Finance	$347	$426	(19)	$635	$763	(17)
Insurance	(21)	(18)	(17)	19	32	(41)
Mortgage Finance	7	9	(22)	16	11	45
Corporate Finance	35	14	150	60	25	140
Corporate and Other	8	(18)	144	(28)	(21)	(33)
Total	$376	$413	(9)	$702	$810	(13)

n/m = not meaningful

- Our Dealer Financial Services operations offer a wide range of financial services and insurance products to approximately 18,500 automotive dealerships and approximately 4.3 million of their customers. Dealer Financial Services consists of two separate reportable segments—Automotive Finance and Insurance operations.

Our automotive finance services include providing retail installment sales contracts, loans and leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, warehouse lines to companies, fleet financing, providing

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financing to companies and municipalities for the purchase or lease of vehicles and equipment, and vehicle remarketing services. Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers who originate loans and leases to their retail customers who are acquiring new and used vehicles. Ally and other automotive finance providers purchase these loans and leases from automotive dealers. As the marketplace evolves, our growth strategy continues to focus on diversifying the franchise by expanding into different products, responding to the growing trends for a more streamlined and digital automotive financing process to serve both dealers and consumers, and continuing to strengthen and expand our network of dealer relationships. In the first quarter of 2017, we built upon the platform acquired from the 2016 purchase of Blue Yield and introduced Clearlane, an online automotive lender exchange, expanding our direct-to-consumer capabilities and providing an end-to-end digital platform for consumers seeking financing and dealers looking to drive online sales.
The Growth channel was established to focus on developing dealer relationships beyond our existing relationships that primarily were developed through our role as a captive finance company historically for the General Motors Company (GM) and Fiat Chrysler Automobiles US LLC (Chrysler) brands, and was recently expanded to include our direct-to-consumer lending offering. We have established relationships with thousands of Growth channel dealers through our customer-centric approach and specialized incentive programs. The success of the Growth channel has been a key enabler to converting our business model from a focused captive finance company to a leading market competitor. In this channel, we currently have over 11,500 dealer relationships, of which over 10,500 are franchised dealers from brands such as Ford, Nissan, Kia, Hyundai, Toyota, Honda and others; RV dealers; and used vehicle only retailers, which have 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. As part of our focus on offering dealers a broad range of consumer financial and insurance products, we provide vehicle service contracts (VSCs), vehicle maintenance contracts (VMCs), guaranteed asset protection (GAP) products, and other ancillary products desired by consumers. We also underwrite select commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory. Ally Premier Protection is our flagship vehicle service contract offering and provides coverage for new and used vehicles of virtually all makes and models.

- Our Mortgage Finance operations primarily consist of the management of a held-for-investment consumer mortgage finance loan portfolio, which includes bulk purchases of high-quality jumbo and low-to-moderate income (LMI) mortgage loans originated by third parties. During the three months and six months ended June 30, 2017, we purchased $809 million and $1.1 billion of mortgage loans that were originated by third parties. In late 2016, we introduced our direct mortgage offering, named Ally Home, consisting of a variety of jumbo and conforming fixed- and adjustable-rate mortgage products through a third-party fulfillment partner. Under our current arrangement, conforming mortgages are originated as held-for-sale and sold, while jumbo mortgages are originated as held-for-investment. Servicing is performed by a third party and no mortgage servicing rights are created. In addition to our core product offerings through Ally Home, in March 2017, we broadened our product suite with the addition of the HomeReady® mortgage loan, a Fannie Mae product designed to serve creditworthy, low- to moderate-income borrowers.
- Our Corporate Finance operations primarily provide senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle market companies. The Corporate Finance portfolio is almost entirely comprised of first lien, first out loans. Our primary focus is on businesses owned by private equity sponsors with loans typically used for leveraged buyouts, mergers and acquisitions, debt refinancing, restructurings, and working capital. The portfolio is well-diversified across multiple industries including retail, manufacturing, distribution, service companies, and other specialty sectors. These specialty sectors include our Technology Finance and Healthcare verticals. Our Technology Finance vertical provides financing solutions to venture-backed, technology-based companies. The Healthcare vertical provides financing across the healthcare spectrum including services, pharmaceuticals, manufacturing, and medical devices and supplies. In addition, during the first quarter of 2017, we hired an experienced team in the healthcare real

estate space in order to continue to make strategic investments in sectors with strong competitive dynamics and attractive returns.

- Corporate and Other primarily consists of activity related to 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, the amortization of the discount associated with debt issuances, and the residual impacts of our corporate funds-transfer pricing (FTP) and treasury asset liability management (ALM) activities. Corporate and Other also includes activity related to the Ally CashBack Credit Card, certain equity investments, which primarily consist of Federal Home Loan Bank (FHLB) and Federal Reserve Bank (FRB) stock, the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, and reclassifications and eliminations between the reportable operating segments.

In May 2017, we launched Ally Invest, our digital brokerage and wealth management offering that combines the platform we acquired from the acquisition of TradeKing Group, Inc. (TradeKing) in June 2016 with our award-winning online banking products in a single, convenient customer experience that provides low-cost investing with competitive deposit products. Financial results related to our online brokerage operations are currently included within Corporate and Other.

In addition, we are well positioned as the marketplace continues to evolve and are working to build on our existing foundation of approximately 5.6 million consumer automotive financing and primary deposit customers, strong brand, innovative culture, and leading digital platform to expand our products and services and to create an integrated customer experience. In 2016, we launched our first ever

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enterprise-wide campaign themed "Do It Right." The campaign introduces a broad audience to our full suite of digital financial services and helps crystallize our culture for consumers.

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Consolidated Results of Operations

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

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2017	2016	Favorable/(unfavorable) % change	2017	2016	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Total financing revenue and other interest income	$2,088	$2,069	1	$4,138	$4,178	(1)
Total interest expense	700	651	(8)	1,382	1,299	(6)
Net depreciation expense on operating lease assets	321	434	26	710	944	25
Net financing revenue and other interest income	1,067	984	8	2,046	1,935	6
Other revenue						
Insurance premiums and service revenue earned	227	236	(4)	468	466	—
Gain on mortgage and automotive loans, net	36	3	n/m	50	4	n/m
Loss on extinguishment of debt	(1)	—	n/m	(2)	(4)	50
Other gain on investments, net	23	39	(41)	50	93	(46)
Other income, net of losses	103	96	7	218	191	14
Total other revenue	388	374	4	784	750	5
Total net revenue	1,455	1,358	7	2,830	2,685	5
Provision for loan losses	269	172	(56)	540	392	(38)
Noninterest expense						
Compensation and benefits expense	265	242	(10)	550	494	(11)
Insurance losses and loss adjustment expenses	125	145	14	213	218	2
Other operating expenses	420	386	(9)	825	771	(7)
Total noninterest expense	810	773	(5)	1,588	1,483	(7)
Income from continuing operations before income tax expense	376	413	(9)	702	810	(13)
Income tax expense from continuing operations	122	56	(118)	235	206	(14)
Net income from continuing operations	$254	$357	(29)	$467	$604	(23)

n/m = not meaningful

We earned net income from continuing operations of $254 million and $467 million for the three months and six months ended June 30, 2017, respectively, compared to $357 million and $604 million for the three months and six

months ended June 30, 2016. During the three months and six months ended June 30, 2017, we continued to focus on optimizing portfolio growth and a profitable mix of originations primarily in our non-lease consumer and commercial automotive portfolios and our Corporate Finance business, and as a result, experienced favorability in our net financing revenue from both higher portfolio balances and higher yields. Results were also favorably impacted by higher gains on the sale of automotive loans and lower insurance losses and loss adjustment expenses primarily due to the ceding of weather-related losses subject to the reinsurance agreement we entered into in April 2017. These favorable items were more than offset by higher income tax expense as a result of a nonrecurring tax benefit in the second quarter of 2016, higher provision expense in 2017 related to growth in our consumer automotive loan portfolio and our focus on originating a more profitable mix of business with appropriate risk-adjusted returns, lower net operating lease revenue due to the runoff of our GM lease portfolio and lower remarketing gains due to lower used vehicle prices, and higher noninterest expense driven by incremental costs related to the growth of our consumer and commercial product offerings including wealth management, direct-to-consumer automotive (Clearlane), and mortgage lending.

Net financing revenue and other interest income increased $83 million and $111 million for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016. Net financing revenue and other interest income from our Automotive Finance operations was favorably impacted by higher consumer financing revenue primarily due to an increase in retail portfolio yields as a result of the execution of our continued focus on expanding risk-adjusted returns and sustained asset growth, as well as higher commercial financing revenue primarily resulting from an increase in dealer floorplan assets and higher benchmark interest rates. The increases were partially offset by a decrease in operating lease revenue, net of depreciation, primarily resulting from the runoff of our GM lease portfolio as well as less favorable remarketing activity in 2017 compared to the same periods in 2016, primarily due to lower used vehicle prices. Net financing revenue and other interest income at our Mortgage Finance operations was favorably impacted by increased loan balances as a result of bulk purchases of high-quality jumbo and LMI mortgage loans. Net financing revenue and other interest income at our Corporate

Finance operations was favorably impacted by continued asset growth across all business verticals in line with our growth strategy, as well as the payoff of a nonaccrual loan exposure in the second quarter of 2017, which resulted in the recognition of $9 million of interest income. Total interest expense increased 8% and 6% for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016. While we continue to shift borrowings toward more cost-effective deposit funding and continue to reduce higher-cost unsecured debt, interest expense increased as a result of higher funding costs associated with increased LIBOR rates on secured borrowings and higher levels of deposit-based funding to support the business.

Gain on mortgage and automotive loans increased $33 million and $46 million for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016. During the three months ended June 30, 2017, we sold certain previously written-down retail automotive loans related to consumers in Chapter 13 bankruptcy where borrowers continue to make payments, realizing a gain of $33 million, to proactively manage our overall credit exposure, asset levels, and capital utilization.

Other gain on investments was $23 million and $50 million for the three months and six months ended June 30, 2017, respectively, compared to $39 million and $93 million for the same periods in 2016. The decrease was due primarily to higher sales of investment securities in 2016 that did not recur in the current period.

Other income increased $7 million and $27 million for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016, primarily due to contributions from our Corporate Finance operations, which included an equity investment gain in the first quarter of 2017, and an increase in loan syndication income in the second quarter of 2017.

The provision for loan losses was $269 million and $540 million for the three months and six months ended June 30, 2017, respectively, compared to $172 million and $392 million for the same periods in 2016. The increases in provision for loan losses were driven by our consumer automotive portfolio where we experienced higher net charge-offs and a larger increase in our allowance for loan losses year-over-year as a result of our focus on originating a more profitable mix of business by focusing on risk-adjusted returns. Additionally, higher growth in the portfolio contributed to higher provision expense year-over-year. Refer to the Risk Management section of this MD&A for further discussion.

Noninterest expense was $810 million and $1.6 billion for the three months and six months ended June 30, 2017, respectively, compared to $773 million and $1.5 billion for the same periods in 2016. The increases were primarily driven by expenses related to the growth of our consumer and commercial products, including the addition and integration of Ally Invest and Clearlane, as well as the expansion of our direct-to-consumer mortgage offering as we continue to enhance our digital wealth management franchise, expand our product suite, and grow digital platforms for consumers and dealers. These increases were partially offset by lower insurance losses and loss adjustment expenses during the three months and six months ended June 30, 2017, compared to the same periods in 2016, primarily due to the ceding of weather-related losses subject to the reinsurance agreement.

We recognized total income tax expense from continuing operations of $122 million and $235 million for the three months and six months ended June 30, 2017, respectively, compared to $56 million and $206 million for the same periods in 2016. The increases in income tax expense for the three months and six months ended June 30, 2017, compared to the same periods in 2016, were primarily driven by a non-recurring tax benefit in the second quarter of 2016 due to a U.S. tax reserve release related to a prior-year federal return that reduced our liability for unrecognized tax benefits by $175 million. This benefit was partially offset by the establishment of a valuation allowance on capital loss carryforwards for the three months ended June 30, 2016, and a decrease in pretax earnings.

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Dealer Financial Services

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

Automotive Finance

Results of Operations

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

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2017	2016	Favorable/(unfavorable) % change	2017	2016	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Consumer	$962	$877	10	$1,886	$1,743	8
Commercial	325	262	24	629	514	22
Operating leases	488	701	(30)	1,031	1,470	(30)
Other interest income	1	2	(50)	3	5	(40)
Total financing revenue and other interest income	1,776	1,842	(4)	3,549	3,732	(5)
Interest expense	523	479	(9)	1,015	963	(5)
Net depreciation expense on operating lease assets	321	434	26	710	944	25
Net financing revenue and other interest income	932	929	—	1,824	1,825	—
Other revenue						
Gain on automotive loans, net	35	5	n/m	59	10	n/m
Other income	72	72	—	149	144	3
Total other revenue	107	77	39	208	154	35
Total net revenue	1,039	1,006	3	2,032	1,979	3
Provision for loan losses	266	170	(56)	534	379	(41)
Noninterest expense						
Compensation and benefits expense	125	118	(6)	254	244	(4)
Other operating expenses	301	292	(3)	609	593	(3)
Total noninterest expense	426	410	(4)	863	837	(3)
Income from continuing operations before income tax expense	$347	$426	(19)	$635	$763	(17)

Total assets	$115,447	$112,356	3	$115,447	$112,356	3

n/m = not meaningful

Components of net operating lease revenue, included in amounts above, were as follows.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2017	2016	Favorable/(unfavorable) % change	2017	2016	Favorable/(unfavorable) % change
Net operating lease revenue						
Operating lease revenue	$488	$701	(30)	$1,031	$1,470	(30)
Depreciation expense						
Depreciation expense on operating lease assets (excluding remarketing gains)	353	520	32	739	1,085	32
Remarketing gains	(32)	(86)	(63)	(29)	(141)	(79)
Net depreciation expense on operating lease assets	321	434	26	710	944	25
Total net operating lease revenue	$167	$267	(37)	$321	$526	(39)
Investment in operating leases, net	$9,717	$13,755	(29)	$9,717	$13,755	(29)

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Our Automotive Finance operations earned income from continuing operations before income tax expense of $347 million and $635 million for the three months and six months ended June 30, 2017, respectively, compared to $426 million and $763 million for the three months and six months ended June 30, 2016. During the three months and six months ended June 30, 2017, we continued to focus on expanding risk-adjusted returns and sustained asset growth, and as a result, experienced higher consumer financing revenue primarily due to an increase in retail portfolio balances and yields, as well as higher commercial financing revenue primarily resulting from an increase in dealer floorplan assets and higher yields. These favorable items were more than offset by higher provision for loan losses primarily resulting from higher net charge-offs driven by the changing composition of our portfolio associated with our focus on originating a more profitable mix of business consistent with our underwriting strategy and retail asset growth, and a decrease in net operating lease revenue primarily resulting from the runoff of our GM lease portfolio as well as less favorable remarketing activity for the three months and six months ended June 30, 2017, compared to the same periods in 2016, primarily due to lower used vehicle prices.

