ally do it right.

2021 Annual Report.



OUR BUSINESS

A leader in digital financial services.

Ally Financial Inc. (NYSE: ALLY) is a digital financial services company committed to its promise to "Do It Right" for its consumer, commercial and corporate customers. Ally is composed of an industry-leading independent auto finance and insurance operation, an award-winning digital direct bank (Ally Bank, Member FDIC and Equal Housing Lender, which offers mortgage lending, point-of-sale personal lending, and a variety of deposit and other banking products), a consumer credit card business, a corporate finance business for equity sponsors and middle-market companies, and securities brokerage and investment advisory services. Our brand conviction is that we are all better off with an ally, and our focus is on helping our customers achieve their strongest financial well-being, a notion personalized to what is important to them.

OUR PURPOSE

Be a relentless ally that does right.

As a customer obsessed company with passionate customer service and innovative financial solutions, we are relentlessly focused on "Doing It Right" and being a trusted financial-services provider to our consumer, commercial, and corporate customers. We are one of the largest full-service automotive finance operations in the United States and offer a wide range of financial services and insurance products to automotive dealerships and consumers.



OUR PROMISE

Do right by our customers.

We're creating financial services that serve. Our teammates are committed to developing award-winning technology, services that make your life easier, and diverse thinking that inspires new ideas. We have a fierce commitment to:

- "Do It Right"
- For all things money, being the ally people deserve.
- Giving back to our communities—primarily focused on reducing barriers to economic mobility through financial education, affordable housing, workforce preparedness, and digital job training.



digitally
financially
personally

We're all better off with an ally.

GAAP & Core Results: Annual.

	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
GAAP earnings per common share ("EPS")*(diluted, net income attributable to common shareholders)*	$8.22	$2.88	$4.34	$2.95	$2.04	$2.15	($2.66)
Adjusted EPS[1,2]	$8.61	$3.03	$3.72	$3.34	$2.39	$2.16	$2.00
Return (net income) on GAAP shareholder's equity	20.2%	7.7%	12.4%	9.4%	6.9%	8.0%	8.9%
Core ROTCE Tax[1,2]	24.3%	9.1%	12.0%	12.3%	9.8%	10.0%	9.4%
GAAP common shareholder's equity per share	$43.58	$39.24	$38.51	$32.77	$30.87	$28.52	$26.44
Adjusted tangible book value per share[1,2]	$38.73	$36.05	$35.06	$29.93	$28.07	$26.15	$24.60
GAAP total net revenue	$8,206	$6,686	$6,394	$5,804	$5,765	$5,437	$4,861
Adjusted total net revenue[1,2]	$8,381	$6,692	$6,334	$6,011	$5,836	$5,498	$5,262
Pre-provision net revenue[2]	$4,096	$2,853	$2,965	$2,540	$2,655	$2,498	$2,100
Core Pre-provision net revenue[1,2]	$4,271	$2,909	$2,905	$2,747	$2,726	$2,568	$2,508

[1] *The following are non-GAAP financial measures which Ally believes are important to the reader of the Consolidated Financial Statements, but which are supplemental to and not a substitute for GAAP measures: Adjusted earnings per share (Adjusted EPS), Core pre-tax income (loss), Core pre-provision net revenue (Core PPNR), Core net income (loss) attributable to common shareholders, Core return on tangible common equity (Core ROTCE), Adjusted total net revenue, Net financing revenue (excluding Core OID), Adjusted other revenue, Adjusted noninterest expense, Core original issue discount (Core OID) amortization expense, Core outstanding original issue discount balance (Core OID balance), and Adjusted tangible book value per share (Adjusted TBVPS). These measures are used by management, and we believe are useful to investors in assessing the company's operating performance and capital.*

[2] *Represents a non-GAAP financial measure. Refer to the 2021 Financial Tables later in this document for a Reconciliation to GAAP.*



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ADJ. EPS:[1]

$8.61

CET1 CAPITAL RATIO:

10.3%

ADJ. TOTAL NET REVENUE:[1]

$8.4 billion

CORE PPNR:[1]

$4.3 billion

FULL YEAR NET INCOME:

$3.1 billion

CORE ROTCE:[1]

24.3%

CUSTOMERS:[2]

10.5 million

TOTAL ASSETS:

$182 billion

TOTAL DEPOSITS:

$141.6 billion

28,000

HOURS[3] EMPLOYEES VOLUNTEERED IN OUR COMMUNITIES

0 NET CO_2 OPERATIONAL EMISSIONS[4]

[1] *Represents a non-GAAP financial measure. Refer to the 2021 Financial Tables later in this document for a Reconciliation to GAAP.*

[2] *Customers include on-balance sheet Auto, U.S. and Canadian Insurance, active Depositors, on-balance sheet Ally Home DTC Mortgage, Ally Lending, Ally Invest, and Ally Fair Square (credit card).*

[3] *In 2021, our employees volunteered approximately 28,000 hours in our communities.*

[4] *Ally achieved carbon neutrality for 2020 Scope 1 and Scope 2 emissions through a combined purchase of carbon offsets and Green-e Energy Certified renewable energy credits.*



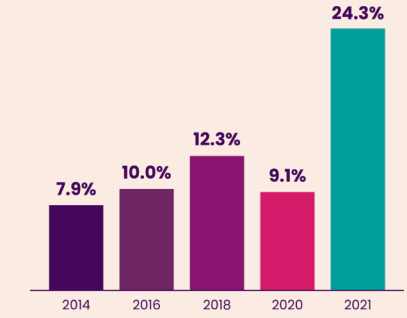
Dear Shareholders,

2021 brought about a profound shift to digitally based, convenient products and services. Through years of deliberate execution, Ally's leading, agile platforms were well-positioned for this evolution. The cornerstone of our strategy to differentiate ourselves is built upon a disruptive-DNA to 'Do It Right' for our customers, employees and communities. We've continuously innovated and expanded our offerings, focusing on tech and digital-first enhancements. Our approach has driven more than a decade of steady customer growth, ending at 10.5 million customers[2] overall in 2021. Our 10,500 Ally teammates underpin our long-term success and delivered impressive financial and operating performance amid uniquely challenging markets, as we navigated a global pandemic, socially-distanced operating environments and unprecedented supply chain disruptions. Despite these headwinds, the strength of the U.S. consumer, resilience of the auto asset and growing preference for all-things digital provided windows of opportunity for Ally to win on behalf of our stakeholders. I am incredibly proud of our performance. With a clear purpose and vision in front of us, I am as confident as I've ever been in our ability to achieve continued success in the years ahead.

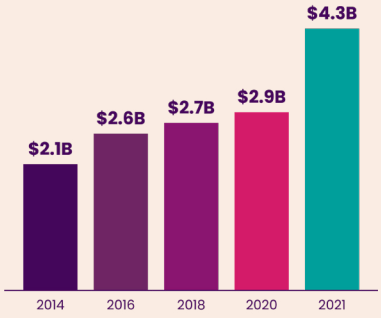
Financially, we achieved numerous milestones in 2021, including the highest total net revenue and adjusted earnings per share[1] since becoming a public company, while increasing total deposits to $141.6 billion, the 51st consecutive quarter of growth. The exceptional financial performance was reflected in core pre-provision net revenue[1] (PPNR) of $4.3 billion – double the level from 2014 – as margin continued to expand and we remained disciplined in the long-term investments we are making across our customer and support functions. Core ROTCE[1] of 24.3% demonstrated the strength of our core earnings profile, alongside our ability to capture market tailwinds in real-time. Adjusted tangible book value per share[1] – a key measure of intrinsic value, ended at $38.73, our highest year-end level since becoming a publicly traded company. Taken together, 2021 performance reflected another year of disciplined execution against our long-term priorities and leading, growing platforms built around the customer.

The evolution of Ally's balance sheet over several years reflects the deliberate expansion and diversification of assets. Disciplined underwriting, pricing and servicing have remained central to the optimization of our earning asset yields, and are further evidenced in our strong credit trends, robust reserve levels and ample capital position. Our funding profile has been transformed through steady growth in stable, sticky deposits and proactive liability management – trends that continued throughout 2021. The combined effect of these actions resulted in exceptional results and accelerated our outlook for growth and financial returns.

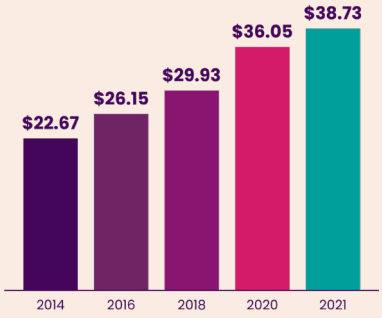
Healthy consumer and corporate balance sheets led to a benign credit environment. Ally proactively deployed sophisticated tools, new digitally-based customer portals and enhanced data and analytic approaches, which increased near and long-term engagement and payment activity with our customers.



CORE ROTCE
Represents a non-GAAP financial measure



CORE PPNR
Represents a non-GAAP financial measure



ADJUSTED TBV PER SHARE
Represents a non-GAAP financial measure

For our **customers,** we relentlessly obsessed over their needs this past year, striving to find new ways to help them achieve their financial goals. We were proud to lead the industry in the elimination of overdraft fees. We further challenged the status quo eliminating origination fees at Ally Home®. Our acquisition of Fair Square, a digital-first credit card company, introduced a new growth channel and filled a key product gap with a highly aligned strategic and cultural fit. The Fair Square management team brings decades of experience alongside a differentiated product offering that has generated solid growth since launching in 2016. Our comprehensive consumer offerings now offer Ally's growing customer base the ability to save, spend, invest and borrow as they grow their financial relationship with us.

For our **employees,** efforts throughout Ally demonstrated a genuine focus on caring for each other, and helping each other thrive during a time of continuous change and uncertainty. Ally introduced enhanced health benefit programs, specifically regarding mental health and family care programs, increased our minimum wage 18% to $20 per hour and announced that all Ally employees will be eligible to receive restricted stock units through our third annual #OwnIt grant. This program sets us apart by providing a true sense of shared success and equity, while deepening a founder's mentality. 43% of our employees voluntarily belong to one of our Employee Resource Groups (ERGs), adding to the robust and inclusive culture we've spent years fostering.

In support of our **communities,** we celebrated our 10th annual Giving Back Month with our employees. In 2021, we also provided $15.4 million in financial support to community, social and educational causes, including **$5.3 million** from the Ally Charitable Foundation, which just closed out its first full year. These collective efforts further Ally's ability to drive positive, sustainable impacts.

Taken together, these efforts have strengthened our culture, evidenced in our position among the top 10% of companies in the U.S. for employee engagement. Additionally, these actions serve as a critical tool for us in attracting and retaining talent in a tight labor market.