Consumer financing revenue increased $85 million and $143 million for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016. The increases were primarily due to improved portfolio yields as a result of the execution of our continued focus on expanding risk-adjusted returns, as well as higher average retail asset levels resulting from sustained asset growth.

Commercial financing revenue increased $63 million and $115 million for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016. The increases were primarily due to an increase in floorplan assets resulting from growing dealer vehicle inventories and higher average vehicle prices as well as higher benchmark interest rates. The increases were also due to an increase in non-floorplan dealer loan balances.

We recognized gains from the sale of automotive loans of $35 million and $59 million for the three months and six months ended June 30, 2017, respectively, compared to $5 million and $10 million for the same periods in 2016. During the three months ended June 30, 2017, we sold certain previously written-down retail automotive loans related to consumers in Chapter 13 bankruptcy where borrowers continue to make payments, realizing a gain of $33 million, to proactively manage our overall credit exposure, asset levels, and capital utilization. A portion of the total gains on sale for the six months ended June 30, 2017, and for the three and six months ended June 30, 2016, was partially offset within Corporate and Other as a result of our FTP methodology.

Total net operating lease revenue decreased 37% and 39% for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016. The decreases in net operating lease revenue were due to the runoff of our GM lease portfolio as well as less favorable remarketing activity in 2017 compared to the same periods in 2016, primarily due to lower used vehicle prices. We recognized remarketing gains of $32 million and $29 million for the three months and six months ended June 30, 2017, respectively, compared to gains of $86 million and $141 million for the same periods in 2016. Refer to the Lease Residual Risk Management section of this MD&A for further discussion.

The provision for loan losses was $266 million and $534 million for the three months and six months ended June 30, 2017, respectively, compared to $170 million and $379 million for the same periods in 2016. The increases in provision for loan losses were primarily due to higher net charge-offs in our consumer automotive portfolio as a result of our focus on originating a more profitable mix of business and retail asset growth. Refer to the Risk Management section of this MD&A for further discussion.

Automotive Financing Volume

Consumer Automotive Financing

During the three months and six months ended June 30, 2017, our average buy rate for retail originations increased 66 and 49 basis points, respectively, relative to the same periods in 2016. We set our buy rates using a granular, risk-based methodology factoring in several variables such as interest costs, projected net average annualized loss rates (NAALR) at the time of origination, anticipated operating costs, and targeted return on equity. The increases in our average buy rate were primarily the result of an increase to interest rates and our strategy to increase our targeted return on equity and more focused deployment of shareholder capital. While we have seen an increase in provision expense and charge-offs in our consumer automotive loan portfolio over the past year in part due to deteriorating credit performance in our lower credit tiers, this increase was also a result of a deliberate shift in origination mix designed to achieve a higher risk-adjusted return. The carrying value of our nonprime consumer automotive loans before allowance for loan losses was $9.0 billion, or approximately 13.6% of our total consumer automotive loans at June 30, 2017, as compared to $9.1 billion, or approximately 13.8% of our total consumer automotive loans at December 31, 2016.

The following table presents retail loan originations by credit tier.

Credit Tier (a)	Volume ($ in billions)	% Share of volume	Average FICO®
Three months ended June 30, 2017			
S	$ 2.4	32	762
A	3.3	44	665
B	1.5	20	640
C	0.3	4	608
Total retail originations	$ 7.5	100	686
Three months ended June 30, 2016			
S	$ 2.7	32	757
A	3.7	43	669
B	1.7	20	642
C	0.4	5	607
Total retail originations	$ 8.5	100	686
Six months ended June 30, 2017			
S	$ 5.0	32	762
A	6.6	43	666
B	3.2	21	640
C	0.6	4	608
Total retail originations	$ 15.4	100	687
Six months ended June 30, 2016			
S	$ 5.2	31	757
A	7.2	43	668
B	3.3	20	641
C	0.9	5	606
D	0.1	1	576
Total retail originations	$ 16.7	100	685

(a) Represents Ally's internal credit score, incorporating numerous borrower and structure attributes including: FICO® Score; severity and aging of delinquency; number of credit inquiries; loan-to-value ratio; and payment-to-income ratio. We originated an insignificant amount of retail loans classified as Tier D during the three months and six

months ended June 30, 2017, and the three months ended June 30, 2016; and Tier E during the three months and six months ended June 30, 2016.

Retail originations in Tier S represented 32% of originations during both the three months and six months ended June 30, 2017, compared to 32% and 31% during the three months and six months ended June 30, 2016, respectively, while Tier C declined to 4% from 5% during the same periods. Our overall origination mix continues to be in line with our focus on optimizing risk-adjusted returns.

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
0–71	19 %	17 %	19 %	18 %
72–75	68	68	67	68
76 +	13	15	14	14
Total retail originations (a)	100%	100%	100%	100%

(a) Excludes RV loans.

As we continue the execution of our targeted underwriting strategy to originate consumer automotive assets across a broad risk spectrum, retail originations with a term of 76 months or more represented 13% and 14% of total retail originations for the three months and six months ended June 30, 2017, respectively, compared to 15% and 14% for the same periods in 2016. Substantially all of the loans originated with a term of 76 months or more during the three months and six months ended June 30, 2017, and 2016, were considered to be prime and in credit tiers S, A, or B. We define prime retail automotive loans primarily as those loans with a FICO® Score (or an equivalent score) at origination of 620 or greater.

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

June 30,	2017	2016
Pre-2013	2 %	8 %
2013	5	10
2014	10	18
2015	25	39
2016	36	25
2017	22	—
Total	100%	100%

The 2017, 2016, and 2015 vintages comprise 83% of the overall retail portfolio as of June 30, 2017, and have higher average buy rates and expected losses than older vintages. The increases in average buy rate and expected loss were due to the execution of our targeted underwriting strategy to originate consumer automotive assets across a broad risk spectrum, and our continued focus on expanding risk-adjusted returns.

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

	Consumer automotive financing originations		% Share of Ally originations	
Three months ended June 30, ($ in millions)	2017	2016	2017	2016
New retail standard	$3,437	$4,364	40	47
Used retail	4,005	4,024	47	43
Lease	1,115	871	13	9
New retail subvented	42	128	—	1
Total consumer automotive financing originations (a)	$8,599	$9,387	100	100

(a) Includes Commercial Services Group (CSG) originations of $874 million and $849 million for the three months ended June 30, 2017, and 2016, respectively, and RV originations of $131 million and $147 million for the three months ended June 30, 2017, and 2016, respectively.

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	Consumer automotive financing originations		% Share of Ally originations	
Six months ended June 30, ($ in millions)	2017	2016	2017	2016
New retail standard	$7,130	$8,404	41	46
Used retail	8,216	8,116	47	44
Lease	2,039	1,704	12	9
New retail subvented	79	204	—	1
Total consumer automotive financing originations (a)	$17,464	$18,428	100	100

(a) Includes Commercial Services Group (CSG) originations of $1,863 million and $1,684 million for the six months ended June 30, 2017, and 2016, respectively, and RV originations of $261 million and $276 million for the six months ended June 30, 2017, and 2016, respectively.

	Consumer automotive financing originations		% Share of Ally originations	
Three months ended June 30, ($ in millions)	2017	2016	2017	2016
Growth (a)	$3,494	$3,434	41	37
GM	2,542	3,304	29	35
Chrysler	2,563	2,649	30	28
Total consumer automotive financing originations	$8,599	$9,387	100	100

(a) Includes Carvana purchased originations of $90 million for the three months ended June 30, 2017.

	Consumer automotive financing originations		% Share of Ally originations	
Six months ended June 30, ($ in millions)	2017	2016	2017	2016
Growth (a)	$6,996	$6,801	40	37
GM	5,409	6,633	31	36
Chrysler	5,059	4,994	29	27
Total consumer automotive financing originations	$17,464	$18,428	100	100

(a) Includes Carvana purchased originations of $158 million for the six months ended June 30, 2017.

During the three months and six months ended June 30, 2017, total consumer originations decreased $788 million and $964 million, respectively, compared to the same periods in 2016. The decreases were due to lower volume from the GM channel and our continued focus on profitable originations over volume levels. The decrease in GM volume during the three months ended June 30, 2017, was somewhat offset by higher volume in the Growth channel. The decrease in GM volume during the six months ended June 30, 2017, was somewhat offset by higher volume in the Growth and Chrysler channels.

We have included origination metrics by loan term and FICO® Score. However, the proprietary way we evaluate risk is based on multiple inputs as described in the section titled Automotive Financing Volume — Acquisition and Underwriting within the MD&A included in our 2016 Annual Report on Form 10-K.

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

	Three months ended June	Six months ended June 30,

	30,			
	2017	2016	2017	2016
740 +	25 %	23 %	25 %	22 %
739–660	35	37	35	37
659–620	24	24	24	25
619–540	10	10	10	10
< 540	1	1	1	1
Unscored (a)	5	5	5	5
Total consumer automotive financing originations	100%	100%	100%	100%

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

Originations with a FICO® Score of less than 620 (considered nonprime) represented 11% of total consumer originations for both the three months and six months ended June 30, 2017, and 2016. Consumer loans and leases with FICO® Scores of less than 540 continued to comprise only 1% of total originations for both the three months and six months ended June 30, 2017. Nonprime applications that are not

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automatically declined by our proprietary credit-scoring models for risk reasons are manually reviewed and decisioned by an experienced underwriting team. The nonprime portfolio is subject to more stringent underwriting criteria for certain loan attributes (e.g., payment-to-income, mileage, and maximum amount financed) and generally does not include any loans with a term of 76 months or more. For discussion of our credit risk management practices and performance, refer to the section titled Risk Management.

For discussion of manufacturer marketing incentives, refer to our Annual Report on Form 10-K for the year ended December 31, 2016, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations — Automotive Finance Operations.

Commercial Wholesale Financing Volume

The following table summarizes the average balances of our commercial wholesale floorplan finance receivables of new and used vehicles.

	Average balance Three months ended June 30,		Average balance Six months ended June 30,	
($ in millions)	2017	2016	2017	2016
GM new vehicles	$18,278	$15,056	$17,867	$14,692
Chrysler new vehicles	8,763	8,991	9,001	9,117
Growth new vehicles	4,712	4,275	4,605	4,181
Used vehicles	3,924	3,812	4,051	3,845
Total commercial wholesale finance receivables	$35,677	$32,134	$35,524	$31,835

Commercial wholesale financing average volume increased $3.5 billion and $3.7 billion during the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016, primarily due to higher dealer inventory levels and an increase in our mix of trucks and sport utility vehicles, which have higher average prices than cars. Dealer inventory levels are dependent on a number of factors including manufacturer production schedules and vehicle mix, sales incentives, and industry sales—all of which can influence future wholesale balances.

Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term loans and automotive fleet financing. Automotive dealer term 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 and/or other dealership assets, and are typically personally guaranteed by the individual owners of the dealership. Automotive dealer loans, inclusive of our commercial lease portfolio, increased $659 million and $585 million to an average of $5.8 billion and $5.7 billion for the three months and six months ended June 30, 2017, respectively, compared to an average of $5.2 billion and $5.1 billion for the three months and six months ended June 30, 2016. 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. In 2016, we began offering collateralized financing to mid-market companies, corporations, and municipalities for the acquisition of transportation assets including tractors and trailers, among other things.

Insurance

Results of Operations

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

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2017	2016	Favorable/(unfavorable) % change	2017	2016	Favorable/(unfavorable) % change
Insurance premiums and other income						
Insurance premiums and service revenue earned	$227	$236	(4)	$468	$466	—
Investment income, net (a)	27	34	(21)	62	68	(9)
Other income	5	5	—	8	9	(11)
Total insurance premiums and other income	259	275	(6)	538	543	(1)
Expense						
Insurance losses and loss adjustment expenses	125	145	14	213	218	2
Acquisition and underwriting expense						
Compensation and benefits expense	18	17	(6)	37	35	(6)
Insurance commissions expense	104	97	(7)	203	191	(6)
Other expenses	33	34	3	66	67	1
Total acquisition and underwriting expense	155	148	(5)	306	293	(4)
Total expense	280	293	4	519	511	(2)
(Loss) income from continuing operations before income tax expense	$(21)	$(18)	(17)	$19	$32	(41)
Total assets	$7,308	$7,193	2	$7,308	$7,193	2
Insurance premiums and service revenue written	$220	$237	(7)	$460	$459	—
Combined ratio (b)	122.1 %	122.8 %		109.8 %	108.7 %	

(a) Includes realized gains on investments of $15 million and $36 million for the three months and six months ended June 30, 2017, respectively, and $21 million and $43 million for the three months and six months ended June 30, 2016; and interest expense of $13 million and $24 million for the three months and six months ended June 30, 2017, respectively, and $12 million and $24 million for the three months and six months ended June 30, 2016.

(b)

Management uses a combined ratio as a primary measure of underwriting profitability. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

Our Insurance operations incurred a loss from continuing operations before income tax expense of $21 million and income of $19 million for the three months and six months ended June 30, 2017, respectively, compared to a loss of $18 million and income of $32 million for the three months and six months ended June 30, 2016, respectively. The increased loss for the three months ended June 30, 2017, was primarily due to lower investment income driven by lower realized investment gains and lower insurance premiums and service revenue earned, partially offset by lower weather-related losses as a result of the reinsurance agreement entered into in April 2017. The decrease in income for the six months ended June 30, 2017, was primarily due to lower realized investment gains and higher weather-related losses in the first quarter of 2017, partially offset by lower weather-related losses in the second quarter of 2017 as a result of the reinsurance agreement entered into in April 2017.

Insurance premiums and service revenue earned was $227 million and $468 million for the three months and six months ended June 30, 2017, respectively, compared to $236 million and $466 million for the three months and six months ended June 30, 2016. The decrease for the three months ended June 30, 2017, was primarily due to the ceding of vehicle inventory insurance premiums under the reinsurance agreement. The decrease was partially offset by higher vehicle inventory insurance rates and higher dealer floorplan balances. Insurance premiums and service revenue earned was relatively flat for the six months ended June 30, 2017, compared to the same period in 2016 as increases from higher vehicle inventory insurance rates and higher dealer floorplan balances were largely offset by ceding of premiums under the reinsurance agreement.

Insurance losses and loss adjustment expenses totaled $125 million and $213 million for the three months and six months ended June 30, 2017, respectively, compared to $145 million and $218 million for the same periods in 2016. The decreases for the three months and six months ended June 30, 2017 were primarily due to the ceding of weather-related losses subject to the reinsurance agreement. The decline in losses for the six months ended June 30, 2017, was partially offset by higher weather-related losses in the first quarter of 2017, prior to entering into the reinsurance agreement in April 2017. The combined ratio remained relatively consistent at 122.1% and 109.8% for the three

months and six months ended June 30, 2017, respectively, compared to 122.8% and 108.7% for the three months and six months ended June 30, 2016.

The following table shows premium and service revenue written by insurance product.

($ in millions)	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Vehicle service contracts				
New retail	$108	$112	$211	$208
Used retail	119	109	232	218
Reinsurance (a)	(51)	(48)	(100)	(89)
Total vehicle service contracts (b)	176	173	343	337
Vehicle inventory insurance	20	45	72	86
Other finance and insurance (c)	24	19	45	36
Total	$220	$237	$460	$459

(a) Reinsurance represents the transfer of premiums and risk from an Ally insurance company to a third-party insurance company.
(b) VSC revenue is earned over the life of the service contract on a basis proportionate to the anticipated cost pattern.
(c) Other finance and insurance includes GAP coverage, excess wear and tear, and other ancillary products.

Insurance premiums and service revenue written was $220 million and $460 million for the three months and six months ended June 30, 2017, respectively, compared to $237 million and $459 million for the same periods in 2016. The decrease for the three months ended June 30, 2017, was primarily due to the ceding of vehicle inventory insurance premiums under the reinsurance agreement and an increase in dealer reinsurance participation, partially offset by higher vehicle inventory insurance rates, higher dealer floorplan balances, and higher VSC and GAP volume. Insurance premiums and service revenue written was relatively flat for the six months ended June 30, 2017, compared to the same period in 2016.

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 tolerance, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

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

($ in millions)	June 30, 2017	December 31, 2016
Cash		
Noninterest-bearing cash	$273	$ 273
Interest-bearing cash	850	612
Total cash	1,123	885
Available-for-sale securities		
Debt securities		
U.S. Treasury	313	299
U.S. States and political subdivisions	745	744
Foreign government	150	162
Agency mortgage-backed residential	689	633

Mortgage-backed residential	197	227
Mortgage-backed commercial	39	39
Asset-backed	—	6
Corporate debt	1,272	1,443
Total debt securities	3,405	3,553
Equity securities	505	595
Total available-for-sale securities	3,910	4,148
Total cash and securities	$ 5,033	$ 5,033

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Mortgage Finance

Results of Operations

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

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2017	2016	Favorable/(unfavorable) % change	2017	2016	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Total financing revenue and other interest income	$72	$64	13	$143	$121	18
Interest expense	40	38	(5)	77	75	(3)
Net financing revenue and other interest income	32	26	23	66	46	43
Gain on mortgage loans, net	1	—	n/m	1	—	n/m
Total net revenue	33	26	27	67	46	46
Provision for loan losses	1	—	n/m	2	3	33
Noninterest expense						
Compensation and benefits expense	5	3	(67)	10	6	(67)
Other operating expenses	20	14	(43)	39	26	(50)
Total noninterest expense	25	17	(47)	49	32	(53)
Income from continuing operations before income tax expense	$7	$9	(22)	$16	$11	45
Total assets	$8,902	$8,014	11	$8,902	$8,014	11

n/m = not meaningful

Our Mortgage Finance operations earned income from continuing operations before income tax expense of $7 million and $16 million for the three months and six months ended June 30, 2017, respectively, compared to $9 million and $11 million for the three months and six months ended June 30, 2016. The decrease for the three months ended June 30, 2017, was primarily due to increases in noninterest expense driven by continued expansion of the direct-to-consumer offering and asset growth as well as higher provision for loan losses due to portfolio growth. This decrease was partially offset by an increase in net financing revenue and other interest income driven by increased loan balances as a result of bulk purchases of high-quality jumbo and LMI mortgage loans. The increase for the six months ended June 30, 2017, was primarily due to an increase in net financing revenue and other interest income driven by increased loan balances as a result of bulk purchases of high-quality jumbo and LMI mortgage loans. The increase in income from continuing operations before income tax expense was partially offset by higher noninterest expense driven by continued expansion of the direct-to-consumer offering and asset growth.

Net financing revenue and other interest income was $32 million and $66 million for the three months and six months ended June 30, 2017, respectively, compared to $26 million and $46 million for the three months and six months ended June 30, 2016. The increases in net financing revenue and other interest income were primarily due to increased loan balances as a result of bulk purchases of high-quality jumbo and LMI mortgage loans. During the three months and six months ended June 30, 2017, we purchased $809 million and $1.1 billion, respectively, of mortgage loans that were originated by third parties, compared to $1.0 billion and $2.4 billion for the same periods in 2016.

Gain on sale of mortgage loans increased $1 million for both the three months and six months ended June 30, 2017, compared to the same periods in 2016, as a result of direct-to-consumer mortgage originations and the subsequent sale

of these loans to our fulfillment partner.
The provision for loan losses increased $1 million and decreased $1 million for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016. The portfolio continues to demonstrate strong credit performance consistent with expectations.
Total noninterest expense was $25 million and $49 million for the three months and six months ended June 30, 2017, respectively, compared to $17 million and $32 million for the three months and six months ended June 30, 2016. The increases were driven by continued expansion of the direct-to-consumer offering and asset growth.

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The following table presents the net unpaid principal balance (UPB), net UPB as a percentage of total, weighted-average coupon (WAC), premium net of discounts, loan-to-value (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)
June 30, 2017						
Adjustable-rate	$ 2,424	28	3.34 %	$ 39	57.79 %	775
Fixed-rate	6,258	72	4.02	145	61.55	772
Total	$ 8,682	100	3.83	$ 184	60.50	773
December 31, 2016						
Adjustable-rate	$ 2,488	31	3.34 %	$ 42	57.94 %	773
Fixed-rate	5,633	69	4.02	131	60.47	772
Total	$ 8,121	100	3.81	$ 173	59.69	772

(a) Represents UPB net of charge-offs.
(b) Updated home values were derived using a combination of appraisals, broker price opinions, automated valuation models, and metropolitan statistical area level house price indices.
(c) Updated to reflect changes in credit score since loan origination.

Corporate Finance

Results of Operations

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

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2017	2016	Favorable/(unfavorable) % change	2017	2016	Favorable/(unfavorable) % change
Net financing revenue and other interest income						
Interest and fees on finance receivables and loans	$70	$46	52	$124	$90	38
Interest expense	22	17	(29)	42	33	(27)
Net financing revenue and other interest income	48	29	66	82	57	44
Total other revenue	10	4	150	28	10	180
Total net revenue	58	33	76	110	67	64
Provision for loan losses	6	3	(100)	12	9	(33)
Noninterest expense						
Compensation and benefits expense	10	10	—	24	20	(20)
Other operating expenses	7	6	(17)	14	13	(8)
Total noninterest expense	17	16	(6)	38	33	(15)
Income from continuing operations before income tax expense	$35	$14	150	$60	$25	140
Total assets	$3,552	$2,989	19	$3,552	$2,989	19

Our Corporate Finance operations earned income from continuing operations before income tax expense of $35 million and $60 million for the three months and six months ended June 30, 2017, respectively, compared to $14 million and $25 million for the same periods in 2016. The increases for the three months and six months ended June 30, 2017, were driven by continued growth in our loan portfolio. Results for the three months ended June 30, 2017, were also favorably impacted by higher loan syndication income and the full collection of funds related to a nonaccrual loan. Results for the six months ended June 30, 2017, were also favorably impacted by a gain on an equity investment in the first quarter of 2017.

Net financing revenue and other interest income was $48 million and $82 million for the three months and six months ended June 30, 2017, respectively, compared to $29 million and $57 million for the same periods in 2016. The increases were primarily due to asset growth across all business verticals in line with our growth strategy, which resulted in a 19% increase in the gross carrying value of finance receivables and loans as of June 30, 2017, compared to June 30, 2016. Additionally, interest and fees on finance receivables and loans was favorably impacted by the payoff of a nonaccrual loan exposure in the second quarter of 2017, which resulted in the recognition of $9 million of interest income.

Other revenue was $10 million and $28 million for the three months and six months ended June 30, 2017, respectively, compared to $4 million and $10 million for the same periods in 2016. The increase for the three months ended June 30, 2017, was primarily driven by an increase in loan syndication income. The increase for the six months ended June 30, 2017, was primarily driven by an $11 million gain on the sale of an equity investment during the first quarter of 2017, and higher loan syndication income.

The provision for loan losses increased $3 million for both the three months and six months ended June 30, 2017, compared to the three months and six months ended June 30, 2016. The increases were primarily due to higher provision expense for individually impaired loans during the three months and six months ended June 30, 2017, compared to the same periods in 2016.
Total noninterest expense was $17 million and $38 million for the three months and six months ended June 30, 2017, respectively, compared to $16 million and $33 million for the same periods in 2016. The increases were primarily due to the addition of new business verticals and higher expenses to support the growth of the business.

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Credit Portfolio

The following table presents loans held-for-sale, the gross carrying value of finance receivables and loans outstanding, and unfunded commitments to lend of our Corporate Finance operations.

($ in millions)	June 30, 2017	December 31, 2016
Loans held-for-sale, net	$ 14	$ —
Finance receivables and loans	$ 3,553	$ 3,180
Unfunded lending commitments (a)	$ 1,258	$ 1,483

(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 should the client fail to fulfill a contractual commitment. As many of these commitments are subject to borrowing base agreements and other restrictive covenants or may expire without being fully drawn, the contract amounts 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 gross carrying value.

	June 30, 2017	December 31, 2016
Industry		
Services	27.9 %	27.4 %
Automotive and transportation	14.1	13.5
Health services	10.7	12.0
Machinery, equipment, and electronics	9.0	6.6
Other manufactured products	8.4	8.8
Wholesale	7.9	8.9
Chemicals and metals	4.9	5.8
Retail trade	4.4	5.1
Food and beverages	4.1	4.2
Paper, printing, and publishing	2.8	3.2
Other	5.8	4.5
Total finance receivables and loans	100.0 %	100.0 %

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Corporate and Other

The following table summarizes the activities of Corporate and Other. Corporate and Other primarily consists of activity related to 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, the amortization of the discount associated with debt issuances, and the residual impacts of our corporate FTP and treasury ALM activities. Corporate and Other also includes certain equity investments, which primarily consist of FHLB and FRB stock, the management of our legacy mortgage portfolio, which primarily consists of loans originated prior to January 1, 2009, the activity related to Ally Invest, and reclassifications and eliminations between the reportable operating segments.

	Three months ended June 30,			Six months ended June 30,		
($ in millions)	2017	2016	Favorable/(unfavorable) % change	2017	2016	Favorable/(unfavorable)% change
Net financing revenue and other interest income						
Total financing revenue and other interest income	$143	$89	61	$269	$181	49
Interest expense						
Original issue discount amortization	22	18	(22)	43	36	(19)
Other interest expense	80	87	8	181	168	(8)
Total interest expense	102	105	3	224	204	(10)
Net financing revenue and other interest income (a)	41	(16)	n/m	45	(23)	n/m
Other revenue						
Loss on mortgage and automotive loans, net	—	(2)	100	(10)	(6)	(67)
Loss on extinguishment of debt	(1)	—	n/m	(2)	(4)	50
Other gain on investments, net	8	18	(56)	14	50	(72)
Other income, net of losses	18	18	—	36	33	9
Total other revenue	25	34	(26)	38	73	(48)
Total net revenue	66	18	n/m	83	50	66
Provision for loan losses	(4)	(1)	n/m	(8)	1	n/m
Total noninterest expense (b)	62	37	(68)	119	70	(70)
Income (loss) from continuing operations before income tax expense	$8	$(18)	144	$(28)	$(21)	(33)

Total assets	$29,136	$27,379	6	$29,136	$27,379	6

n/m = not meaningful

(a) Refer to the table that follows for further details on the components of net financing revenue and other interest income.

(b) Includes reductions of $200 million and $412 million for the three months and six months ended June 30, 2017, respectively, and $186 million and $388 million for the three months and six months ended June 30, 2016, respectively, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

The following table summarizes the components of net financing revenue and other interest income for Corporate and Other.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2017	2016	2017	2016
Original issue discount amortization (a)	$(22)	$(18)	$(43)	$(36)
Net impact of the funds-transfer pricing methodology	49	(6)	64	(3)
Other (including legacy mortgage net financing revenue, Ally Invest, and other interest income)	14	8	24	16
Net financing revenue and other interest income for Corporate and Other	$41	$(16)	$45	$(23)

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

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The following table presents the scheduled remaining amortization of the original issue discount at June 30, 2017.