Throughout the year, Ally was recognized as a top employer for our collective efforts to support employees and make Ally a place where people want to work, as evidenced in our DiversityInc. Top 50 ranking, multiple recognitions from Forbes, and numerous awards from other publications. Additionally, we received Bank On National Certification from the Cities for Financial Empowerment fund. All of this culminated with a recent award, where Ally was named a 2022 Forbes Best Employers for large employers, which ranked us in the top 3 of banks and financial-services companies. Additionally, we were recognized as a 2022 Top Workplaces USA award recipient for our people-first culture.

In support of our **suppliers,** we held our first Supplier Symposium and increased both first-tier diverse spend and our third-party supplier spend with minority-owned and women-owned businesses. Building on our success, we hosted our second annual Supplier Diversity Symposium in February 2022 where suppliers joined this company-wide networking event and learned ways they can contribute to Ally's supplier diversity program. These are a testament to the belief that treating people as people will help to drive the collective good in our places of work and communities.

We began the year with nearly 99% of our workforce working remotely, but ended the year preparing for the reopening of our corporate and regional business centers, following a successful pilot program for most of 2021. Prioritizing the safety and well-being of our employees through data, science and health advisors, flexibility has remained a cornerstone of our approach throughout the pandemic. We further expanded re-entry in late-January 2022, opening our offices to vaccinated employees. I was humbled to welcome some of our Ally teammates back to our facilities, including many who joined our company during the pandemic, but had never stepped foot inside an Ally complex. I firmly believe in the irreplaceable nature of in-person collaboration, where being together – safely – strengthens culture, development, creativity and ultimately, operating performance.

In this year's letter, I'll discuss how our leading and growing businesses and our exceptional workforce powered a pivotal year, the latest exciting evolution for Ally. Collectively, we drove enhanced value for all of our stakeholders. Across each area of our businesses, a consistent theme of customer-obsession and clear purpose define our results.

Driving long-term value.

We prudently balance our capital management approaches and our strategic priorities in order to organically propel our core businesses, augment our capabilities through tuck-in acquisitions and accretive partnerships, pay a sustainable, attractive dividend and return excess capital directly to shareholders.

We applied this consistent approach across our businesses this year, investing in our customer experiences, brand, digital experiences, data infrastructure, and technology-based analytical capabilities. In January 2022, we announced our second consecutive common stock buyback program of $2.0 billion and increased the dividend 20% to $0.30 per share on all common stock – our seventh increase in as many years. These actions reflect the strength of our balance sheet, capital and liquidity position and strong outlook for continued organic expansion. Since inception of the program in 2016, we have returned $6.5 billion capital to shareholders through buybacks and dividends while growing the balance sheet by $24 billion, growing core PPNR[5] 66% and increasing customers over 100%.

From a liquidity and funding perspective, our increase in deposit funding, which has more than doubled since 2014, has allowed us to successfully reduce our dependence on higher-cost alternatives as we've replaced $24 billion of unsecured funding with a weighted-average coupon of 5%. In 2021, Moody's upgraded Ally's credit rating to investment grade, representing the first time Ally has had investment grade ratings from the Big Three rating agencies in over 16 years. Leveraging the momentum from the upgrade, along with a constructive market backdrop, Ally issued unsecured debt at a historically low coupon for Ally. We proactively retired $2.44 billion of legacy Trust Preferred Securities and issued $2.35 billion of Perpetual Preferred Stock. We believe that the redemption of high-cost unsecured debt and tactical issuances further enhance our capital, funding and liquidity positions, and drive accretive financial outcomes.

Accolades.

#1
DEALER SATISFACTION
J.D. POWER AWARD[6]

GO BankingRates
BEST BANKS 2021

Money
BEST ONLINE BANK[7]

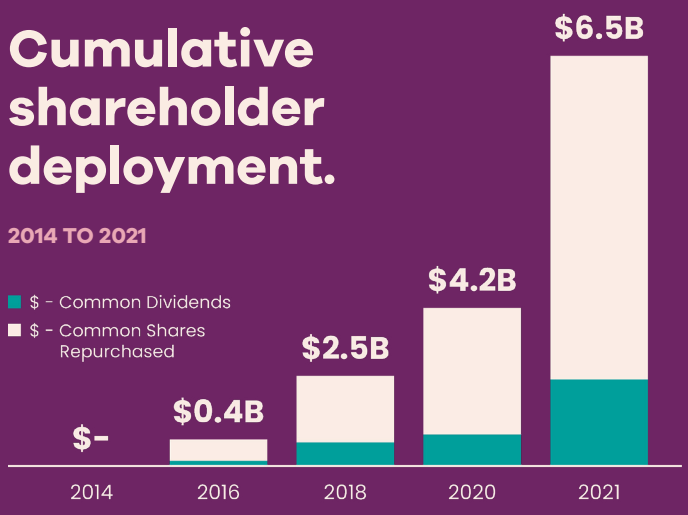
Kiplinger
BEST ONLINE BROKER
& BEST BANKS 2021

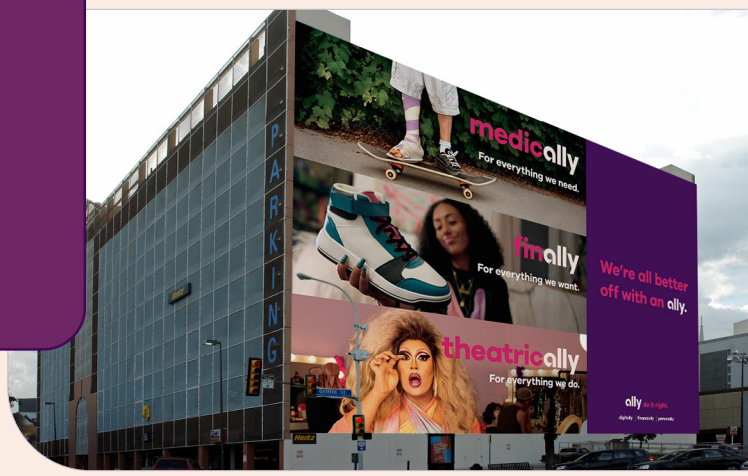
nerdwallet
BEST ONLINE BROKER
& BEST BANK[8]

> **"In January 2022, we announced our second consecutive common stock buyback program of $2.0 billion and increased the dividend 20% to $0.30 per share on all common stock – our seventh increase in as many years."**

Cumulative shareholder deployment.

2014 TO 2021





[5] *Represents a non-GAAP financial measure. Refer to the 2021 Financial Tables later in this document for a Reconciliation to GAAP.*

[6] *#1 Dealer Satisfaction among Non-Captive Lenders with Sub-Prime Credit.*

[7] *From MONEY®, June 2021 © 2021 Meredith Corporation All rights reserved. MONEY® is a registered trademark of Meredith Corporation and is used under license. MONEY® and Meredith Corporation are not affiliated with, and do not endorse products or services of, Ally Bank.*

[8] *From NerdWallet. © 2017-2021 and TM, NerdWallet, Inc. All rights reserved.*

Leading and growing businesses.

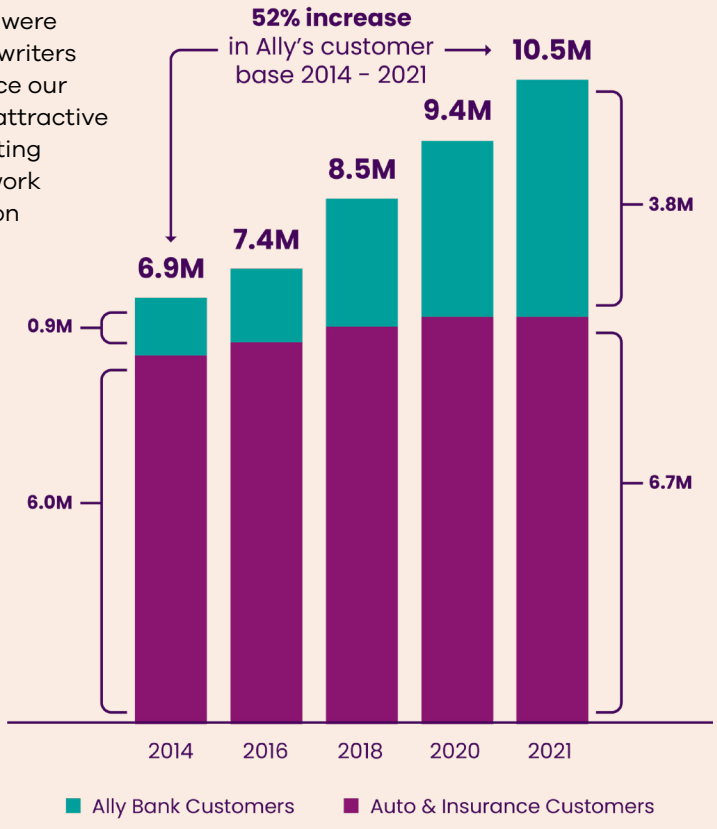
2021 performance was driven by an operating model capable of delivering results in a variety of economic environments and business cycles. Throughout 2021, our decisions remained anchored to the long-term priorities we've had in place, allowing us to effectively navigate ongoing volatility and uncertainty.

Our leading **auto finance business** generated exceptional results. Operational precision, deeply experienced experts and an agile mindset allowed us to meet the needs of dealers and consumers within the evolving auto ecosystem. Supply chain constraints that limited new vehicle production and led to multi-decade lows in inventory supply, were met with strong demand for used cars. These dynamics reinforce a broader theme within the sector, where owning a personal vehicle provides mobility, flexibility, pride and utility for consumers. Ally generated $46.3 billion in originations, and decisioned approximately 13.0 million applications – both records - sourced from relationships with over 21,000 active U.S. dealers.[9] For the fourth consecutive year, estimated retail originated yields[10] remained above 7.0%, as retail auto net charge-offs[11] of 31 basis points reflected considerable consumer strength and sophisticated, digital servicing approaches. Ally continued to invest in talent and technology, with a focus on deepening relationships, bolstering our underwriting capabilities and improving speed of decision, where approximately 70% of approved decisions were automated. Combined with our skilled, experienced underwriters and field representatives, these efforts protect and advance our leadership position. Our insurance offering represents an attractive value proposition, and had another great year in 2021, posting written premium volume of $1.2 billion sourced from a network of 4,500 dealers. As we move forward, we remain focused on continuing to expand dealer and consumer use of our insurance and vehicle protection products.



"While performance was exceptional in 2021, the opportunities we've built for growth in 2022 and beyond are what I'm most excited about."





ALLY CUSTOMER GROWTH TRENDS

Customers per product line

Ally Bank customers include Depositors, Ally Home DTC Mortgage, Ally Lending, Ally Invest, and Fair Square



Turning to our **leading, digital Ally Bank franchise,** momentum accelerated across our consumer and commercial offerings. We launched the bank in 2009 under the premise that the world didn't need another bank, it needed a better bank. As a result, our customer-first approach set us apart from the competition and defined our purpose as a growing, digital disruptor. In 2021, we reached 3.8 million Ally Bank customers[12] across our deposit, brokerage, mortgage, credit card and point-of-sale products. Multi-product relationships grew for the fifth consecutive year, ending over 9%, while Smart Savings Tools were used by over 500 thousand customers. 69% of deposit account openings in 2021 were sourced from individuals from the millennial or younger generation – providing us with an enhanced opportunity to organically grow relationships across our expanded suite of products. We continue to generate industry-leading retention of 96% among our depositors, a critical component of our stable, sticky funding profile that will enable us to further scale the platform. The compelling value proposition of our platforms is exemplified by a growing list of awards, including our fifth consecutive Best Internet Bank award from Kiplinger's and recognition on the Best Online Banks list from Money magazine for the ninth time in 11 years.

Within our **Ally Home** offering, we generated originations of $10.4 billion, more than doubling the prior year level. We recognize the significance and importance of purchasing and owning a home for our customers. To enhance our digitally-based application, funding and closing approach, we permanently eliminated our origination fee. Our ability to provide a convenient, digital mortgage experience for our customers and an expansion into new markets across the U.S. led to solid growth and positioned our business for long-term success. Our borrowers can complete an application in under 15 minutes through our digital platform and close their loan up to 10 days faster than industry averages, reinforcing the unique and differentiated user experience.

Ally Invest produced solid results as we continued to focus on our customers while navigating volatile markets. Net customer assets reached $17.4 billion, up 24% year over year, and self-directed and robo-accounts expanded beyond 506 thousand, evidence of the compelling digitally-based experience for our customers. As part of the Ally Invest team's ongoing efforts to educate and empower customers, Ally Invest hosted three digital investor conferences in 2021 and introduced compelling content on digital and social platforms.

Ally Lending's point-of-sale offerings exhibited strong growth trends as we leveraged our expanded capabilities within the healthcare and home improvement verticals, while continuing to grow our retail offering. Gross originations more than doubled to $1.2 billion for the year, powered by a 37% increase in merchant relationships verticals. We remain encouraged by the strong growth, disciplined underwriting and opportunity for ongoing momentum in the years ahead.

Corporate Finance demonstrated stellar growth and solid financial results. The team successfully navigated a fiercely competitive environment by relying on Ally's proven application of expertise and disciplined underwriting across our lending relationships. The team experienced nearly 30% loan growth during the year, led by the Capital Markets/Lender Finance and Specialty Finance segments.

In December, we closed the acquisition of **Fair Square Financial,** bringing a core banking product to our platform and expanding our capabilities within the unsecured credit card space. We now have the key pieces in place to further strengthen our leading digital bank. Exceptional performance, balance sheet growth and customer expansion in 2021 fuel our expectation for continued success in 2022 and beyond.

ally + FAIRSQUARE FINANCIAL

[9] Active U.S. Dealers' defined as all dealers who utilize one or more of Ally's products including consumer & commercial lending,SmartAuction or Commercial Services Group and excludes RV Commercial & Consumer lines of business exited in 2Q 2018.

[10] Estimated Retail Auto Originated Yield is a forward-looking non-GAAP financial measure determined by calculating the estimated average annualized yield for loans originated during the period. At this time there currently is no comparable GAAP financial measure for Estimated Retail Auto Originated Yield and therefore this forecasted estimate of yield at the time of origination cannot be quantitatively reconciled to comparable GAAP information.

[11] 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.

[12] Ally Bank customers include Depositors, Ally Home DTC Mortgage, Ally Lending, Ally Invest, and Fair Square.

Differentiating with our brand.

In 2021, Ally's brand continued to build momentum and gain strength demonstrated through brand valuation at over $2 billion[13] for the first time ever, and an increase in brand valuation of 26% year-over-year. We've steadily built our brand into one of the strongest in the industry, connecting with customers and living up to our promise to be an ally. This year, we grew consideration for the Ally Brand 22% year-over-year to an all-time high of 38% and reached 85% customer satisfaction. We believe these strong results are driven by our consistent focus on our values and creating a culture aligned to our brand's three pillars: Do It Right, Tirelessly Innovate, and Obsess Over the Customer.

As we pushed for innovation, our marketing team launched several successful campaigns. The inaugural Ally 400 was a resounding success, and our successful NASCAR sponsorship with Alex Bowman was even more fulfilling this year as he won four races and furthered the visibility of our brand. We proudly signed on as a sponsor of both the National Women's Soccer League (NWSL) and the NWSL Players Association, giving Ally a national platform to expand its support for soccer and helping to elevate the world-class talent in the women's game on and off the field. Notably, Ally made our largest partnership investment to date through a breakthrough collaboration with DC Comics and WarnerMedia, celebrating the next generation of Black and diverse creators. I have consistently advocated for equity and opportunity for all people in our country, and this avenue provided us an opportunity to authentically showcase Black, Hispanic and Latino communities while supporting their compelling stories.

In October, we launched our widest-reaching campaign in brand history: we're all better off with an ally. As a customer obsessed brand, our customers and their stories about our support during the pandemic served as the inspiration for this new campaign. It was Ally's most expansive media campaign to date, and it surpassed more than one billion impressions across a broad spectrum of properties.

We've found that our value proposition is a powerful competitive differentiator and the foundation from which we've retained customers and expanded into new products. Given our customer-first strategy and our drive to tirelessly innovate, investing in the Ally brand will continue to be a critical priority moving forward.



[13] *As determined by Brand Finance, an external brand valuation consultant.*

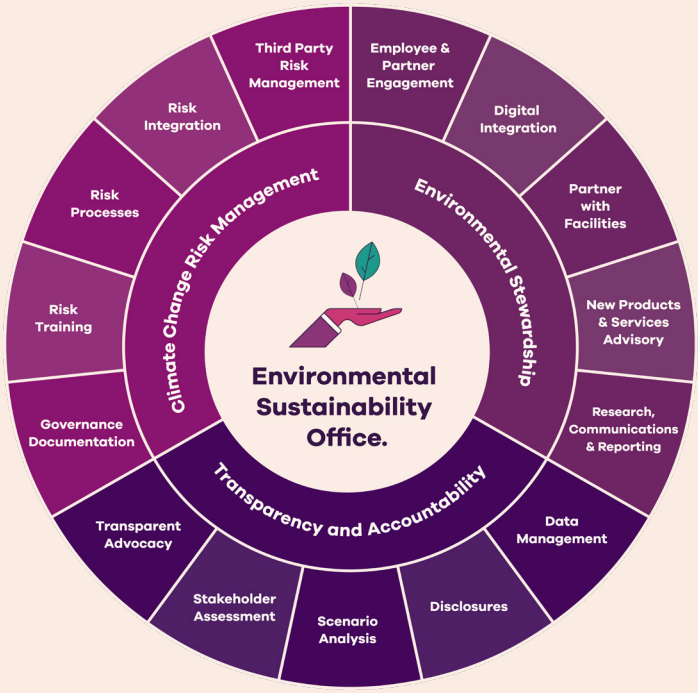


We're all better off with an ally.

PHILOSOPHY

Ally has adopted three guiding principles, upon which we will deliver against our environmental sustainability commitments:

- Climate Change Risk Management
- Environmental Stewardship
- Transparency and Accountability



Creating a more environmentally sustainable future.

Our brand promise to "Do It Right" extends to the conservation of environmental resources to ensure a sustainable future. Being an environmentally responsible company requires us to be good stewards of our resources and pushes us to develop sustainable practices and behaviors that benefit the environment. Managing our own environmental footprint, educating and encouraging stakeholders to do the same, and taking meaningful action are critical responsibilities for all companies and individuals to ensure we preserve our natural resources and environment. This important work will help drive a broader transition to a sustainable, low-carbon economy, and will address one of the biggest risks we face as a company, nation, and planet – climate change.

Ally took several significant steps in 2021 to demonstrate our commitment to develop an enterprise sustainability strategy. We established a baseline for environmental performance through the execution of a repeatable approach to collecting standardized emissions data. This tracking enabled us to complete Ally's inaugural CDP (formerly known as Carbon Disclosure Project) submission as a foundational part of our journey towards increased transparency and disclosure. Notably, the calculation of our emissions validated the assertion that as a digital bank, our carbon footprint is smaller than many of our brick and mortar peers, and enabled Ally to achieve carbon neutrality for our 2020 Scope 1 and Scope 2 emissions for the first time, using high quality carbon offsets and Green-E Energy Certified renewable energy certificates.

Other 2021 highlights include the establishment of a sustainability office, increased climate risk reporting through existing governance including the Board of Directors, and the completion of our inaugural ESG stakeholder assessment that will inform our go-forward plan. We also introduced Green Teams, an employee-led network that will support the activation of environmental engagement and volunteering. These environmental efforts are just the start of a much larger body of work here at Ally. We are laying the foundation to position Ally as a leader through greener operations, sustainable financing, and environmental volunteerism.



ARBOR DAY FOUNDATION

In 2021, Ally took meaningful action to be a part of the solution to climate change through volunteerism. One such example is Ally's TreesCharlotte partnership via the Arbor Day Foundation, where employees planted and distributed trees in the local community to further demonstrate our commitment to carbon reduction.

Fostering our do it right culture.

Strong culture attracts the best people and serves as the foundation for inclusivity, creativity and stronger operational results. This provides purpose to what we do and ultimately drives long-term value for all the constituents we serve. At the core of our culture is an obsession to "Do It Right" for our customers and communities. A consistent set of core LEAD values shapes who we are and how we operate. We put our customers' financial well-being at the center of everything we do, and our LEAD values push us to tirelessly innovate – enabling Ally to better serve the needs of our customers.

Our **culture** is living, breathing, and constantly changing. As I look back at Ally's transformation, the evolution of our culture is the area from which I draw the most pride. We've welcomed perspectives and individuals from all walks of life, striving to give them an opportunity to contribute, grow and further their career aspirations. As a result, the strength of our team is the strongest it has ever been.

Moreover, to drive greater alignment of shared success, we've focused on fostering a **founder's mentality** through an #OwnIt Grant. Under this program, each of our teammates receives shares of Ally stock, making them owners and participants in our broader success. This has the added benefit of driving higher engagement and plays a critical role in ensuring our teammates act and execute as owners.

"As I look back at Ally's transformation, the evolution of our culture is the area from which I draw the most pride."