Year ended December 31, ($ in millions)	2017	2018	2019	2020	2021	2022 and thereafter (a)	Total
Original issue discount							
Outstanding balance at year end	$1,235	$1,135	$1,096	$1,057	$1,014	$ —	
Total amortization (b)	47	100	39	39	43	1,014	$1,282

(a) The maximum annual scheduled amortization for any individual year is $153 million in 2030.

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

Corporate and Other earned income from continuing operations before income tax expense of $8 million and incurred a loss of $28 million for the three months and six months ended June 30, 2017, respectively, compared to losses of $18 million and $21 million for the three months and six months ended June 30, 2016. The increase in income for the three months ended June 30, 2017, was primarily due to an increase in financing revenue and other interest income driven by an increase in interest and dividends on investment securities and other earning assets, partially offset by lower gains on sales of investment securities, and an increase in noninterest expense driven by increased compensation and benefits expense. The increase in loss for the six months ended June 30, 2017, was primarily due to an increase in noninterest expense driven by an increase in compensation and benefits to support the growth of the business, a decrease in gains on sales of investment securities, and an increase in interest expense driven by increased interest on deposits resulting from deposit growth and increased LIBOR rates on secured borrowings, partially offset by a decrease in unsecured debt as maturities have been replaced with lower cost funding. The increase in loss was partially offset by an increase in financing revenue and other interest income driven by an increase in interest and dividends on investment securities and other earning assets.

Financing revenue and other interest income was $143 million and $269 million for the three months and six months ended June 30, 2017, respectively, compared to $89 million and $181 million for the three months and six months ended June 30, 2016. The increases were primarily driven by increased interest and dividends on investment securities and other earning assets compared to the same periods in 2016 primarily as a result of growth in the size of the investment portfolio.

Interest expense was $102 million and $224 million for the three months and six months ended June 30, 2017, respectively, compared to $105 million and $204 million for the three months and six months ended June 30, 2016. Interest expense remained relatively flat for the three months ended June 30, 2017, compared to the same period in 2016, as unsecured debt maturities have been replaced with lower cost deposit funding. The increases for the six months ended June 30, 2017, were primarily driven by increased interest on deposits resulting from deposit growth and increased LIBOR rates on secured borrowings. The increase was partially offset by a decrease in borrowings including higher-cost unsecured debt as maturities are replaced with lower cost funding.

Other gain on investments was $8 million and $14 million for the three months and six months ended June 30, 2017, respectively, compared to $18 million and $50 million for the three months and six months ended June 30, 2016. The decreases were due primarily to higher sales of investment securities in 2016 that did not recur in the current period.

Noninterest expense was $62 million and $119 million for the three months and six months ended June 30, 2017, respectively, compared to $37 million and $70 million for the three months and six months ended June 30, 2016. The increases were primarily due to increased expenses from the Ally Invest integration and operations included in our results subsequent to acquisition in the second quarter of 2016 and increased compensation and benefit expenses to support the growth of the business.

Total assets were $29.1 billion as of June 30, 2017, compared to $27.4 billion as of June 30, 2016. The increase was primarily the result of growth of our available-for-sale and held-to-maturity securities portfolios. The increase was partially offset by the continued runoff of our legacy mortgage portfolio. At June 30, 2017, the gross carrying value of

the legacy mortgage portfolio was $2.4 billion, compared to $3.1 billion at June 30, 2016.

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Cash and Securities

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

($ in millions)	June 30, 2017	December 31, 2016
Cash		
Noninterest-bearing cash	$1,218	$ 1,249
Interest-bearing cash	2,013	3,770
Total cash	3,231	5,019
Available-for-sale securities		
Debt securities		
U.S. Treasury	1,539	1,321
U.S. States and political subdivisions	37	38
Agency mortgage-backed residential	12,987	9,657
Mortgage-backed residential	1,841	1,870
Mortgage-backed commercial	436	498
Asset-backed	1,014	1,394
Total available-for-sale securities	17,854	14,778
Held-to-maturity securities		
Debt securities		
Agency mortgage-backed residential	1,110	789
Asset-backed retained notes	46	—
Total held-to-maturity securities	1,156	789
Total cash and securities	$22,241	$ 20,586

Ally Invest

On June 1, 2016, we acquired 100% of the equity of TradeKing, a digital wealth management company with an online broker-dealer, digital portfolio management platform, and educational content. In May 2017, we launched Ally Invest, our digital brokerage and wealth management offering that combines the platform we acquired from the acquisition of TradeKing with our award-winning online banking platform. The following table presents the trading days and average customer trades per day during each respective quarter and the number of funded accounts, total net customer assets, and total customer cash balances as of the end of each full quarter since acquisition for our online broker-dealer.

	2nd Quarter 2017	1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016
Trading days (a)	63	62	62.5	64
Average customer trades per day (in thousands)	17	19	18	17
Funded accounts (b) (in thousands)	250	251	244	$ 240
Total net customer assets ($ in millions)	$ 5,007	$ 4,987	$ 4,771	$ 4,678
Total customer cash balances ($ in millions)	$ 1,154	$ 1,232	$ 1,253	$ 1,177

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

(b) Represents open and funded brokerage accounts.

Risk Management

Managing the risk/reward trade-off is a fundamental component of operating our businesses. Our risk management program is overseen by the Ally Board of Directors (the Board), various risk committees, the executive leadership team, and our associates. The Risk and Compliance Committee of the Board (RCC), together with the Board, sets the risk appetite across our company while the risk committees, executive leadership team, and our associates identify and monitor current and emerging risks and ensure those risks are managed to be within our risk appetite. Ally's primary types of risk include credit, lease residual, market, operational, insurance/underwriting, business/strategic, reputation, and liquidity. For more information on our risk management process, refer to the Risk Management MD&A section of our 2016 Annual Report on Form 10-K.

Loan and Lease Exposure

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

($ in millions)	June 30, 2017	December 31, 2016
Finance receivables and loans		
Automotive Finance	$105,614	$ 104,646
Mortgage Finance	8,866	8,294
Corporate Finance	3,553	3,180
Corporate and Other (a)	2,495	2,824
Total finance receivables and loans	120,528	118,944
Loans held-for-sale		
Mortgage Finance (b)	3	—
Corporate Finance	14	—
Total loans held-for-sale	17	—
Total on-balance sheet loans	120,545	118,944
Off-balance sheet securitized loans		
Automotive Finance (c)	2,662	2,392
Whole-loan sales		
Automotive Finance (c)	1,947	3,164
Operating lease assets		
Automotive Finance	9,717	11,470
Total loan and lease exposure	$134,871	$ 135,970
Serviced loans and leases		
Automotive Finance	$119,667	$ 121,480
Mortgage Finance	8,869	8,294
Corporate Finance	3,467	2,991
Corporate and Other	2,428	2,757
Total serviced loans and leases	$134,431	$ 135,522

(a) Includes $2.4 billion and $2.8 billion of consumer mortgage loans in our legacy mortgage portfolio at June 30, 2017, and December 31, 2016, respectively.

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

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

The risks inherent in our loan and lease exposures are largely driven by changes in the overall economy, used vehicle and housing price levels, unemployment levels, and their impact to our borrowers. The potential financial statement impact of these exposures varies depending on the accounting classification and future expected disposition strategy. We retain the majority of our automotive loans as they complement our core business model, but we do sell loans

from time to time on an opportunistic basis. We ultimately manage the associated risks based on the underlying economics of the exposure. Our lease residual risk, which may be more volatile than credit risk in stressed macroeconomic scenarios, has declined with the decrease in the lease portfolio.
Since the end of 2014, we have experienced growth in our consumer retail automotive loan portfolio and a significant reduction in lease assets. This shift in our portfolio mix has contributed to an increase in provision expense for loan losses. Consumer lease residuals are not included in the allowance for loan losses as changes in the expected residual values on consumer leases are included in depreciation expense over the remaining life of the lease. Our risk to future fluctuations in used vehicle values is diminishing as our lease assets have declined materially and will continue to decline as the number of lease terminations continues to outpace lease originations. All leases are exposed to potential reductions in used vehicle values, while only those loans where we take possession of the vehicle are affected by potential

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reductions in used vehicle values. Operating lease assets, net of accumulated depreciation decreased $1.8 billion to $9.7 billion at June 30, 2017, from $11.5 billion at December 31, 2016.

Credit Risk Management

Credit risk is defined as the risk of loss arising from an obligor not meeting its contractual obligations to Ally. Therefore, credit risk is a major source of potential economic loss to us. Credit risk is monitored by several groups and functions throughout the organization, including enterprise and line of business committees and the risk management function. Together, they oversee credit decisioning, account servicing activities, and credit risk management processes, and monitor credit risk exposures to ensure they are managed in a safe-and-sound manner and are 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 directly reports its findings to the RCC and the Ally Financial Inc. General Auditor on a regular basis.

To mitigate risk, we have implemented specific policies and practices across all lines of business, utilizing both qualitative and quantitative analyses. This reflects our commitment to maintain 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 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 leases with potential credit weaknesses, and the assessment of the adequacy of internal credit risk policies and procedures to ensure and monitor compliance with relevant laws and regulations. Our consumer and commercial loan and lease portfolios are subject to regular stress tests that are based on plausible, but unexpected, economic scenarios to ensure that we can withstand a severe economic downturn. In addition, we establish and maintain underwriting policies and guardrails across our portfolios and higher risk segments (e.g., 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 to ensure that we generate appropriate risk-adjusted returns and are adequately compensated for the risk we are taking. 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 in conjunction with pricing at contract inception. While we have seen an increase in provision expense and charge-offs in our consumer automotive loan portfolio over the past year in part due to deteriorating credit performance in our lower credit tiers, this increase was also a result of a deliberate shift in origination mix designed to achieve a higher risk-adjusted return. We continue to closely monitor our loan performance and profitability performance in light of forecasted economic conditions, and manage credit risk and expectations of losses in the portfolio.

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers and the aggregate portfolio of borrowers either within a designated geographic region or a particular product or industry segment. We perform quarterly analyses of the consumer automotive, consumer mortgage, and commercial portfolios using a range of indicators to assess the adequacy of the allowance for loan losses based on historical and current trends. Refer to Note 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 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 extension of the loan maturity date and rewriting 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 principal forgiveness, maturity extensions, delinquent interest capitalization, and changes to contractual interest rates.

Furthermore, we manage our counterparty credit exposure 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, financial futures, cash balances (e.g., due from depository institutions, restricted accounts, and cash equivalents), and investment in debt securities. For more information on derivative counterparty credit risk, refer to Note 19 to the Condensed Consolidated Financial Statements.

We closely monitor macro-economic trends given the nature of our business and the potential impacts on our exposure to credit risk. During the three months and six months ended June 30, 2017, the U.S. economy continued to modestly expand and consumer confidence remained strong. The labor market remained healthy during the period, with nonfarm payrolls increasing and the annual unemployment rate falling to 4.4% as of June 30, 2017. Within the U.S. automotive market, new light vehicle sales have moderated from historic highs, and were down modestly year over year at a Seasonally Adjusted Annual Rate of 16.6 million for the three months ended June 30, 2017. We continue to experience downward pressure on used vehicle values and expect that to continue throughout 2017.

On-balance Sheet Portfolio

Our on-balance sheet portfolio includes both finance receivables and loans and loans held-for-sale. At June 30, 2017, this primarily included $105.6 billion of automotive finance receivables and loans and $11.3 billion of consumer mortgage finance receivables and loans. Our Mortgage Finance operations consist of the management of our held-for-investment mortgage loan portfolio which includes bulk purchases of high-quality jumbo and LMI mortgage loans. In late 2016, we introduced direct mortgage originations consisting of jumbo mortgage loans that are originated as held-for-investment and conforming mortgage loans that are originated as held-for-sale.

The following table presents our total on-balance sheet consumer and commercial finance receivables and loans.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more	
($ in millions)	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Consumer						
Finance receivables and loans						
Loans at gross carrying value	$78,068	$ 76,843	$ 632	$ 697	$ —	$ —
Loans held-for-sale	3	—	—	—	—	—
Total consumer loans (b)	78,071	76,843	632	697	—	—
Commercial						
Finance receivables and loans						
Loans at gross carrying value	42,460	42,101	151	122	—	—
Loans held-for-sale	14	—	—	—	—	—
Total commercial loans	42,474	42,101	151	122	—	—
Total on-balance sheet loans	$120,545	$ 118,944	$ 783	$ 819	$ —	$ —

(a) Includes nonaccrual TDR loans of $273 million and $286 million at June 30, 2017, and December 31, 2016, respectively.

(b) Includes outstanding CSG loans of $7.0 billion and $6.7 billion at June 30, 2017, and December 31, 2016, respectively, and RV loans of $1.8 billion and $1.7 billion at June 30, 2017, and December 31, 2016, respectively.

Total on-balance sheet loans outstanding at June 30, 2017, increased $1.6 billion to $120.5 billion from December 31, 2016, reflecting an increase of $1.2 billion in the consumer portfolio and an increase of $373 million in the commercial portfolio. The increase in consumer on-balance sheet loans was primarily due to our consumer automotive loan originations which outpaced portfolio runoff. Additionally, the consumer automotive loan portfolio increased as a result of our election to not renew a retail automotive credit conduit facility and the related purchase of approximately $521 million of retail automotive loans. The increase in commercial on-balance sheet loans outstanding was primarily due to the growth in our Corporate Finance portfolio in line with our business strategy, as well as the ongoing demand for automotive dealer term loans.

Total TDRs outstanding at June 30, 2017, increased $27 million to $690 million from December 31, 2016. Refer to Note 8 to the Condensed Consolidated Financial Statements for additional information.

Total nonperforming loans at June 30, 2017, decreased $36 million to $783 million from December 31, 2016, reflecting a decrease of $65 million of consumer nonperforming loans and an increase of $29 million of commercial nonperforming loans. The decrease in total nonperforming loans from December 31, 2016, was primarily due to the seasonal trends within the consumer automotive portfolio and the sale of certain consumer automotive loans in Chapter 13 bankruptcy status, partially offset by an increase in the commercial automotive portfolio primarily due to the downgrade of five accounts. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K for additional information.