I LOOK EXTERNALLY

e EXECUTE WITH EXCELLENCE

a ACT WITH PROFESSIONALISM

d DELIVER RESULTS

BEST-EMPLOYER ACCOLADES

DiversityInc 2021 TOP 50 COMPANIES FOR DIVERSITY® HALL OF FAME

DEI BEST PLACE TO WORK FOR DISABILITY INCLUSION 2021℠
100% DISABILITY EQUALITY INDEX

BEST PLACES TO WORK 2021 for LGBTQ Equality
100% CORPORATE EQUALITY INDEX

Forbes 2021 THE BEST EMPLOYERS FOR VETERANS
POWERED BY STATISTA

Forbes 2021 THE BEST EMPLOYERS FOR DIVERSITY
POWERED BY STATISTA

Forbes 2021 THE BEST EMPLOYERS FOR WOMEN
POWERED BY STATISTA



During 2021, the theme of **essentialism** remained part of our approach, and we pushed for innovation while remaining mindful of where and how we are spending our time, energy, and capital. Operating within the socially-distanced, virtual work environment sheds new light on being disciplined with time and resource allocation. While most of our workforce continued to work remotely in 2021, we placed strong emphasis on maintaining the culture that makes Ally so special—where teammates have purposeful careers, a sense of belonging and feel empowered to make a difference. We invest in our talent and their development, ensuring we have the right individuals with the right skills to continue to service our customers right, as evidenced by our 26% mobility rate and increase in technology roles. As a result, our engagement scores have been within the top 10% of all companies that participated in the survey for 2020 and 2021 with an enterprise score of 84, and our strong employee retention rate was approximately 86%.

Ally's **commitment to diversity, equity, and inclusion** is embedded in our culture and was an integral piece to our success in 2021. During the year, Ally expanded our Diversity, Equity & Inclusion programming and named diversity champions who push inclusion efforts into business operations. Our eight Employee Resource Groups (ERGs) shined a light on important topics and led transformative conversations including navigating racial injustice and overcoming unique obstacles. We also launched a new Financial and Social Inclusion video series and a new educational platform to help our employees understand complex topics and the impacts of unconscious bias. Our efforts to raise awareness and move from listening to action is resonating internally and externally with 43% of employees voluntarily enrolled as ERG members and our organization being recognized for the first time as a DiversityInc. Top 50 Company for diversity.



In addition to making an impact in our workplace, our employees are empowered to make an impact in our communities. They have a strong track record of generously giving back to our communities, and our collective efforts open pathways to economic mobility. Over the past 10 years, employees have volunteered over 100,000 hours and donated nearly $5 million. This year, Ally hosted our third-annual Moguls in the Making competition, which brought innovative and impactful solutions generated by students from historically black colleges and universities to underserved communities. Our contribution of $50 million to the Ally Charitable Foundation endowment is another point of pride, and it will continue to drive positive and lasting impacts in our communities.



MOGULS IN THE MAKING ALUMNI:

Earl P.

I was introduced to Ally through the Thurgood Marshall Fund, when at the time I was going through a brief stint of homelessness. A mentor encouraged me to apply for the Moguls in the Making program, and it was a serendipitous opportunity that changed my life. My team won first place in the competition, and later that year, I joined the Ally family as an intern. I had the privilege of working with talented employees in various positions as I completed my degree and joined full time. One of my first projects was developing the protype for Ally Fintropolis, the gamification of financial education for middle school children. Now that I am at Ally, I have great pride and purpose in my work. I am able to give back to my community and "Do It Right" every day for our customers and the kids, like me, who need an ally.

Strategic priorities.

Our vision and strategic objectives continue to guide our growth and long-term priorities. As proven over the past several years and more recently against a backdrop of broader instability and economic uncertainty, we have built a strong, vibrant growing operating model that delivers results in a variety of economic and business cycles. We've pivoted to a new, exciting chapter of growth now in front of us, and we will continue to execute with a focus on the same values and priorities that have served us well over the past several years. Looking forward, we will maintain our long-term focus centered around the following strategic priorities:

01 Differentiate our company as a relentless ally for the financial well-being of our consumer and commercial customers

02 Leverage our "Do It Right" purpose-driven culture as we drive enhanced value for our customers, communities, employees, and shareholders

03 Grow and diversify our leading auto, insurance, and digital-bank platforms through increased scale and expanded product solutions

04 Drive ongoing customer growth and relationship deepening

05 Operate under efficient, disciplined risk management and capital allocation approaches

06 Out-execute our competition and create differentiated advantages through continuous investment and evolution among our leading experiences, products and brand

07 Deliver long-term value evident through sustainable financial results and shareholder returns

> **"As I reflect on 2021, I want to end with gratitude for the remarkable results and impact we made together."**

The road ahead.

Perhaps more than ever before, the past year and a half has required more innovation and a stronger commitment to our long-term strategy. By remaining focused and purpose-driven, Ally generated some of the strongest returns in the banking industry, while simultaneously doing the right thing for our customers, employees, and communities. As I reflect on 2021, I want to end with gratitude for the remarkable results and impact we made together. Every part of the company contributed and it all boils down to two words – disciplined execution. The pride I have in our accomplishments is exceeded only in the confidence I have in our ability to continue driving long-term value for all stakeholders.

In closing, I'm tremendously proud of the Ally team acting with purpose to "Do It Right" day-in and day-out. My executive leadership team was critical to our success in 2021 and I want to thank them for their dedication and leadership. I'm also grateful to the Board of Directors for their continued guidance and support.

Lastly, thank you to all fellow shareholders for your confidence and investment in Ally.

I am excited for the road ahead and making our company unmistakably associated as an ally in all we do. We passed our inflection point, and our journey together with sustained growth in 2022 and beyond is looking bright.

Jeffrey J. Brown,
Chief Executive Officer





2021 Financial results.

In 2021, Ally strengthened its position as a leading, disruptive growth company, delivering exceptional results across our dealer financial service and digital-bank platforms.

Net income attributable to common shareholders was $3.0 billion in 2021, compared to $1.1 billion in 2020, as higher net financing revenue and lower provision for credit losses were partially offset by higher noninterest expense. Net financing revenue improved to $6.2 billion, up $1.5 billion from the prior year, driven by lower deposit costs, strategic liability management, higher gains on off-lease vehicles and higher retail auto revenue.

Full year NIM was 3.54%, including Core OID[14] of 2 bps, up 89 bps YoY. Excluding Core OID[14], NIM was 3.56%, up 89 bps YoY. Provision for credit losses decreased $1,198 million over the prior year, due to the impact of COVID-19 pandemic-related reserve build in 2020 as well as lower retail auto net charge-off activity.

Other revenue was up $56 million YoY, including a $7 million decrease in the fair value of equity securities in the year, compared to a $29 million increase in the fair value of equity securities in 2020. Other revenue, excluding the impact of the change in fair value of equity securities[15] and repositioned items related to the redemption of TRUPs, was up $223 million YoY to $2.2 billion, reflecting strong realized gain activity, momentum across Ally's diversified product offerings and non-repeating positioning items.

Noninterest expense increased $277 million over the prior year, largely due to increased investments within Ally's growing businesses, brand and technology.

As we build on our recent achievements, our disciplined execution of our long-term strategy will continue to position us for enhanced returns. We remain focused on executing against our long-term strategic priorities as we continue driving long-term value for all our stakeholders, evident in the growth of our businesses and the enhanced financial profile we expect to generate in the years ahead.



[14] *Core OID for all periods shown is applied to the pre-tax income of the Corporate and Other segment. Refer to the 2021 Financial Tables later in this document for a Reconciliation to GAAP.*

[15] *Adjusted other revenue is a non-GAAP financial measure. Equity fair value adjustments related to ASU 2016-01 requires change in the fair value of equity securities to be recognized in current period net income as compared to periods prior to 1/1/18 in which such adjustments were recognized through other comprehensive income, a component of equity.*

Automotive finance.

The Auto team delivered strong results in 2021 and skillfully navigated headwinds of reduced floorplan balances stemming from robust consumer demand and persistent supply constraints. Our Ally team continued to focus on optimization of our auto businesses. Full year 2021 pre-tax income of $3.4 billion was up $2.1 billion due to lower provision for credit losses and higher net financing revenue.

Credit performance remained strong, and the customer continued to perform with 31 basis points of full-year retail charge-offs, reflecting a benign credit environment. We saw continued strength in risk adjusted margin trends, driven by solid origination yields and NCO performance.

In 2021, we continued to strengthen dealer engagement, as applications increased to 13.0 million, driven by deeper and growing relationships where we reached 21,100 dealers who purchased one or more of our auto products across consumer and commercial lending, SmartAuction and Commercial Services lending.

Consumer originations increased $11.1 billion in 2021 to $46.3 billion, with used volume of $27.7 billion, or 60% of total 2021 originations, $13.1 billion of new retail volume and $5.4 billion of leases. Estimated retail auto originated yield[13] was 7.10% in 2021 and exceeded 7% for the fourth consecutive year.

Overall, the auto team has proven their persistent ability to constantly adapt to dealer and customer needs – evidenced in our multi-year growth of dealer relationships, and our ability to source and originate loans in a competitive environment. We are energized by these trends and believe we will build upon the momentum in 2022.



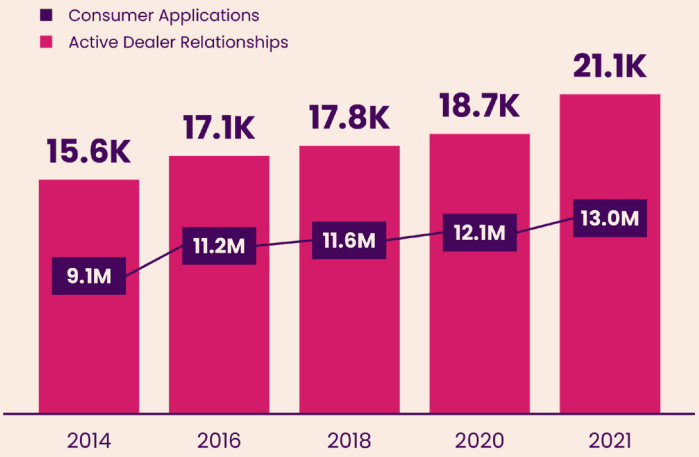
7.10%
estimated retail auto yield[16]

13M
applications

dealer count[17] of 21.1k

Auto & insurance: agile market leader

AUTO MARKET: $650B+ ANNUAL LOAN AND LEASE VOLUMES





INSURANCE

3M customers

4.5k dealer relationships

Insurance.