The following table includes consumer and commercial net charge-offs from finance receivables and loans at gross carrying value and related ratios.

	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs		Net charge-off ratios (a)		Net charge-offs		Net charge-off ratios (a)	
($ in millions)	2017	2016	2017	2016	2017	2016	2017	2016
Consumer	$199	$152	1.0 %	0.8 %	$452	$331	1.2 %	0.9 %

Commercial	—	—	—	—	—	—	—	—
Total finance receivables and loans at gross carrying value	$199	$152	0.7	0.5	$452	$331	0.8 %	0.6 %

(a) Net charge-off ratios are calculated as annualized 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.

Net charge-offs were $199 million and $452 million for the three months and six months ended June 30, 2017, respectively, compared to $152 million and $331 million for the three months and six months ended June 30, 2016. The increase during the three months and six months ended June 30, 2017, was driven by the seasoning of recent vintages reflecting our underwriting strategy to originate consumer automotive assets across a broad risk spectrum and expand our risk-adjusted returns, as well as lower average sales proceeds on repossessed vehicles.

The following discussions titled Consumer Credit Portfolio and Commercial Credit Portfolio relate to consumer and commercial finance receivables and loans recorded at gross carrying value. Finance receivables and loans recorded at gross carrying value have an associated allowance for loan losses.

Consumer Credit Portfolio

During the three months and six months ended June 30, 2017, the credit performance of the consumer portfolio reflected both our underwriting strategy to originate consumer automotive assets across a broad risk spectrum, including used, higher LTV, extended term, Growth channel, nonprime, and nonsubvented finance receivables and loans in order to generate a more profitable mix of business with appropriate risk-adjusted returns, as well as our bulk loan purchases and direct mortgage originations of high-quality jumbo and LMI mortgage loans. Within our consumer automotive portfolio, the performance in the lower credit tiers has deteriorated relative to initial expectations at the time of origination. The carrying value of our nonprime consumer automotive loans before allowance for loan losses represented approximately 13.6% of our total consumer automotive loans at June 30, 2017, compared to approximately 13.8% at December 31, 2016. 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 included in our 2016 Annual Report on Form 10-K.

The following table includes consumer finance receivables and loans recorded at gross carrying value.

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more	
($ in millions)	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Consumer automotive (b) (c)	$66,774	$ 65,793	$ 540	$ 598	$ —	$ —
Consumer mortgage						
Mortgage Finance	8,866	8,294	9	10	—	—
Mortgage — Legacy	2,428	2,756	83	89	—	—
Total consumer finance receivables and loans	$78,068	$ 76,843	$ 632	$ 697	$ —	$ —

(a) Includes nonaccrual TDR loans of $205 million and $240 million at June 30, 2017, and December 31, 2016, respectively.

(b) Includes $28 million and $43 million of fair value adjustment for loans in hedge accounting relationships at June 30, 2017, and December 31, 2016, respectively. Refer to Note 19 to the Condensed Consolidated Financial Statements for additional information.

(c) Includes outstanding CSG loans of $7.0 billion and $6.7 billion at June 30, 2017, and December 31, 2016, respectively, and RV loans of $1.8 billion and $1.7 billion at June 30, 2017, and December 31, 2016, respectively.

Total consumer outstanding finance receivables and loans increased $1.2 billion at June 30, 2017, compared with December 31, 2016. The increase in consumer automotive finance receivables and loans was primarily related to our loan originations which outpaced portfolio runoff. Additionally, the consumer automotive loan portfolio increased as a result of our election to not renew a retail automotive credit conduit facility and the related purchase of approximately $521 million of retail automotive loans. The increase in consumer mortgage finance receivables and loans was primarily due to growth in the Mortgage Finance portfolio due to the execution of bulk loan purchases, partially offset by runoff within the total mortgage portfolio.

Total consumer nonperforming finance receivables and loans at June 30, 2017, decreased $65 million to $632 million from December 31, 2016, reflecting a decrease of $58 million of consumer automotive finance receivables and loans and a decrease of $7 million of consumer mortgage nonperforming finance receivables and loans. The decrease in nonperforming consumer automotive finance receivables and loans was primarily due to seasonal trends and the sale of certain consumer automotive loans in Chapter 13 bankruptcy status. The decrease in nonperforming consumer mortgage finance receivables and loans was primarily due to continued improvement in the macroeconomic environment, including increases in the house price index and low interest rates, as well as the liquidation of certain

nonperforming accounts. 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 0.8% and 0.9% at June 30, 2017, and December 31, 2016, respectively. Consumer automotive loans accruing and past due 30 days or more decreased $349 million to $1.8 billion at June 30, 2017, compared with December 31, 2016, primarily due to seasonal trends.

The following table includes consumer net charge-offs from finance receivables and loans at gross carrying value and related ratios.

	Three months ended June 30,				Six months ended June 30,			
	Net charge-offs		Net charge-off ratios (a)		Net charge-offs		Net charge-off ratios (a)	
($ in millions)	2017	2016	2017	2016	2017	2016	2017	2016
Consumer automotive	$199	$148	1.2 %	0.9 %	$450	$321	1.4 %	1.0 %
Consumer mortgage								
Mortgage — Legacy	—	4	—	0.5	2	10	0.1	0.6
Total consumer finance receivables and loans	$199	$152	1.0	0.8	$452	$331	1.2	0.9

(a) Net charge-off ratios are calculated as annualized 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 $199 million and $452 million for the three months and six months ended June 30, 2017, respectively, compared to $152 million and $331 million for the three months and six months ended June 30, 2016. The increase during the three months and six months ended June 30, 2017, was driven by the seasoning of recent vintages reflecting our underwriting strategy to originate consumer automotive assets across a broad risk spectrum and expand our risk-adjusted returns, as well as lower average sales proceeds on repossessed vehicles.

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

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2017	2016	2017	2016
Consumer automotive	$7,484	$8,516	$15,425	$16,724
Consumer mortgage (a)	41	3	44	7
Total consumer loan originations	$7,525	$8,519	$15,469	$16,731

(a) Includes $20 million and $23 million of loans originated as held-for-sale for the three months and six months ended June 30, 2017.

Total automotive-originated loans decreased $1.0 billion and $1.3 billion for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016, as we continued to focus on selective originations based on improved risk-adjusted returns.

The following table shows the percentage of total consumer finance receivables and loans recorded at gross carrying value by state concentration. Total consumer automotive loans were $66.8 billion and $65.8 billion at June 30, 2017, and December 31, 2016, respectively. Total mortgage and home equity loans were $11.3 billion and $11.1 billion at June 30, 2017, and December 31, 2016, respectively.

	June 30, 2017 (a)		December 31, 2016	
	Consumer automotive	Consumer mortgage	Consumer automotive	Consumer mortgage
Texas	13.4 %	6.7 %	13.6 %	6.6 %
California	8.0	34.3	7.8	34.2
Florida	8.3	4.5	8.2	4.4
Pennsylvania	4.6	1.4	4.7	1.5
Illinois	4.2	3.2	4.3	3.4
Georgia	4.3	2.3	4.3	2.2

North Carolina	3.7	1.7	3.6	1.6
Ohio	3.5	0.5	3.5	0.5
New York	3.1	1.9	3.2	1.9
Missouri	2.9	1.1	2.8	1.2
Other United States	44.0	42.4	44.0	42.5
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 June 30, 2017.

We monitor our consumer loan portfolio for concentration risk across the states in which we lend. The highest concentrations of consumer loans are in Texas and California, which represented an aggregate of 24.2% of our total outstanding consumer finance receivables

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and loans at both June 30, 2017, and December 31, 2016. Our consumer mortgage loan portfolio concentration within California, which is primarily composed of high-quality jumbo mortgage loans, generally aligns to the California share of jumbo mortgages nationally.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed (included in other assets on the Condensed Consolidated Balance Sheet) when physical possession of the collateral is taken. We dispose of the acquired collateral in a timely fashion in accordance with regulatory requirements. For more information on repossessed and foreclosed assets, refer to Note 1 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K.

Repossessed consumer automotive loan assets in our Automotive Finance operations at June 30, 2017, decreased $25 million to $110 million from December 31, 2016. Foreclosed mortgage assets at June 30, 2017, remained flat at $13 million as compared to December 31, 2016.

Commercial Credit Portfolio

During the three months and six months ended June 30, 2017, the credit performance of the commercial portfolio remained strong, as nonperforming finance receivables and loans remained relatively low and no net charge-offs were realized. 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 included in our 2016 Annual Report on Form 10-K.

The following table includes total commercial finance receivables and loans reported at gross carrying value.

($ in millions)	Outstanding		Nonperforming (a)		Accruing past due 90 days or more	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Commercial and industrial						
Automotive	$34,782	$ 35,041	$ 75	$ 33	$ —	$ —
Other (b)	3,620	3,248	69	84	—	—
Commercial real estate — Automotive	4,058	3,812	7	5	—	—
Total commercial finance receivables and loans	$42,460	$ 42,101	$ 151	$ 122	$ —	$ —

(a) Includes nonaccrual TDR loans of $68 million and $46 million at June 30, 2017, and December 31, 2016, respectively.

(b) Other commercial primarily includes senior secured commercial lending.

Total commercial finance receivables and loans outstanding increased $359 million from December 31, 2016, to $42.5 billion at June 30, 2017. The increase was primarily due to the growth in our Corporate Finance portfolio in line with our business strategy, as well as the ongoing demand for automotive dealer term loans. This increase was partially offset by a small reduction in the number of dealer relationships, due to the competitive environment across the automotive lending market.

Total commercial nonperforming finance receivables and loans were $151 million at June 30, 2017, reflecting an increase of $29 million when compared to December 31, 2016. The increase was primarily due to the downgrade of five accounts within the commercial automotive portfolio, partially offset by a decrease in the Corporate Finance portfolio primarily due to the payoff of one account. Credit performance within the Corporate Finance portfolio remains strong as impaired loans declined to 1.9% of the portfolio at June 30, 2017, as compared to 2.6% at December 31, 2016. Additionally, there were no net charge-offs within the Corporate Finance portfolio during both the three months and six months ended June 30, 2017, and 2016. Nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans increased slightly to 0.4% at June 30, 2017, compared to 0.3% at December 31, 2016.

Our net charge-offs from total commercial finance receivables and loans resulted in no net charge-offs for both the three months and six months ended June 30, 2017, and 2016.

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 $4.1 billion and $3.8 billion at June 30, 2017, and December 31, 2016, respectively.

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The following table presents the percentage of total commercial real estate finance receivables and loans by state concentration. These finance receivables and loans are reported at gross carrying value.

	June 30, 2017	December 31, 2016
Texas	15.7 %	16.1 %
Florida	10.5	10.2
California	8.5	7.9
Michigan	7.4	7.6
New Jersey	3.8	4.2
South Carolina	3.7	2.7
North Carolina	3.5	3.6
Georgia	3.4	3.6
Pennsylvania	3.2	3.1
Missouri	2.5	2.5
Other United States	37.8	38.5
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 $153 million from December 31, 2016, to $2.8 billion at June 30, 2017. The increase was primarily due to the Corporate Finance portfolio and is in line with the overall growth in Corporate Finance loan balances.

The following table presents the percentage of total commercial criticized finance receivables and loans by industry concentration. These finance receivables and loans within our automotive and Corporate Finance portfolios are reported at gross carrying value.

	June 30, 2017	December 31, 2016
Industry		
Automotive	78.2 %	81.2 %
Services	6.5	6.3
Health/Medical	3.7	2.3
Other	11.6	10.2
Total commercial criticized finance receivables and loans	100.0 %	100.0 %

Allowance for Loan Losses

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

Three months ended June 30, 2017 ($ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at April 1, 2017	$ 941	$ 86	$ 1,027	$ 128	$ 1,155
Charge-offs (a)	(290)	(6)	(296)	—	(296)
Recoveries	91	6	97	—	97
Net charge-offs	(199)	—	(199)	—	(199)
Provision for loan losses	260	(3)	257	12	269
Allowance at June 30, 2017	$ 1,002	$ 83	$ 1,085	$ 140	$ 1,225
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2017 (b)	1.5 %	0.7 %	1.4 %	0.3 %	1.0 %
Net charge-offs to average finance receivables and loans outstanding for the three months ended June 30, 2017	1.2 %	— %	1.0 %	— %	0.7 %
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2017 (b)	185.6 %	89.6 %	171.6 %	92.5 %	156.3 %
Ratio of allowance for loan losses to annualized net charge-offs at June 30, 2017	1.3	n/m	1.4	n/m	1.5

n/m = not meaningful

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

(b) 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 gross carrying value.

Three months ended June 30, 2016 ($ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at April 1, 2016	$ 850	$ 115	$ 965	$ 112	$ 1,077
Charge-offs (a)	(227)	(9)	(236)	(1)	(237)
Recoveries	79	5	84	1	85
Net charge-offs	(148)	(4)	(152)	—	(152)
Provision for loan losses	168	(2)	166	6	172
Other (b)	(8)	—	(8)	—	(8)
Allowance at June 30, 2016	$ 862	$ 109	$ 971	$ 118	$ 1,089
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2016 (c)	1.4 %	1.0 %	1.3 %	0.3 %	1.0 %
Net charge-offs to average finance receivables and loans outstanding for the three months ended June 30, 2016	0.9 %	0.1 %	0.8 %	— %	0.5 %
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2016 (c)	170.7 %	102.1 %	158.7 %	96.8 %	148.4 %
Ratio of allowance for loan losses to annualized net charge-offs at June 30, 2016	1.5	7.6	1.6	n/m	1.8

n/m = not meaningful

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of

the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements included in our 2016 Annual Report on Form 10-K for more information regarding our charge-off policies.

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

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

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Six months ended June 30, 2017 ($ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2017	$ 932	$ 91	$ 1,023	$ 121	$ 1,144
Charge-offs (a)	(631)	(15)	(646)	—	(646)
Recoveries	181	13	194	—	194
Net charge-offs	(450)	(2)	(452)	—	(452)
Provision for loan losses	527	(6)	521	19	540
Other (b)	(7)	—	(7)	—	(7)
Allowance at June 30, 2017	$ 1,002	$ 83	$ 1,085	$ 140	$ 1,225
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2017 (c)	1.5 %	0.7 %	1.4 %	0.3 %	1.0 %
Net charge-offs to average finance receivables and loans outstanding for the six months ended June 30, 2017	1.4 %	— %	1.2 %	— %	0.8 %
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2017 (c)	185.6 %	89.6 %	171.6 %	92.5 %	156.3 %
Ratio of allowance for loan losses to annualized net charge-offs at June 30, 2017	1.1	17.3	1.2	n/m	1.4

n/m = not meaningful

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

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

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

Six months ended June 30, 2016 ($ in millions)	Consumer automotive	Consumer mortgage	Total consumer	Commercial	Total
Allowance at January 1, 2016	$ 834	$ 114	$ 948	$ 106	$ 1,054
Charge-offs (a)	(480)	(19)	(499)	(1)	(500)
Recoveries	159	9	168	1	169
Net charge-offs	(321)	(10)	(331)	—	(331)
Provision for loan losses	375	5	380	12	392
Other (b)	(26)	—	(26)	—	(26)
Allowance at June 30, 2016	$ 862	$ 109	$ 971	$ 118	$ 1,089
Allowance for loan losses to finance receivables and loans outstanding at June 30, 2016 (c)	1.4 %	1.0 %	1.3 %	0.3 %	1.0 %
Net charge-offs to average finance receivables and loans outstanding for the six months ended June 30, 2016	1.0 %	0.2 %	0.9 %	— %	0.6 %
Allowance for loan losses to total nonperforming finance receivables and loans at June 30, 2016 (c)	170.7 %	102.1 %	158.7 %	96.8 %	148.4 %
Ratio of allowance for loan losses to annualized net charge-offs at June 30, 2016	1.3	5.6	1.5	n/m	1.6

n/m = not meaningful

(a) Represents the amount of the gross carrying value directly written off. For consumer and commercial loans, the loss from a charge-off is measured as the difference between the gross carrying value of a loan and the fair value of the collateral, less costs to sell. Refer to Note 1 to the Consolidated Financial Statements included in our 2016

Annual Report on Form 10-K for more information regarding our charge-off policies.

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

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

The allowance for consumer loan losses at June 30, 2017, increased $114 million compared to June 30, 2016. The increase was driven by higher reserve requirements reflecting the changing composition of the consumer automotive portfolio to a more profitable mix of business consistent with Ally's underwriting strategy and higher consumer automotive loan balances. This increase was partially offset by a decrease in the allowance for loan losses in our Mortgage Legacy portfolio as it continues to run off.

The allowance for commercial loan losses increased $22 million at June 30, 2017, compared to June 30, 2016, primarily driven by growth experienced in our commercial portfolios, as well as higher specific reserve requirements in our Corporate Finance portfolio.

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Allowance for Loan Losses by Type

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

June 30, ($ in millions)	2017			2016		
	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	$1,002	1.5 %	81.8 %	$862	1.4 %	79.2 %
Consumer mortgage						
Mortgage Finance	12	0.1	1.0	18	0.2	1.7
Mortgage — Legacy	71	2.9	5.8	91	2.9	8.3
Total consumer mortgage	83	0.7	6.8	109	1.0	10.0
Total consumer loans	1,085	1.4	88.6	971	1.3	89.2
Commercial						
Commercial and industrial						
Automotive	38	0.1	3.1	31	0.1	2.8
Other	76	2.1	6.2	61	2.0	5.6
Commercial real estate — Automotive	26	0.6	2.1	26	0.7	2.4
Total commercial loans	140	0.3	11.4	118	0.3	10.8
Total allowance for loan losses	$1,225	1.0	100.0 %	$1,089	1.0	100.0 %

Provision for Loan Losses

The following table summarizes the provision for loan losses by product type.

	Three months ended June 30,		Six months ended June 30,	
($ in millions)	2017	2016	2017	2016
Consumer				
Consumer automotive	$260	$168	$527	$375
Consumer mortgage				
Mortgage Finance	1	—	2	3
Mortgage — Legacy	(4)	(2)	(8)	2
Total consumer mortgage	(3)	(2)	(6)	5
Total consumer loans	257	166	521	380
Commercial				
Commercial and industrial				
Automotive	6	1	6	2
Other	6	4	12	8
Commercial real estate — Automotive	—	1	1	2
Total commercial loans	12	6	19	12
Total provision for loan losses	$269	$172	$540	$392

The provision for consumer loan losses increased $91 million and $141 million for the three months and six months ended June 30, 2017, respectively, compared to the same periods in 2016. The increases during the three months and

six months ended June 30, 2017, were primarily driven by our consumer automotive portfolio where we experienced higher net charge-offs and a larger increase in our allowance for loan losses year-over-year as a result of our focus on originating a more profitable mix of business across a broad credit spectrum by focusing on risk-adjusted returns. The increase during the six months ended June 30, 2017, was partially offset by a decrease in the Mortgage Legacy portfolio primarily driven by lower net charge-offs year-over-year.

The provision for commercial loan losses was $12 million and $19 million for the three months and six months ended June 30, 2017, respectively, compared to $6 million and $12 million for the same periods in 2016. The increases during the three months and six months

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ended June 30, 2017, was primarily due to a larger increase in our allowance for loan losses year-over-year in line with the increase in nonperforming loans within our commercial portfolios.

Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer lease portfolio. This 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, certain automotive manufacturers have provided their guarantee for portions of our residual exposure for lease programs with them. For information on our valuation of automotive 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 Lease Assets and Residuals within the MD&A included in our 2016 Annual Report on Form 10-K.

Lease Vehicle Terminations and Remarketing

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Off-lease vehicles terminated (in units)	71,667	76,001	149,428	154,821
Average gain per vehicle ($ per unit)	$453	$1,126	$194	$909
Method of vehicle sales				
Auction				
Internet	55 %	53 %	56 %	55 %
Physical	13	12	13	12
Sale to dealer, lessee, and other	32	35	31	33

The number of off-lease vehicles remarketed during the three months and six months ended June 30, 2017, decreased 6% and 3%, respectively, compared to the same periods in 2016. The residual risk associated with our operating lease portfolio should continue to decline as the number of lease terminations continues to outpace lease originations as a result of the runoff of our GM lease portfolio.

Average gain per vehicle decreased for the three months and six months ended June 30, 2017, compared to the same periods in 2016, but increased in the second quarter of 2017 compared to the first quarter of 2017. The decreases were primarily due to declining used vehicle values, which were more pronounced in the car market. We expect used vehicle values to continue to decline in the near term, and also expect the mix of trucks and sport utility vehicles in our future lease terminations to increase. For more information on our investment in operating leases, refer to Note 9 to the Condensed Consolidated Financial Statements, and Note 1 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K.

Lease Portfolio Mix

We monitor the concentration of our outstanding operating leases. The following table presents the mix of leased vehicles by type, based on volume of units.

June 30,	2017	2016
Car	24 %	36 %
Truck	22	15
Sport utility vehicle	54	49

Market Risk

Our automotive financing, mortgage, and insurance activities give rise to market risk representing the potential loss in the fair value of assets or liabilities and earnings caused by movements in market variables, such as interest rates, foreign-exchange rates, equity prices, market perceptions of credit risk, and other market fluctuations that affect the value of securities, assets held-for-sale, and operating leases. We are exposed to interest rate risk arising from changes

in interest rates related to financing, investing, and cash management activities. More specifically, we have entered into contracts to provide financing and to retain various assets related to securitization activities all of which are exposed in varying degrees to changes in value due to movements in interest rates. Interest rate risk arises from the mismatch between assets and the related liabilities used for funding. We enter into various financial instruments, including derivatives, to maintain the desired level of exposure to the risk of interest rate and other fluctuations. Refer to Note 19 to the Condensed Consolidated Financial Statements for further information.

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

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We also have exposure to equity price risk, primarily in our Insurance operations, which invests in equity securities that are subject to price risk influenced by capital market movements. We enter into equity options to economically hedge our exposure to the equity markets. Additionally, we have exposure to equity price risk related to certain share-based compensation programs.
Although the diversity of our activities from our complementary lines of business may partially mitigate market risk, we also actively manage this risk. We maintain risk management control systems to monitor interest rates, foreign-currency exchange rates, equity price risks, and any of their related hedge positions. Positions are monitored using a variety of analytical techniques including market value, sensitivity analysis, and value at risk models.

Net Financing Revenue Sensitivity Analysis

Interest rate risk represents our most significant exposure to market risk. We actively monitor the level of exposure so that movements in interest rates do not adversely affect future earnings. We use net financing revenue sensitivity analysis as our primary metric to measure and manage the interest rate sensitivities of our financial instruments.
We prepare our 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. During the first quarter of 2017 we implemented a dynamic pass-through modeling assumption on our retail liquid products deposits portfolio, whereby deposit pass-through levels increase as the absolute level of market interest rates rise. As a result, our baseline forecast assumes a medium-term deposit beta of 30% to 50%, steadily increasing to approximately 75% over the longer term. We continually monitor industry and competitive repricing activity along with other market factors when contemplating deposit pricing actions.
Simulations are used to assess changes in net financing revenue in multiple interest rates scenarios relative to the baseline forecast. The changes in net financing revenue relative to the baseline are defined as the sensitivity. Our simulation incorporates contractual cash flows and repricing characteristics for all assets, liabilities and off-balance sheet exposures and incorporates the effects of changing interest rates on the prepayment and attrition rates of certain assets and liabilities. The analysis is highly dependent upon a variety of assumptions including the repricing characteristics of deposits with non-contractual maturities. Our simulation does not assume any specific future actions are taken to mitigate the impacts of changing interest rates. Relative to our baseline forecast, which is based on the implied forward curve, our net financing revenue over the next twelve months would increase by $6 million if interest rates remain unchanged.
The net financing revenue sensitivity tests measure the potential change in our pretax net financing revenue over the following twelve months. A number of alternative rate scenarios are tested, including immediate and gradual parallel shocks to both current spot rates and the market forward curve. We also evaluate nonparallel shocks to interest rates and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types.
Our twelve-month pretax net financing revenue sensitivity based on the market forward-curve was as follows.

	June 30, 2017		December 31, 2016	
Change in interest rates ($ in millions)	Instantaneous	Gradual (a)	Instantaneous	Gradual (a)
-100 basis points	$ 53	$ 8	$ 46	$ (14)
+100 basis points	(69)	(12)	(62)	(2)
+200 basis points	(277)	(67)	(153)	(19)

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

The implied forward rate curve has flattened since December 31, 2016, as short-end rates have increased and long-end rates have decreased. The impact of this change is reflected in our baseline net financing revenue projections. We remain moderately liability-sensitive as of June 30, 2017, in the upward interest rate shock scenarios as our simulation models assume liabilities will initially reprice faster than assets. The shift to a more liability-sensitive position as of June 30, 2017, is primarily due to growth in our investment securities and fixed-rate automotive loan portfolios,

partially offset by higher variable-rate commercial loan balances. In addition, changes to our off-balance sheet hedging position increased liability sensitivity during the period. The exposure in the +200 interest rate shock has increased largely as a result of our deposit repricing assumptions.
The exposure in the downward interest rate shock scenario continues to benefit net financing revenue as of June 30, 2017.
The future repricing behavior of retail deposit liabilities, particularly non-maturity deposits, remains a significant driver of interest rate sensitivity. Our upward interest rate shock scenarios assume a longer term liquid products deposit beta of approximately 75%. We continue to believe our deposits may ultimately be less sensitive to interest rate changes, which would reduce our overall exposure to rising interest rate shocks. Assuming a static liquid products retail deposit beta of 50% would result in a consolidated interest rate risk position that is asset-sensitive in the upward interest rate shock scenarios.

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Our pro-forma rate sensitivity assuming a static 50% deposit pass-through based on the forward-curve was as follows.

	June 30, 2017		December 31, 2016	
Change in interest rates ($ in millions)	Instantaneous	Gradual (a)	Instantaneous	Gradual (a)
+100 basis points	$ 41	$ 37	$ 77	$ 50
+200 basis points	42	65	119	88

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

Our current liability-sensitive risk position is influenced by the net impact of off balance sheet hedging positions, which continue to generate positive financing revenue in the current interest rate environment. This position includes both receive-fixed interest rate swaps designated as fair value hedges of certain fixed-rate liabilities, including unsecured debt, and pay-fixed interest rate swaps designated as cash flow hedges of certain floating-rate secured debt instruments. The size, maturity and mix of our hedging activities change frequently as we adjust our broader asset and liability management objectives.

Liquidity Management, Funding, and Regulatory Capital

Overview

The purpose of liquidity management is to ensure our ability to meet loan and 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, borrowing facilities, repurchase agreements, as well as funding programs supported by the FRB and 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 an inability, or perceived inability, to meet its financial obligations, and to withstand unforeseen liquidity stress events. 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 helps ensure an organization's preparedness 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 Asset-Liability Committee (ALCO) is chaired by the Corporate Treasurer and is responsible for overseeing our liquidity, funding strategies and plans, contingency funding plans, and counterparty credit exposure arising from financial transactions. Corporate Treasury is responsible for managing our liquidity positions within prudent operating guidelines and targets approved by ALCO and the Risk and Compliance Committee of the Ally Board of Directors.

As part of managing liquidity risk, we prepare periodic forecasts depicting anticipated funding needs and sources of funds with oversight and monitoring by the Liquidity Risk group within Corporate Treasury. Corporate Treasury executes our funding strategies and manages liquidity under baseline economic projections as well as more severely stressed macroeconomic environments.