Ally's Insurance business offers consumer financial protection products sold primarily through the automotive dealer channel in the United States and Canada and is a leading provider of commercial insurance products sold directly to dealers throughout the United States. We serve approximately 3.0 million consumer customers and have approximately 4,500 dealer relationships. Our insurance franchise is deeply integrated with our auto finance business enhancing our value proposition to our vast dealer network by expanding the suite of consumer protection products dealers can offer their customers and by providing valuable insurance products to dealers that protect their business.

The insurance business continues to deliver strong returns and provides countercyclical value to the organization as we successfully navigated through impacts associated with industry-wide declines in dealer inventory levels. We achieved another strong year with pre-tax income of $343 million, up $59 million versus the prior year. Total net written premiums reached $1.2 billion, the fourth consecutive year above $1 billion. Our investment portfolio of $6.5 billion grew to its highest level since we became a publicly traded company – providing a durable revenue stream and reflecting years of steady policy growth and strong investment returns.

As we look to the future, the insurance business will remain keenly focused on growing our significant market position through our differentiated go-to-market approach that provides consistent value for our dealer and consumer customers.

[16] Estimated Retail Auto Originated Yield is a forward-looking non-GAAP financial measure determined by calculating the estimated average annualized yield for loans originated during the period. At this time there currently is no comparable GAAP financial measure for Estimated Retail Auto Originated Yield and therefore this forecasted estimate of yield at the time of origination cannot be quantitatively reconciled to comparable GAAP information.

[17] Active U.S. Dealers' defined as all dealers who utilize one or more of Ally's products including consumer & commercial lending,SmartAuction or Commercial Services Group and excludes RV Commercial & Consumer lines of business exited in 2Q 2018.

Corporate finance.

The corporate finance team is led by one of the longest tenured leadership teams in the industry. Full-year 2021 pre-tax income was $282 million, compared to pre-tax income of $88 million in 2020, due to COVID-related provision build in the prior year along with higher total revenue due to portfolio growth and investment/fee income. Finance Receivables and Loans ended at $7.8 billion, representing the highest levels on record for Ally, and unfunded commitments reached $4.9 billion, continuing to position us for ongoing revenue and loan growth.

Additionally, credit remained strong reflecting our team's disciplined approach to underwriting and servicing. This floating rate loan portfolio remained high quality, comprised of 56% asset-based lending and 99.9% first lien position.

Mortgage finance.

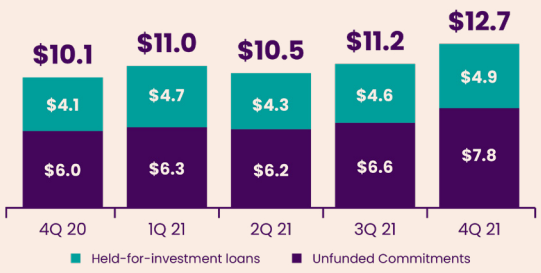
Full year 2021 pre-tax income was $32 million, down $21 million from 2020, as higher noninterest expense driven by the continued expansion of the mortgage business was partially offset by lower provision for credit losses. Direct-to-consumer originations totaled $10.4 billion in 2021, up $5.7 billion year-over-year, demonstrating continued momentum in the Ally Home business. Throughout the year, the origination mix shifted more towards held-for-investment along with changing mortgage market dynamics and competitive trends. While gain on sale activity normalized leading to decreased other revenue, net financing revenue increased $6 million from 2020 to $124 million reflecting lower prepayment activity, driven by a higher interest rate environment, which resulted in lower premium amortization.

Customer engagement remained strong with 37% of our originations sourced from existing Ally Bank depositors in 2021, further underscoring the significance of our growing multi-product relationships.

CORPORATE FINANCE

HFI loans and unfunded commitments

EoP balances, $ billions



Our values in action.

At Ally, our "Do It Right" philosophy is woven into our culture – it guides our values and drives the strategic actions we take that support our customers, employees, and communities.

Leading the way awards.

We celebrate employees who demonstrate our LEAD values and "Do It Right" mantra through our Leading the Way Award, one of the highest recognitions an employee can receive here at Ally. Get to know four of our 2021 winners and the lasting impact that they made.



Will H.

Auto Finance, Manager – Business Line Risk Analytics

A West Point graduate, Will came to Ally four years ago after dedicated service in the U.S. Army. During his time here, he has proven to be a natural leader with innovative solutions. Recently, Will led the development of plans aimed at proactively defending Ally's **cyber environment** against potential threats on our **dealership clients' computer systems.** He drove this project from beginning to end, leveraging his own creativity along with input from all stakeholders to arrive at a coordinated, efficient, customer-first solution. Will's efforts, along with those on the Cyber Security Team, show Ally's commitment to **"Do It Right"** for our **customers.**



Frank M.

Ally Bank, Manager - Community Reinvestment Act

Frank has tremendous overall leadership skills and stood out in 2021 in two key areas: **Low-Income Housing Tax Credit** (LIHTC) investments and **financial literacy** for underserved populations. Frank worked hard at leading the underwriting of 17 LIHTC investments and designed a tracking system that materially improved operational efficiencies. In addition, Frank was given a stretch assignment to lead Ally's financial literacy program for **The Other Side Academy** (TOSA). He rose to the challenge and put together a year-long financial literacy course consisting of 18 lessons tailored to needs of TOSA students. From personally assembling materials to having virtual "office hours," the TOSA students have commented how much they have learned from Frank and how they can feel that he genuinely cares about them.



Jo H.

Information Technology, Principal DevOps Engineer

Jo exemplifies our core values and consistently goes above and beyond in every facet of work. In addition to being a natural leader on the team, Jo sets the bar for others. In 2021, they led the enterprise **Hackathon,** where 25 teams and 148 Ally Technology teammates competed to develop solutions to meet challenges that Ally and our customers may face. In addition, Jo developed a DevSecOps metrics dashboard that is critical to **managing risk** and accelerating our speed to market. From a cultural perspective, Jo was instrumental in Ally's creation of the **Transgender Workplace Training video series** and acted as the national co-chair of Pride ALLYs. Their efforts had a direct impact on our ability to **innovate** and put the customer first.



Sonia F.

Ally Bank, Sr. Director - Product Management

Sonia was (and continues to be) a driving force behind Ally's drive to be, "not just another bank, but a better bank." She led development, deployment and continued maturation of new solutions for our deposit customers, such as our **Smart Savings Tools** and our industry-leading decision to **eliminate overdraft fees.** Ever curious, Sonia works with a passion and ensures we maintain empathy towards our customers while delivering impactful business results. Her leadership and efforts cumulated in industry accolades this year, such the **Cities for Financial Empowerment Bank On** certification for Ally's Checking account, as well as continued customer growth and market leadership.

Employees.

When you look at Ally's strategic journey over the last decade and the strong trajectory of our earnings, it's all because of our fantastic employee base of approximately 10,500 allies. We're proud of the work we did in 2021 to take care of our people and strengthen our culture, including these highlights:



$20 Minimum Wage

Increased our minimum hourly wage 18%

Employee Relief Fund

Received over $1 million in donations and has helped over 700 of our employees since its launch in May 2020

Office Reentry Pilot Program

Welcomed employees back as part of a voluntary office reentry pilot program. With their help, Ally ended the year prepared to reopen corporate and regional business offices and operational centers in early 2022

Additional Holidays

Awarded all current employees an additional personal holiday for 2021. In addition, we announced new paid holidays: Juneteenth for U.S. employees and National Day for Truth and Reconciliation for Canadian employees

Prioritization on Mental Health & Well Being

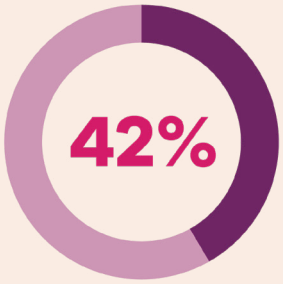
From no-cost televists and expanded behavioral health benefits to the launch of a mindfulness app to dedicating May to Mental Health Month, we had a relentless focus on our employee mental health and made concerted efforts to elevate conversation through content and events that made a point to destigmatize mental health concerns

3x #OwnIt Grant

For the third consecutive year, we awarded all active, regular Ally employees with 100 restricted stock units[18]

Covid Vaccination and Prevention

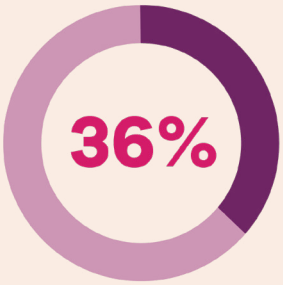
Focused on education, ease of access, and incentives through education sessions with our medical advisors, paid time off for each dose of an authorized COVID-19 vaccination and booster, a $500 one-time vaccine incentive payment,[19] no-cost rapid antigen COVID-19 tests for employees in the office, and more



of directors on our board are women or people of color*



of our executive council are women or people of color*



of women or people of color were promoted or moved into new roles to advance their career in 2021*



retention rate for women or people of color in 2021*

**Reflects data as of December 31, 2021.*

[18] *In January 2022, for the third consecutive year, we awarded all active, regular Ally employees with 100 restricted stock units, up to a maximum grant date value of $5,000, subject to a 3-year cliff vesting schedule, in recognition of our notable accomplishments and to support a founder's mentality.*

[19] *For employees who attested by July 31, 2021*

Customers.

Our growing and increasingly engaged customer base also provides a pillar of strength. Collectively, across our businesses, we now have 10.5 million customers.[20] The growing base of core deposits customers provides a population that continues to grow relationship with Ally by adopting additional products.

This year, we lived out our mission to "Do It Right" and continued our relentless customer focus on our dealers, consumers and commercial client:

8.8+ million in-bound calls supported in 2021

Ally Bank: Elimination of Overdraft Fees

1.5 million downloads on newly launched Minecraft: Fintropolis, a revolutionary gamification of financial education

Ally Home: Eliminated mortgage origination fee

500k+ active Smart Savings Tool Kits

Certified as 'Bank On National Account' status by Cities for Financial Empowerment Fund

Insurance: Supported dealers through unique weather and theft events

Servicing: over 60% of outbound collections managed digitally, and nearly 50% adoption of online self-service tools

Named No. 1 in dealer satisfaction by J.D. Power

Facilitated governmental forgiveness / debt repayment on 95% of dealer's SBA PPP loan balances that were assumed during the pandemic

Auto: Launched new digital solutions for retail auto customers, such as Catch-Up Payment Plan

[20] Customers include on-balance sheet Auto, U.S. an Canadian Insurance, active Depositors, on-balance sheet Ally Home DTC Mortgage, Ally Lending, Ally Invest, and Ally Fair Square (credit card).

Since 2014, Ally's customer base has increased 52%, cultivating loyalty and satisfaction, and expanding relationships through our convenient, straightforward offerings. We believe this momentum will carry forward and continue to provide a driver of growth in the years ahead.

"Thank you for the decision to get rid of overdraft fees! I am SO happy to see this! Overdraft fees just kick people when they're down and often hurt the most vulnerable. I am so proud to be with a bank that made this choice."

"Ally is awesome, and they just removed overdraft fees. The buckets for different saving categories are awesome!"

"Ally has been a great car company thus far. I have no complaints. Financing was easy and quick. They allow a grace period for payments. Communication is great. Good company to finance car."

Environment.

At Ally, we recognize that our commitment to "Do It Right" for our customers, communities and employees is also a commitment to the environment and the natural resources that sustain us. As a digital bank with no brick-and mortar branches, Ally inherently has a lower carbon footprint and reduced environmental impact than traditional financial institutions, which was validated by our first ever greenhouse gas emissions calculation in 2021.

In 2021, we made significant headway on our environmental sustainability efforts.

"In 2021, Ally joined 18 other banks in the Risk Management Association (RMA) Climate Risk Consortium, which will develop standards for banks to integrate climate risk management throughout their operations. The RMA engagement is one of several groups that Ally is participating in as the financial services industry grapple with the dynamic and complex challenge of managing climate change risk and evaluating emerging regulatory proposals."

01 Defined climate-related risk as an emerging risk within our risk-management framework.

02 Completed a formal ESG Stakeholder Assessment that includes customers, investors, community partners, local governments and employees to gain perspective on ESG priorities and their importance to Ally.

03 Performed our first assessment and calculation of greenhouse gas emissions including Scope 1 emissions (direct emissions from owned or controlled sources), Scope 2 emissions (indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the company), and relevant Scope 3 emissions (all other indirect emissions that occur in the company's value chain) for fiscal year 2020.

04 Included sustainability and climate-related matters in executive level forums and Board education.

05 Submitted our inaugural CDP (formally the Carbon Disclosure Project) climate change questionnaire in July 2021.

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

07 Executed Ally's carbon neutrality strategy for 2020 Scope I and II emissions through a combined purchase of carbon offsets and Green-e Energy Certified renewable energy credits.

08 Committed to developing a comprehensive enterprise environmental sustainability strategy focusing on greater data collection, aggregation and analysis, with the goal of aligning with the recommendations from the Task Force on Climate-related Financial Disclosures in assessing and reporting on our exposures to climate-related risks and opportunities consistent with the financial industry.

09 Prioritized sustainable facilities by purchasing or leasing LEED certified buildings that accounted for approximately 29% of the total square footage in Ally facilities as of December 31, 2021.

10 Announced the "Green Teams" initiative to engage Ally employees in support of environmental volunteer opportunities within local communities where Ally operates.

Communities.

Our approach to community is inclusive and integrates our employees across the organization. We help our employees develop their own skills while serving our communities with their time and talent. We provide our employees with eight paid hours per year to volunteer in their communities. In 2021, a year impacted by the COVID-19 pandemic, our employees volunteered approximately 28,000 hours in our communities.

Our philanthropic approach is based on a framework of economic mobility. We support programs that provide opportunities to individuals and families in low-and moderate-income communities with emphasis on three areas: affordable housing, financial literacy, and workforce development. We solely funded the **Ally Charitable Foundation,** a non-consolidated entity, which has approximately $80 million in assets as of December 31, 2021, to drive positive and lasting impacts in our communities.

Where we see unmet needs, we develop programs that address them. One of our largest and most powerful initiatives is **Moguls in the Making,** an annual competition that fosters opportunities for students from historically black colleges and universities. In 2021, we hosted our third Moguls in the Making competition, with 50 students, who brought innovative and impactful solutions to economic mobility challenges. Since the program's inception in 2019, we have offered internships to 36 students, which have often led to permanent job placements within Ally or the broader financial-services industry, connecting our philanthropic goals with our talent development objectives. Additionally, in 2021, we took further steps to address inequality of access to careers with long-term growth potential with a $1.3 million commitment which supported 23 scholarships and programs in partnership with the Congressional Black Caucus Foundation, TMCF, and other professional university groups.





CHARLOTTE MAYOR'S RACIAL EQUITY INITIATIVE $5 MILLION GRANT

In 2021, we took meaningful actions to address more urgency and speed to our diversity and inclusion efforts. One example is our financial support of the Charlotte Mayor's Racial Equity Initiative through a $5 million commitment from Ally and the Ally Charitable Foundation, to address the digital divide and provide capital for Black, Hispanic and Latino small businesses. In addition we will provide jobs for students at Johnson C. Smith University. These efforts have the power to change lives not just for the students, but their families as well – working to eliminate the wealth gap and social inequities that have existed for far too long.

$70M CRA INVESTMENT

In 2021, Ally executed on its mission to expand access to capital for Black, Hispanic, and Latino fund managers by investing $70 million in funds with diverse managers/owners, including funds such as the Fearless Fund and Altura Capital. These investments will provide a financial foundation to help develop the next generation of successful Black, Hispanic and Latino entrepreneurs, investors, affordable housing developers, and community leaders.







Ally Charitable Foundation

In 2020, we established the Ally Charitable Foundation (ACF), a 501(c3) non-profit organization, which amplified Ally's commitment to financial and social inclusion through innovative philanthropy that reduces barriers to economic mobility and inspires social change. This year, Ally made a $50 million contribution to the ACF endowment bringing it to approximately $80 million in assets at year-end. ACF provided $5.3 million to community, social and educational causes in 2021, its first full year of operations.

Ally's **financial education** approach is broad, leveraging our team members to teach critical financial skills to children in elementary schools through adults re-entering society from the criminal justice system. During 2021, we provided financial skills to nearly 12,000 individuals through various channels. One notable example of using Ally's thought leadership in this area is the story behind the creation of **Fintropolis,** the gamification of financial education for middle school children. We leveraged Moguls in the Making interns to develop the concept of the game and curriculum that would be relevant to that audience.



GIVING BACK MONTH: A DECADE OF MAKING AN IMPACT

Each November, Ally sponsors Giving Back Month, which is an opportunity for Ally to amplify the year-round giving back efforts that allow us to "Do It Right" for our communities. 2021 was significant, as we celebrated our 10th annual Giving Back Month which marked more than 100,000 volunteer hours and nearly $5 million in employee donations to our communities over the past decade.

From supporting veterans to helping the homeless and hungry, our employees have supported over 4,300 unique organizations in a decade through individual volunteer hours.

Suppliers.

Ally's Supplier Diversity program focuses on diversity and inclusion amongst our supplier base. The Supplier Diversity program includes a proactive business strategy encouraging the use of diverse suppliers defined as those owned by U.S.-based minorities, women, LGBTQ, veterans, service-disabled veterans and those with disabilities, and small or disadvantaged businesses defined by local, state, or federal classifications. Since the program's inception in 2020, we have made great strides, including:

Created operational processes to ensure inclusion of diverse suppliers in our bidding and contracting opportunities

New internal sourcing processes and standards for the identification and, wherever possible, inclusion of diverse suppliers in our Request for Proposal events

1st Supplier Symposium in January 2021, engaging more than 40 diverse suppliers in a company-wide networking event with our CEO and other business executives to increase access, build relationships, and explore opportunities to expand relationships with diverse suppliers

Increased both first-tier diverse spend and our third-party supplier spend with minority-owned and women-owned businesses

>70% of Ally's top 50 supplier relationships with the second-tier program are now reporting their diverse spend supporting Ally's business for the first time in 2021

2021 financial tables and definitions.

ADJUSTED EARNINGS PER SHARE

($ per share)	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
GAAP EPS (diluted)	**$8.22**	**$2.88**	**$4.34**	**$2.95**	**$2.04**
Discontinued Operations, Net of Tax	0.01	0.00	0.02	-	(0.01)
Core OID, Net of tax[1]	0.08	0.07	0.06	0.16	0.10
Change in Fair Value of Equity Securities, Net of Tax[1,2]	0.02	(0.06)	(0.18)	0.22	-
Repositioning Items, Net of Tax[1,3]	0.49	0.13	-	-	-
Significant Discrete Tax Items[4]	(0.21)	-	(0.51)	-	0.26
Capital Actions (Series A & G)	-	-	-	-	-
Adjusted EPS	**$8.61**	**$3.03**	**$3.72**	**$3.34**	**$2.39**

ADJUSTED TANGIBLE BOOK VALUE PER SHARE

($ per share)	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
GAAP Shareholder's Equity	**$50.5**	**$39.2**	**$38.5**	**$32.8**	**$30.9**
Preferred Equity	(6.9)	-	-	-	-
Goodwill & Intangibles, Net of DTLs	(2.8)	(1.0)	(1.2)	(0.7)	(0.7)
Tangible Common Equity	40.8	38.2	37.3	32.1	30.2
Tax-effected Core OID Balance[5]	(2.1)	(2.2)	(2.2)	(2.1)	(2.1)
Series G Discount	-	-	-	-	-
Adjusted Tangible Book Value Per Share	**$38.7**	**$36.1**	**$35.1**	**$29.9**	**$28.1**

ADJUSTED NON-INTEREST EXPENSE

($ millions)		FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
GAAP Noninterest Expense	**[z]**	**$4,110**	**$3,833**	**$3,429**	**$3,264**	**$3,110**
Repositioning		-	$50	-	-	-
Adjusted NIE (ex. Repositioning)	**[c]**	**$4,110**	**$3,783**	**$3,429**	**$3,264**	**$3,110**

CORE PRE-PROVISION NET REVENUE

($ millions)		FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Pre-Provision Net Revenue	**[x] + [y] + [z]**	**$4,096**	**$2,853**	**$2,965**	**$2,540**	**$2,655**
Core Pre-Provision Net Revenue	**[a] + [b] + [c]**	**$4,271**	**$2,909**	**$2,905**	**$2,747**	**$2,726**

ADJUSTED TOTAL NET REVENUE

($ millions)		FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
GAAP Net Financing Revenue	**[x]**	**$6,167**	**$4,703**	**$4,633**	**$4,390**	**$4,221**
Core OID		**38**	**36**	**29**	**86**	**71**
Net Financing Revenue (ex. Core OID)	**[a]**	**$6,205**	**$4,739**	**$4,662**	**$4,476**	**$4,292**
GAAP Other Revenue	**[y]**	**$2,039**	**$1,983**	**$1,761**	**$1,414**	**$1,544**
Accelerated OID & Repo Items3		**131**	**-**	**-**	**-**	**-**
Change in Fair Value of Equity Securities6		**7**	**(29)**	**(89)**	**121**	**-**
Adjusted Other Revenue	**[b]**	**$2,177**	**$1,954**	**$1,672**	**$1,535**	**$1,544**
Adjusted Total Net Revenue		**$8,381**	**$6,692**	**$6,334**	**$6,011**	**$5,836**

Unless the context otherwise requires, the following definitions apply. The term "loans" means the following consumer and commercial products associated with our direct and indirect financing activities: loans, retail installment sales contracts, lines of credit, and other financing products excluding operating leases. The term "operating leases" means consumer- and commercial-vehicle lease agreements where Ally is the lessor and the lessee is generally not obligated to acquire ownership of the vehicle at lease-end or compensate Ally for the vehicle's residual value. The terms "lend," "finance," and "originate" mean our direct extension or origination of loans, our purchase or acquisition of loans, or our purchase of operating leases as applicable. The term "consumer" means all consumer products associated with our loan and operating-lease activities and all commercial retail installment sales contracts. The term "commercial" means all commercial products associated with our loan activities, other than commercial retail installment sales contracts. The term "partnerships" means business arrangements rather than partnerships as defined by law.