Funding Strategy

Liquidity and ongoing profitability are largely dependent on the timely and cost-effective access to retail deposits and funding in different segments of the capital markets. Our funding strategy largely focuses on the development of diversified funding sources across a broad base of depositors, lenders, and investors to meet liquidity needs throughout different market cycles, including periods of financial distress. These funding sources include retail and brokered deposits, committed credit facilities, public and private asset-backed securitizations, wholesale and retail unsecured debt, FHLB advances, and whole-loan sales. We also supplement these funding sources with a modest amount of short-term borrowings, including demand notes and repurchase arrangements. The diversity of our funding sources enhances funding flexibility, limits dependence on any one source, 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 diversify our overall funding in order to reduce reliance on any one source of funding and to achieve a well-balanced funding portfolio across a spectrum of risk, duration, and cost-of-funds characteristics. Optimizing funding at Ally Bank continues to be a key part of our long-term liquidity strategy. We optimize our funding sources at Ally Bank by growing retail deposits, maintaining active public and private securitization programs, managing a prudent maturity profile of our brokered deposit portfolio, utilizing repurchase agreements, and continuing to access funds from the FHLB.

Since becoming a BHC in December 2008, a significant portion of asset originations have been directed to Ally Bank in order to reduce parent company exposures and funding requirements, and to utilize our growing consumer deposit-taking capabilities. This has allowed us to use bank funding for a wider array of our automotive finance assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise. On March 7, 2016, Ally Bank received approval from the FRB to become a state member bank. Ally Bank is now regulated by the FRB through the Federal Reserve Bank of Chicago, as well as the Utah Department of

Financial Institutions. In addition, in connection with the application for membership in the Federal Reserve System, Ally Bank made commitments to the FRB relating to capital, liquidity, and business plan requirements. These commitments are consistent with the prior requirements under the now-terminated Capital and Liquidity Maintenance Agreement with the FDIC, including the requirement to maintain capital at a level such that Ally Bank's Tier 1 leverage ratio is at least 15%. For this purpose, the Tier 1 leverage ratio is determined in accordance with the FRB's regulations related to capital adequacy. Continuation of the Ally Bank Tier 1 leverage ratio requirement could further restrict balance sheet growth within Ally Bank and could unfavorably impact liquidity at AFI. We continue to have ongoing dialogue with our regulators about a more normalized level of capital maintenance.

Liquidity Risk Management

Multiple metrics are used to frame the level of liquidity risk, manage the liquidity position, and identify related trends. These metrics include coverage ratios and stress tests that measure the sufficiency of the liquidity portfolio, stability ratios that measure longer-term structural liquidity, and concentration ratios that ensure 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.

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We maintain available liquidity in the form of cash, unencumbered highly liquid securities, and available committed credit facility capacity that, taken together, would allow us to operate and to meet our contractual and contingent obligations in the event that market-wide disruptions and enterprise-specific events disrupt normal access to funding. The available liquidity is held at various entities and considers regulatory restrictions and tax implications that may limit our ability to transfer funds across entities. The following table summarizes our total available liquidity.

June 30, 2017 ($ in millions)	
Unencumbered highly liquid U.S. federal government and U.S. agency securities	$14,471
Liquid cash and equivalents	3,953
Committed funding facilities	
Total capacity	16,425
Outstanding	13,880
Unused capacity (a)	2,545
Total available liquidity	$20,969

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

As of June 30, 2017, assuming a long-term capital markets stress, we expect that our available liquidity would allow us to continue to fund all planned loan originations and meet all of our financial obligations for more than 36 months, assuming no issuance of unsecured debt or term securitizations.

In addition, our Modified Liquidity Coverage Ratio exceeded 100% at June 30, 2017. Refer to Note 18 to the Condensed Consolidated Financial Statements and the section titled Regulation and Supervision in Part I, Item 1 of our 2016 Annual Report on Form 10-K for further discussion of our liquidity requirements.

Deposits

Ally Bank gathers retail deposits directly from customers through direct banking via the internet, telephone, mobile, and mail channels. These retail deposits provide our Automotive Finance, Mortgage Finance, and Corporate Finance operations with a stable and low-cost funding source. Retail deposit growth is a key driver of optimizing funding costs and reducing reliance on capital markets-based funding. We believe deposits provide a stable, low-cost source of funds that are less sensitive to interest rate changes, market volatility, or changes in credit ratings when compared to other funding sources. We have continued to expand our deposit gathering efforts through both direct and indirect marketing channels. Current retail deposit offerings consist of a variety of products including CDs, savings accounts, money market accounts, IRA deposit products, as well as an interest checking product. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries, including a deposit related to Ally Invest customer cash balances.

The following table shows Ally Bank's number of accounts and our deposit balances by type as of the end of each quarter since 2016.

	2nd Quarter 2017	1st Quarter 2017	4th Quarter 2016	3rd Quarter 2016	2nd Quarter 2016	1st Quarter 2016
Number of retail bank accounts (in thousands)	2,474	2,366	2,269	2,203	2,134	2,062
Deposits ($ in millions)						
Retail	$71,094	$69,971	$66,584	$63,880	$61,239	$58,977
Brokered (a)	14,937	14,327	12,187	11,570	11,269	10,979
Other (b)	152	188	251	294	294	309
Total deposits	$86,183	$84,486	$79,022	$75,744	$72,802	$70,265

(a) Brokered deposit balances include a deposit related to Ally Invest customer cash balances deposited at Ally Bank by a third party of $1.2 billion as of both June 30, 2017, and March 31, 2017, and $200 million as of December 31, 2016.

(b) Other deposits include mortgage escrow, dealer, and other deposits.

During the first six months of 2017, our deposit base grew $7.2 billion. The growth in total deposits has been primarily attributable to our retail deposit portfolio, particularly within savings and money market accounts. Strong retention rates and customer acquisition continue to drive growth in retail deposits. Our brokered deposit portfolio has also continued to grow, driven by the addition of Ally Invest customer cash and an increase in brokered certificates of deposit. Refer to Note 13 to the Condensed Consolidated Financial Statements for a summary of deposit funding by type.

Secured Financings

In addition to building a larger deposit base, secured funding continues to be a significant source of financing. Securitization has proven to be a reliable and cost-effective funding source, and we continue to remain active in the well-established securitization markets to finance our automotive loan products. During the first six months of 2017, we raised $4.8 billion through the completion of term securitization transactions backed by retail automotive loans and dealer floorplan automotive assets, which includes $1.1 billion through the completion of

one off-balance sheet securitization transaction backed by retail automotive loans. Additionally, for retail automotive loans and lease notes, the term structure of the transaction locks in funding for a specified pool of loans and leases for the life of the underlying asset, creating an effective tool for managing interest rate and liquidity risk.

We manage secured funding execution risk by maintaining a diverse investor base and available committed credit facility capacity. We have access to private committed funding facilities, the largest of which is a syndicated credit facility of sixteen lenders secured by automotive receivables. This facility can fund automotive retail and dealer floorplan loans, as well as leases. During March 2016, this facility was renewed with $11.0 billion of capacity and the maturity was extended to March 2018. In March 2017, we reduced the capacity of this facility to $10.0 billion. In the event this facility is not renewed at maturity, the outstanding debt will be repaid over time as the underlying collateral amortizes. At June 30, 2017, there was $8.5 billion outstanding under this facility. Our ability to access the unused capacity in the secured facility depends on the availability of eligible assets to collateralize the incremental funding and, in some instances, on the execution of interest rate hedges.

The total capacity in our committed secured funding facilities is provided by banks through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At June 30, 2017, all of our $15.2 billion of secured committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of June 30, 2017, we had $2.6 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days. In addition to our syndicated revolving credit facility, we also maintain various bilateral and multilateral secured credit facilities that fund our Automotive Finance operations. These are primarily private securitization facilities that fund a specific pool of automotive assets.

We also have access to funding through advances with the FHLB. These advances are primarily secured by consumer mortgage and commercial real estate automotive finance receivables and loans. As of June 30, 2017, we had pledged $17.1 billion of assets and investment securities to the FHLB resulting in $12.2 billion in total funding capacity with $10.8 billion of debt outstanding.

Unsecured Financings

We obtain unsecured funding from the sale of floating-rate demand notes under our Demand Notes program. The holder has the option to require us to redeem these notes at any time without restriction. Demand Notes outstanding were $3.5 billion at June 30, 2017. We also 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 and floating-rate notes. There were $454 million of retail term notes outstanding at June 30, 2017. The remainder of our unsecured debt is composed of institutional term debt. Refer to Note 14 to the Condensed Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt.

In December 2016, we closed a private unsecured committed funding facility under which we have access to a term facility with a commitment of $850 million, and a revolving facility with a commitment of $400 million. In January 2017, both the revolving facility and term facility were fully drawn, and remain fully drawn as of June 30, 2017.

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 financial instruments sold in repurchase agreements include U.S. government and federal agency obligations, and certificated residual interests related to asset-backed securitizations. As of June 30, 2017, we had $1.7 billion 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 have assets pledged and restricted

as collateral to the FRB totaling $2.4 billion. We had no debt outstanding with the FRB as of June 30, 2017.

Recent Funding Developments

During the first six months of 2017, we accessed the public and private markets to execute secured funding transactions, whole-loan sales, unsecured funding transactions, and funding facility renewals totaling $7.6 billion. Key funding highlights from January 1, 2017, to date were as follows:

- We closed, renewed, increased, and/or extended $2.6 billion in U.S. secured credit facilities during the six months ended June 30, 2017.
- We continued to access the public and private term asset-backed securitization markets raising $4.8 billion during the six months ended June 30, 2017. In the first half of 2017, we raised approximately $3.4 billion through securitizations backed by retail automotive loans, which includes $2.3 billion raised through on-balance sheet public securitizations and $1.1 billion raised through an off-balance sheet public securitization. We also raised $1.4 billion through public securitizations backed by dealer floorplan automotive assets.

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Funding Sources

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

($ in millions)	June 30, 2017 On-balance sheet funding	% Share of funding	December 31, 2016 On-balance sheet funding	% Share of funding
Secured financings	$37,600	26	$43,140	30
Institutional term debt and unsecured bank funding	18,046	12	19,276	13
Retail debt programs (a)	3,911	3	4,070	3
Total debt (b)	59,557	41	66,486	46
Deposits	86,183	59	79,022	54
Total on-balance sheet funding	$145,740	100	$145,508	100

(a) Includes $454 million and $448 million of retail term notes at June 30, 2017, and December 31, 2016, respectively.
(b) Excludes fair value adjustment as described in Note 19 to the Condensed Consolidated Financial Statements.

Refer to Note 14 to the Condensed Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at June 30, 2017.

Cash Flows

The following summarizes the activity reflected on 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 relevant 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 $2.1 billion for the six months ended June 30, 2017, compared to $2.4 billion for the same period in 2016. Activity was largely consistent year-over-year, as cash flows from our consumer and commercial lending activities offset declines in our leasing business.

Net cash used in investing activities was $3.3 billion for the six months ended June 30, 2017, compared to $1.3 billion for the same period in 2016. The change was the result of an increase in net cash outflows from purchases, sales, maturities, and repayments of available-for-sale securities of $1.9 billion. Also contributing to the change was an increase in net cash outflows from purchases, sales, originations, and repayments of finance receivables and loans of $0.6 billion, as loan originations and purchases outpaced repayments and loan sales during the six months ended June 30, 2017, as well as a decrease in net cash inflows from operating lease activity of $0.5 billion. This was partially offset by an increase of $0.5 billion in net cash provided by nonmarketable equity investments due primarily to lower holdings in our investment in FHLB stock in 2017, compared to the purchase of FRB stock in 2016, as well as a decrease in net cash outflows of $0.3 billion due to acquisitions in 2016 that did not recur in the current period.

Net cash used in financing activities for the six months ended June 30, 2017, was $0.3 billion, compared to $1.8 billion for the six months ended June 30, 2016. The reduction in net cash used in financing activities was primarily attributable to an increase in cash flows associated with deposits of approximately $0.8 billion, and the nonrecurring net cash outflow of $0.7 billion related to the repurchase and redemption of Series A preferred stock in 2016.

Capital Planning and Stress Tests

As a BHC with $50 billion or more of consolidated assets, Ally is required to conduct semi-annual company-run stress tests, is subject to an annual supervisory stress test conducted by the FRB, and must submit an annual capital plan to the FRB.

Ally’s capital plan must include a description of all planned capital actions over a nine-quarter planning horizon. The capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios under baseline, adverse, and severely adverse economic scenarios, and serve as a source of strength to Ally

Bank. The FRB must approve Ally's capital plan before Ally may take any capital action. Even with an approved capital plan, Ally must seek the approval of the FRB before making a capital distribution if, among other factors, Ally would not meet its regulatory capital requirements after making the proposed capital distribution.
As part of the 2016 Comprehensive Capital Analysis and Review (CCAR) process, we received non-objection from the FRB for capital actions which included a quarterly cash dividend of $0.08 per share of our common stock and the ability to repurchase up to $700 million of our common stock from time to time through the second quarter of 2017. Our first common stock dividend of $0.08 per share was paid during the third quarter of 2016 and we paid a cash dividend of $0.08 per share on our common stock during each subsequent quarter through the second quarter of 2017. Additionally, the Ally Board of Directors authorized a common stock repurchase program of up to $700 million beginning in the third quarter of 2016 and continuing through the second quarter of 2017. Under that program, we repurchased $699 million, or 35,625,615 shares of common stock. At June 30, 2017, we had 452,291,918 shares of common stock outstanding, representing a decrease of 6.5% compared to 483,753,360 shares of common stock outstanding at June 30, 2016.

On April 5, 2017, we submitted our 2017 capital plan and stress test results to the FRB. On June 23, 2017, we publicly disclosed summary results of the stress test under the most severe scenario in accordance with regulatory requirements. On June 28, 2017, we received a non-objection to our capital plan from the FRB, including the proposed capital actions contained in our submission. The capital actions include a 50% increase in the quarterly cash dividend on common stock from $0.08 per share to $0.12 per share, and a 9% increase in our share repurchase program, which has been authorized by the Ally Board of Directors, permitting us to repurchase up to $760 million of our common stock from time to time from the third quarter of 2017 through the second quarter of 2018. On July 18, 2017, the Ally Board of Directors declared a quarterly cash dividend payment of $0.12 per share on all common stock. Refer to Note 26 to the Condensed Consolidated Financial Statements for further information regarding this common share dividend.

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 of and non-objection to the actions that we propose each year in our annual capital plan. The amount and size of any future dividends and share repurchases will depend upon our results of operations, capital levels, future opportunities, consideration and approval by the Ally Board of Directors, and other considerations.