CORE RETURN ON TANGIBLE COMMON EQUITY (ROTCE)

($ millions)	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
GAAP Net Income Attributable to Common Shareholders	**$3,003**	**$1,085**	**$1,715**	**$1,263**	**$929**
Discontinued Operations, Net of Tax	5	1	6	-	(3)
Core OID	38	36	29	86	71
Repositioning items[3]	228	50	-	-	-
Change in Fair Value of Equity Securities[2]	7	(29)	(89)	121	-
Tax on Core OID, Repo Items & Change in Fair Value of Equity Securities[6]	(57)	(1)	13	(43)	(25)
Significant Discrete Tax Items & Other	(78)	-	(201)	-	119
Capital Actions (Series A & G)	-	-	-	-	-
Core Net Income Attributable to Common Shareholders	$3,146	**$1,141**	**$1,472**	**$1,427**	**$1,091**
GAAP Shareholder's Equity[7]	$16,239	$14,118	$13,842	$13,381	$13,406
Preferred Equity[7]	$1,394	-	-	-	-
Goodwill & Intangibles, Net of DTLs[7]	(489)	(411)	(368)	(290)	(293)
Tangible Common Equity	$14,356	$13,707	$13,474	$13,091	$13,112
Core OID Balance[7]	(956)	(1,046)	(1,078)	(1,135)	(1,213)
Net Deferred Tax Asset[7]	(451)	(96)	(158)	(391)	(737)
Normalized Common Equity	**$12,949**	**$12,566**	**$12,239**	**$11,565**	**$11,162**
Core Return on Tangible Common Equity	**24.3%**	**9.1%**	**12.0%**	**12.3%**	**9.8%**

ORIGINAL ISSUE DISCOUNT AMORTIZATION EXPENSE

($ millions)	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Core OID Amortization Expense[8]	**$38**	**$36**	**$29**	**$86**	**$71**
Other OID	11	13	13	15	20
GAAP OID Amortization Expense	**$49**	**$49**	**$42**	**$101**	**$90**

OUTSTANDING ORIGINAL ISSUE DISCOUNT BALANCE

($ millions)	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Core Outstanding OID Balance (Core OID Balance)	**$(883)**	**$(1,027)**	**$(1,063)**	**$(1,092)**	**$(1,178)**
Other Outstanding OID Balance	(40)	(37)	(37)	(43)	(57)
GAAP Outstanding OID Balance	**$(923)**	**$(1,064)**	**$(1,100)**	**$(1,135)**	**$(1,235)**

[1] **Tax rate 21% starting 1Q2018; 35% prior.**
[2] **Change in fair value of equity securities reflects equity fair value adjustments related to ASU 2016-01 which requires change in the fair value of equity securities to be recognized in current period net income as compared to periods prior to 1/1/18 in which such adjustments were recognized through other comprehensive income, a component of equity.**
[3] **Repositioning and other which are primarily related to the extinguishment of high cost legacy debt, strategic activities and significant other one-time items, as applicable for respective periods.**
[4] **Significant discrete tax items do not relate to the operating performance of the core businesses. 2019 effective tax rate was significantly impacted by the release of valuation allowance on foreign tax credit carryforwards. 2017 effective tax rate was impacted primarily by a $119 million revaluation of federal deferred tax assets and liabilities and related valuation allowance recorded in 4Q2017 due to the enactment of the Tax Cuts and Jobs Act in 2017.**
[5] **Tax rate 21% starting 4Q2017; 35% prior.**
[6] **Tax rate 21% starting 1Q2018; 35% prior.**
[7] **Calculated using 2-period average.**
[8] **Excludes accelerated OID.**

Board of directors.

Our Board of Directors play a key role in overseeing our strategy. In addition, our Executive Council continues to drive performance and our culture by focusing on our LEAD core values and "Do It Right" mantra. Between our Board, Executive Council and 10,500 employees, we have the right team in place to position Ally for sustained growth.



Franklin W. Hobbs - Chair
Former President and CEO, Ribbon Communications



Kenneth J. Bacon
Former Executive Officer, Fannie Mae



Maureen A. Breakiron-Evans
Former CFO, Towers Perrin



Jeffrey J. Brown
Current CEO, Ally Financial



William H. Cary
Former Executive Officer, General Electric



Mayree C. Clark
Former Executive Officer, Morgan Stanley



Kim S. Fennebresque
Former Chairman and CEO, Cowen Group



Marjorie Magner
Former Executive Officer, Citigroup



Brian H. Sharples
Former Chairman and CEO, HomeAway



John J. Stack
Former Chairman and CEO, Ceska Sporitelna, A.S.



Michael F. Steib
Current CEO, Artsy

Jeffrey J. Brown
Chief Executive Officer



Andrea Brimmer
Chief Marketing and Public Relations Officer



Bradley Brown
Corporate Treasurer



Dinesh Chopra
Chief Strategy and Corporate Development Officer



David DeBrunner
Controller and Chief Accounting Officer



William Hall, Jr.
Co-President, Corporate Finance



Jennifer LaClair
Chief Financial Officer



Daniel Eller
President, Insurance



Diane Morais
President, Consumer and Commercial Banking, Ally Bank



Sathish Muthukrishnan
Chief Information, Data and Digital Officer



Kathleen L. Patterson
Chief Human Resources Officer



Stephanie Richard
Chief Audit Executive



Jason Schugel
Chief Risk Officer



Dan Soto
Chief Compliance Officer



Scott Stengel
General Counsel



Alison Summerville
Business Administration Executive



Douglas Timmerman
President, Dealer Financial Services



Executive management.


ally
salata

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2021, or

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

For the transition period from _____ to _____

Commission file number: 1-3754

ALLY FINANCIAL INC.

(Exact name of registrant as specified in its charter)

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

Ally Detroit Center
500 Woodward Ave.
Floor 10, Detroit, Michigan
48226
(Address of principal executive offices)
(Zip Code)

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

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	ALLY	NYSE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the Registrant's common stock (Common Stock) held on June 30, 2021 by non-affiliated entities was approximately $18.1 billion (based on the June 30, 2021 closing price of Common Stock of $49.84 per share as reported on the New York Stock Exchange). At February 23, 2022, the number of shares outstanding of the Registrant's common stock was 333,195,505 shares.

Documents incorporated by reference: portions of the Registrant's Proxy Statement for the annual meeting of stockholders to be held on May 3, 2022, are incorporated by reference in this Form 10-K in response to Items 10, 11, 12, 13, and 14 of Part III.

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Glossary of Abbreviations and Acronyms

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

Term	Definition
A.M. Best	A.M. Best Company, Inc.
ABS	Asset-backed securities
AC	Audit Committee of the Ally Board of Directors
ALCO	Asset-Liability Committee
ALM	Asset Liability Management
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Basel Committee	Basel Committee on Banking Supervision
BHC	Bank holding company
BHC Act	Bank Holding Company Act of 1956 as amended
BMC	Better Mortgage Company
Board	Ally Board of Directors
CCAR	Comprehensive Capital Analysis and Review
CD	Certificate of deposit
CECL	Accounting Standards Update 2016-13 (and related Accounting Standards Updates), or current expected credit loss
CFPB	Consumer Financial Protection Bureau
CFTC	U.S. Commodity Futures Trading Commission
COVID-19	Coronavirus disease 2019
CRA	Community Reinvestment Act of 1977 as amended
CSG	Commercial Services Group
CVA	Credit valuation adjustment
DE&I	Diversity, equity, and inclusion
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 as amended
DIF	Deposit Insurance Fund
EAD	Exposure at default
EGRRCP Act	Economic Growth, Regulatory Relief, and Consumer Protection Act as amended
ERMC	Enterprise Risk Management Committee
ERG	Employee resource group
ESG	Environmental, social, and governance
ETF	Exchange-traded fund
F&I	Finance and insurance
Fair Square	Fair Square Financial Holdings LLC and its subsidiaries
FASB	Financial Accounting Standards Board
FDI Act	Federal Deposit Insurance Act as amended
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991 as amended
FHC	Financial holding company
FHLB	Federal Home Loan Bank
FINRA	Financial Industry Regulatory Authority
FRB	Federal Reserve Bank, or Board of Governors of the Federal Reserve System, as the context requires
FSR	Financial Strength Rating
FTP	Funds-transfer pricing
GAP	Guaranteed asset protection
GDP	Gross domestic product of the United States of America

Index of Defined Terms

Term	Definition
GLB Act	Gramm-Leach-Bliley Act of 1999 as amended
GM	General Motors Company
HR	Human resources
IB Finance	IB Finance Holding Company, LLC
IRA	Individual retirement account
LCR	Liquidity coverage ratio
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LIHTC	Low-income housing tax credit
LMI	Low-to-moderate income
LTV	Loan-to-value
MBS	Mortgage-backed securities
MD&A	Management's Discussion and Analysis of Financial Condition and Results of Operations
NFA	National Futures Association
NYDFS	New York Department of Financial Services
NYSE	New York Stock Exchange
OTC	Over-the-counter
P&C	Property and casualty
PCA	Prompt corrective action
PCD	Purchased credit deteriorated
PD	Probability of default
PSU	Performance Stock Unit or Award
RC	Risk Committee of the Ally Board of Directors
ROU	Right-of-use
RSU	Restricted Stock Unit or Award
RV	Recreational vehicle
RWA	Risk-weighted asset
SEC	U.S. Securities and Exchange Commission
Series 2 TRUPS	8.125% Fixed Rate/Floating Rate Trust Preferred Securities, Series 2 of GMAC Capital Trust I
SOFR	Secured Overnight Financing Rate
SPE	Special-purpose entity
SRO	Self-regulatory organization
Stellantis	Stellantis N.V.
TMCF	Thurgood Marshall College Fund
TDR	Troubled debt restructuring
UDFI	Utah Department of Financial Institutions
UPB	Unpaid principal balance
U.S. Basel III	The rules implementing the 2010 Basel III capital framework in the United States as well as related provisions of the Dodd-Frank Act, as amended from time to time
U.S. GAAP	Accounting Principles Generally Accepted in the United States of America
VIE	Variable interest entity
VMC	Vehicle maintenance contract
VSC	Vehicle service contract
WAC	Weighted-average coupon
wSTWF	Weighted short-term wholesale funding

Item 1. Business

Our Business

Ally Financial Inc. (together with its consolidated subsidiaries unless the context otherwise requires, Ally, the Company, or we, us, or our) is a leading digital financial-services company with $182.1 billion in assets as of December 31, 2021. As a customer-centric company with passionate customer service and innovative financial solutions, we are relentlessly focused on "Doing it Right" and being a trusted financial-services provider to our consumer, commercial, and corporate customers. We are one of the largest full-service automotive finance operations in the United States and offer a wide range of financial services and insurance products to automotive dealerships and consumers. Our award-winning digital direct bank (Ally Bank, Member FDIC and Equal Housing Lender) offers mortgage lending, point-of-sale personal lending, consumer credit cards, and a variety of deposit and other banking products, including savings, money-market, and checking accounts, CDs, and IRAs. Additionally, we offer securities-brokerage and investment-advisory services through Ally Invest. Our corporate-finance business offers capital for equity sponsors and middle-market companies.