In January 2017, the FRB finalized a rule amending the capital planning and stress testing rules, effective for the 2017 cycle. The final rule, among other things, revised the capital plan rule to no longer subject large and noncomplex firms, including Ally, to the provisions of the rule whereby the FRB may object to a capital plan on the basis of qualitative deficiencies in the firm’s capital planning process. Under the final rule, the qualitative assessment of Ally’s capital plan is conducted outside of the CCAR process, through the supervisory review process. For the 2017 cycle, the FRB's qualitative assessment of Ally's capital plan began in the third quarter of 2017. The final rule also decreased the de minimis threshold for the amount of capital that Ally could distribute to shareholders outside of an approved capital plan without seeking prior approval of the FRB, and modified Ally's reporting requirements to reduce certain reporting burdens related to capital planning and stress testing.

Regulatory Capital

Refer to Note 18 to the Condensed Consolidated Financial Statements and the section titled Selected Financial Data within this MD&A.

Credit Ratings

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

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

Rating agency	Short-term	Senior unsecured debt	Outlook	Date of last action
Fitch	B	BB+	Stable	September 28, 2016 (a)
Moody’s	Not Prime	Ba3	Stable	October 20, 2015 (b)
S&P	B	BB+	Stable	October 12, 2016 (c)
DBRS	R-3	BBB (Low)	Stable	May 3, 2017 (d)

(a) Fitch affirmed our senior unsecured debt rating of BB+, affirmed our short-term rating of B, and maintained a Stable outlook on September 28, 2016.

(b) Moody's upgraded our senior unsecured debt rating to Ba3 from B1, affirmed our short-term rating of Not Prime, and changed the outlook to Stable on October 20, 2015. Effective December 1, 2014, we determined to not renew our contractual arrangement with Moody's related to their providing of our issuer, senior debt, and short-term ratings. Notwithstanding this, Moody's has determined to continue to provide these ratings on a discretionary basis.

However, Moody's has no obligation to continue to provide these ratings, and could cease doing so at any time.

(c) Standard & Poor's affirmed our senior unsecured debt rating of BB+, affirmed our short-term rating of B, and changed the outlook from Positive to Stable on October 12, 2016.

(d) DBRS affirmed our senior unsecured debt rating of BBB (Low), affirmed our short-term rating of R-3, and maintained a Stable outlook on all ratings on May 3, 2017.

Off-balance Sheet Arrangements

Refer to Note 10 to the Condensed Consolidated Financial Statements.

Critical Accounting Estimates

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

Our most critical accounting estimates are as follows:

- Allowance for loan losses

- Valuation of automotive lease assets and residuals
- Fair value of financial instruments
- Legal and regulatory reserves
- Determination of provision for income taxes

During 2017, we did not substantively change any material aspect of our overall methodologies and processes used in developing the above estimates from what was described in the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K.

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

Statistical Table

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

Net Interest Margin Table

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

	2017			2016			Increase (decrease) due to		
Three months ended June 30, ($ in millions)	Average balance (a)	Interest income/Interest expense	Yield/rate	Average balance (a)	Interest income/Interest expense	Yield/rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	$2,683	$ 7	1.05 %	$2,708	$ 4	0.59 %	$—	$ 3	$3
Federal funds sold and securities purchased under resale agreements	—	—	—	2	—	—	—	—	—
Investment securities (b)	22,203	139	2.51	18,190	99	2.19	22	18	40
Loans held-for-sale, net	2	—	—	—	—	—	—	—	—
Finance receivables and loans, net (c) (d)	119,235	1,447	4.87	112,158	1,265	4.54	80	102	182
Investment in operating leases, net (e)	10,109	167	6.63	14,392	267	7.46	(79)	(21)	(100)
Other earning assets	846	7	3.32	—	—	—	7	—	7
Total interest-earning assets	155,078	1,767	4.57	147,450	1,635	4.46			132
Noninterest-bearing cash and cash equivalents	968			1,339					
Other assets	7,727			8,755					
Allowance for loan losses	(1,172)			(1,088)					
Total assets	$162,601			$156,456					
Liabilities									
Interest-bearing deposit liabilities	$84,792	$ 250	1.18 %	$71,479	$ 203	1.14 %	$38	$ 9	$47
Short-term borrowings	9,024	33	1.47	5,535	12	0.87	8	13	21
Long-term debt (d)	50,723	417	3.30	60,758	436	2.89	(72)	53	(19)
Total interest-bearing liabilities	144,539	700	1.94	137,772	651	1.90			49
Noninterest-bearing deposit liabilities	95			91					
Total funding sources	144,634	700	1.94	137,863	651	1.90			
Other liabilities	4,526			4,948					
Total liabilities	149,160			142,811					
Total equity	13,441			13,645					
Total liabilities and equity	$162,601			$156,456					
Net financing revenue and other interest income		$ 1,067			$ 984				$83

Net interest spread (f)	2.63 %	2.56 %
Net yield on interest-earning assets (g)	2.76 %	2.68 %

(a) Average balances are calculated using a combination of monthly and daily average methodologies.

(b) Amounts for the three months ended June 30, 2016, were adjusted to include previously excluded equity investments with an average balance of $631 million and related income on equity investments of $5 million. Yields on available-for-sale debt securities are based on fair value as opposed to amortized cost. Yields on held-to-maturity securities are based on amortized cost.

(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 in our 2016 Annual Report on Form 10-K.

(d) Includes the effects of derivative financial instruments designated as hedges.

(e) Includes gains on sale of $32 million and $86 million for the three months ended June 30, 2017, and 2016, respectively. Excluding these gains on sale, the annualized yield would be 5.36% and 5.06% at June 30, 2017, and 2016, respectively.

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

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

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	2017			2016			Increase (decrease) due to		
Six months ended June 30, ($ in millions)	Average balance (a)	Interest income/Interest expense	Yield/rate	Average balance (a)	Interest income/Interest expense	Yield/rate	Volume	Yield/rate	Total
Assets									
Interest-bearing cash and cash equivalents	$2,679	$ 12	0.90 %	$2,787	$ 7	0.51 %	$—	$ 5	$5
Federal funds sold and securities purchased under resale agreements	—	—	—	1	—	—	—	—	—
Investment securities (b)	21,347	265	2.50	17,895	201	2.26	39	25	64
Loans held-for-sale, net	1	—	—	18	—	—	—	—	—
Finance receivables and loans, net (c) (d)	118,608	2,815	4.79	111,843	2,500	4.50	151	164	315
Investment in operating leases, net (e)	10,518	321	6.15	15,011	526	7.05	(157)	(48)	(205)
Other earning assets	831	15	3.64	—	—	—	15	—	15
Total interest-earning assets	153,984	3,428	4.49	147,555	3,234	4.41			194
Noninterest-bearing cash and cash equivalents	1,034			1,589					
Other assets	7,870			8,841					
Allowance for loan losses	(1,158)			(1,074)					
Total assets	$161,730			$156,911					
Liabilities									
Interest-bearing deposit liabilities	$83,484	$ 481	1.16 %	$69,823	$ 396	1.14 %	$77	$ 8	$85
Short-term borrowings	8,626	60	1.40	5,572	25	0.90	14	21	35
Long-term debt (d)	51,631	841	3.28	62,788	878	2.81	(156)	119	(37)
Total interest-bearing liabilities	143,741	1,382	1.94	138,183	1,299	1.89			83
Noninterest-bearing deposit liabilities	94			92					
Total funding sources	143,835	1,382	1.94	138,275	1,299	1.89			
Other liabilities	4,454			4,976					
Total liabilities	148,289			143,251					
Total equity	13,441			13,660					
Total liabilities and equity	$161,730			$156,911					
Net financing revenue and other interest income		$ 2,046			$ 1,935				$111
Net interest spread (f)			2.55 %			2.52 %			
Net yield on interest-earning assets (g)			2.68 %			2.64 %			

(a) Average balances are calculated using a combination of monthly and daily average methodologies.
(b) Amounts for the six months ended June 30, 2016, were adjusted to include previously excluded equity investments with an average balance of $685 million and related income on equity investments of $9 million. Yields on

available-for-sale debt securities are based on fair value as opposed to amortized cost. Yields on held-to-maturity securities are based on amortized cost.

(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 in our 2016 Annual Report on Form 10-K.

(d) Includes the effects of derivative financial instruments designated as hedges.

(e) Includes gains on sale of $29 million and $141 million for the six months ended June 30, 2017, and 2016, respectively. Excluding these gains on sale, the annualized yield would be 5.60% and 5.16% at June 30, 2017, and 2016, respectively.

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

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

Recently Issued Accounting Standards

Refer to Note 1 to the Condensed Consolidated Financial Statements.

Cautionary Notice About Forward-Looking Statements and Other Terms

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

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

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

- evolving local, regional, national, or international business, economic, or political conditions, including the residual effects of the recent global economic crisis and responses to that crisis by governments, businesses, and households;
- changes in laws or the regulatory or supervisory environment, including as a result of recent financial services legislation, regulation, or policies or changes in government officials or other personnel;
- changes in monetary, fiscal, or trade laws or policies, including as a result of actions by government agencies, central banks, or supranational authorities;
- changes in accounting standards or policies;
- changes in the automotive industry or the markets for new or used vehicles;
- disruptions or shifts in investor sentiment or behavior in the securities, capital, or other financial markets, including financial or systemic shocks and volatility or changes in market liquidity, interest or currency rates, or valuations;
- changes in business or consumer sentiment, preferences, or behavior, including spending, borrowing, or saving by businesses or households;
- changes in our corporate or business strategies, the composition of our assets, or the way in which we fund those assets;
- our ability to execute our business strategy for Ally Bank, including its regulatory normalization;
- our ability to optimize our automotive finance and insurance businesses and to continue diversifying into and growing other lines of business, including consumer finance, corporate finance, brokerage, and wealth management;
- our ability to develop capital plans that will be approved by the FRB and our ability to implement them, including any payment of dividends or share repurchases;
- our ability to effectively manage capital or liquidity consistent with evolving business or operational needs, risk management standards, and regulatory or supervisory requirements;
- our ability to cost-effectively fund our business and operations, including through deposits and the capital markets;
- changes in any credit rating assigned to Ally, including Ally Bank;
- adverse publicity or other reputational harm to us;
- our ability to develop, maintain, or market our products or services or to absorb unanticipated costs or liabilities associated with those products or services;

- our ability to innovate, to anticipate the needs of current or future customers, to successfully compete, to increase or hold market share in changing competitive environments, or to deal with pricing or other competitive pressures;
- the continuing profitability and viability of our dealer-centric automotive finance and insurance businesses, especially in the face of competition from captive finance companies and their automotive manufacturing sponsors;

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- our ability to appropriately underwrite loans that we originate or purchase and to otherwise manage credit risk;
- changes in the credit, liquidity, or other financial condition of our customers, counterparties, service providers, or competitors;
- our ability to effectively deal with economic, business, or market slowdowns or disruptions;
- judicial, regulatory, or administrative investigations, proceedings, disputes, or rulings that create uncertainty for, or are adverse to, us or the financial services industry;
- our ability to address stricter or heightened regulatory or supervisory requirements;
- our ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or facilities, including our capacity to withstand cyber-attacks;
- the adequacy of our corporate governance, risk management framework, compliance programs, or internal controls over financial reporting, including our ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;
- the efficacy of our methods or models in assessing business strategies or opportunities or in valuing, measuring, estimating, monitoring, or managing positions or risk;
- our ability to keep pace with changes in technology that affect us or our customers, counterparties, service providers, or competitors;
- our ability to successfully make and integrate acquisitions;
- the adequacy of our succession planning for key executives or other personnel and to attract or retain qualified employees;
- natural or man-made disasters, calamities, or conflicts, including terrorist events and pandemics; or
- other assumptions, risks, or uncertainties described in the Risk Factors (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.

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk section of Item 2, Management's Discussion and Analysis.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), designed to ensure that information required to be disclosed in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the specified time periods. Our disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), to allow for timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of internal control including the possibility of human error or the circumvention or overriding of controls through individual actions or collusion. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

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

Changes in Internal Control over Financial Reporting

In the normal course of business, we review our controls and procedures and make enhancements or modifications intended to support the quality of our financial reporting. There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that occurred during the quarter ended June 30, 2017, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Item 1. Legal Proceedings

Refer to Note 25 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 30 to the Consolidated Financial Statements in our 2016 Annual Report on Form 10-K.

Item 1A. Risk Factors

There have been no material changes to the Risk Factors described in our 2016 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 June 30, 2017.

Purchases of Equity Securities by the Issuer

The following table presents repurchases of our common stock, by month, for the three months ended June 30, 2017.

Three months ended June 30, 2017	Total number of shares repurchased (a) (in thousands)	Weighted-average price paid per share (a) (b) (in dollars)	Total number of shares repurchased as part of publicly announced program (a) (c) (in thousands)	Maximum approximate dollar value of shares that may yet be repurchased under the program (a) (b) (c) ($ in millions)
April 2017	3,104	$ 19.75	3,104	$ 143
May 2017	4,943	19.07	4,943	49
June 2017	2,438	19.69	2,438	1
Total	10,485	19.41	10,485	

(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 July 19, 2016, we announced a common stock repurchase program of up to $700 million. The program commenced in the third quarter of 2016 and expired on June 30, 2017. Refer to Note 18 to the Condensed Consolidated Financial Statements for a discussion of our 2017 capital plan.

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 accompanying Index of Exhibits are filed as a part of this report. This Index is incorporated herein by reference.

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Signatures
Ally Financial Inc. • Form 10-Q

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, this 31st day of July, 2017.

Ally Financial Inc.
(Registrant)

/S/ CHRISTOPHER A. HALMY
Christopher A. Halmy
Chief Financial Officer

/S/ DAVID J. DEBRUNNER
David J. DeBrunner
Vice President, Chief Accounting Officer, and
Corporate Controller

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INDEX OF EXHIBITS

Exhibit	Description	Method of Filing
12	Computation of Ratio of Earnings to Fixed Charges	Filed herewith.
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	Interactive Data File	Filed herewith.