We are a Delaware corporation and are registered as a BHC under the BHC Act, and an FHC under the GLB Act. Our primary business lines are Dealer Financial Services, which is composed of our Automotive Finance and Insurance operations, Mortgage Finance, and Corporate Finance. Corporate and Other primarily consists of centralized corporate treasury activities, the management of our legacy mortgage portfolio, the activity related to Ally Invest, Ally Lending, and reclassifications and eliminations between the reportable operating segments. Additionally, beginning in December 2021 with the acquisition of Fair Square, which we rebranded Ally Credit Card, financial information related to our credit card business is included within Corporate and Other. Ally Bank's assets and operating results are included within our Automotive Finance, Mortgage Finance, and Corporate Finance segments, as well as Corporate and Other, based on its underlying business activities. As of December 31, 2021, Ally Bank had total assets of $172.8 billion, and total nonaffiliate deposits of $141.6 billion.

Our long-term strategic objectives are centered around differentiating our company as a relentless ally for the financial well-being of our consumer, commercial, and corporate customers by (1) leveraging our "Do it Right" purpose-driven culture as we drive enhanced value for our customers, communities, employees, and stockholders, (2) growing and diversifying our leading automotive, insurance, and digital-bank platforms through increased scale and expanded product solutions, (3) driving ongoing customer growth and relationship deepening, (4) operating under efficient, disciplined risk management and capital allocation approaches, (5) out-executing our competition and creating differentiated advantages through continuous investment and evolution among our leading experiences, products, and brand, and (6) delivering long-term value evident through sustainable financial results and stockholder returns. We seek to extend our leading position in automotive finance in the United States by continuing to provide automotive dealers and their retail customers with premium service, a comprehensive product suite, consistent funding, and competitive pricing—reflecting our commitment to the automotive industry. Within our Automotive Finance and Insurance operations, we are also focused on strengthening our network of dealer relationships and pursuing digital distribution channels for our products and services, including through our operation of a direct-lending platform and our work with dealers innovating in digital transactions—all while maintaining an appropriate level of risk appetite. Within our other banking operations—including Mortgage Finance and Corporate Finance—we seek to expand our consumer and commercial banking products and services while providing a high level of customer service. Ally Lending currently serves medical, retail, and home improvement service providers by enabling promotional and fixed rate installment-loan products through a digital application process at point-of-sale. We continue to focus on delivering significant and sustainable growth and retention in deposit customers and balances while optimizing our cost of funds. At Ally Invest, we seek to augment our securities-brokerage and investment-advisory services to more comprehensively assist our customers in managing their savings and wealth. Additionally, we acquired Fair Square in December 2021, which provides us with a scalable, digital-first credit card platform, and advances our evolution as a leading digital consumer bank. Ally Credit Card (formerly Fair Square) features leading-edge technology, and a proprietary, analytics-based underwriting model. We believe the addition of credit card to our suite of products enhances our ability to grow and deepen both new and existing customer relationships.

Unless the context otherwise requires, the following definitions apply. The term "loans" means the following consumer and commercial products associated with our direct and indirect financing activities: loans, retail installment sales contracts, lines of credit, and other financing products excluding operating leases. The term "operating leases" means consumer- and commercial-vehicle lease agreements where Ally is the lessor and the lessee is generally not obligated to acquire ownership of the vehicle at lease-end or compensate Ally for the vehicle's residual value. The terms "lend," "finance," and "originate" mean our direct extension or origination of loans, our purchase or acquisition of loans, or our purchase of operating leases as applicable. The term "consumer" means all consumer products associated with our loan and operating-lease activities and all commercial retail installment sales contracts. The term "commercial" means all commercial products associated with our loan activities, other than commercial retail installment sales contracts. The term "partnerships" means business arrangements rather than partnerships as defined by law.

For further details and information related to our business segments and the products and services they provide, refer to the MD&A in Part II, Item 7 of this report, and Note 26 to the Consolidated Financial Statements.

Industry and Competition

The markets for automotive financing, insurance, banking (including corporate finance, mortgage finance, point-of-sale personal lending, and consumer credit cards), securities-brokerage, and investment-advisory services are highly competitive. We directly compete in the automotive financing market with banks, credit unions, captive automotive finance companies, and independent finance companies. Our insurance business also faces significant competition from automotive manufacturers, captive automotive finance companies, insurance carriers, third-party administrators, brokers, and other insurance-related companies. Some of these competitors in automotive financing and insurance, such as captive automotive finance companies, have certain exclusivity privileges with automotive manufacturers whose customers and dealers make up a significant portion of our customer base. In addition, our banking, securities-brokerage, and investment-advisory businesses face intense competition from banks, savings associations, finance companies, credit unions, mutual funds, investment advisers, asset managers, brokerage firms, hedge funds, insurance companies, mortgage-banking companies, and credit-card companies. Financial-technology (fintech) companies also compete with us directly and in partnership with other banks and financial-services providers in lending, deposits, securities-brokerage, investment-advisory, and other markets.

Many of our competitors have substantial positions nationally or in the markets in which they operate. Some also have significantly greater scale, financial and operational resources, investment capacity, and brand recognition. Our competitors may be subject to different and, in some cases, less stringent legislative, regulatory, and supervisory regimes than Ally. A range of competitors differ from us in their strategic and tactical priorities and, for example, may be willing to suffer meaningful financial losses in the pursuit of disruptive innovation and customer growth or to accept more aggressive business, compliance, and other risks in the pursuit of higher returns and market valuations. Competition affects every aspect of our business, including product and service offerings and features, rates, pricing and fees, credit limits, and customer service. Successfully competing in our markets also depends on our ability to innovate, to invest in technology and infrastructure, to execute transactions reliably and efficiently, to maintain and enhance our reputation, and to attract, retain, and motivate talented employees, all while effectively managing risks and expenses. We expect that competition will only intensify in the future.

Regulation and Supervision

We are subject to significant regulatory frameworks in the United States—at federal, state, and local levels—that affect the products and services that we may offer and the manner in which we may offer them, the risks that we may take, the ways in which we may operate, and the corporate and financial actions that we may take. We also have limited businesses and operations in Canada and other countries that must comply with expansive legal frameworks there as well.

We are also subject to direct supervision and periodic examinations by various governmental agencies and industry SROs that are charged with overseeing the kinds of business activities in which we engage, including the FRB, the UDFI, the FDIC, the CFPB, the SEC, FINRA, and a number of state regulatory and licensing authorities such as the NYDFS. These agencies and organizations generally have broad authority and discretion in restricting and otherwise affecting our businesses and operations and may take formal or informal supervisory, enforcement, and other actions against us when, in the applicable agency's or organization's judgment, our businesses or operations fail to comply with applicable law, comport with safe and sound practices, or meet its supervisory expectations.

This system of regulation, supervision, and examination is intended primarily for the protection and benefit of our depositors and other customers, the FDIC's DIF, the banking and financial systems as a whole, and the broader economy—and not for the protection or benefit of our stockholders (except in the case of securities laws) or non-deposit creditors. The scope, intensity, and focus of this system can vary from time to time for reasons that range from the state of the economic and political environments to the performance of our businesses and operations, but for the foreseeable future, we expect to remain subject to extensive regulation, supervision, and examinations.

This section summarizes some relevant provisions of the principal statutes, regulations, and other laws that apply to us. The descriptions, however, are not complete and are qualified in their entirety by the full text and judicial or administrative interpretations of those laws and other laws that affect us.

Bank Holding Company, Financial Holding Company, and Depository Institution Status

Ally and IB Finance, a Delaware limited liability company, are BHCs under the BHC Act. Ally is also an FHC under the GLB Act. IB Finance is a direct subsidiary of Ally and the direct parent of Ally Bank, which is a commercial bank that is organized under the laws of the State of Utah and whose deposits are insured by the FDIC under the FDI Act. As BHCs, Ally and IB Finance are subject to regulation, supervision, and examination by the FRB. Ally Bank is a member of the Federal Reserve System and is subject to regulation, supervision, and examination by the FRB, the UDFI, the FDIC, and the CFPB.

- ***Permitted Activities*** — Under the BHC Act, BHCs and their subsidiaries are generally limited to the business of banking and to closely related activities that are incident to banking. The GLB Act amended the BHC Act and created a regulatory framework for FHCs, which are BHCs that meet certain qualifications and elect FHC status. FHCs, directly or indirectly through their nonbank subsidiaries, are generally permitted to engage in a broader range of financial and related activities than those that are permissible for BHCs—for example, (1) underwriting, dealing in, and making a market in securities; (2) providing financial, investment, and economic advisory services; (3) underwriting insurance; and (4) merchant banking activities. The FRB regulates, supervises, and examines FHCs, as it does all BHCs, but insurance and securities activities conducted by an FHC or any of its nonbank subsidiaries are also regulated, supervised, and examined by functional regulators such as state insurance commissioners, the SEC, or FINRA. The expanded powers permitted to FHCs include the ability to provide insurance products and services, to deliver our SmartAuction finder services and a number of related vehicle-remarketing services for third parties, and to offer certain kinds of brokerage and

advisory services. To remain eligible to conduct and expand these broader financial and related activities, Ally must continue to be treated as an FHC. Refer to Note 20 to the Consolidated Financial Statements and the section below titled *Basel Capital Frameworks* for additional information. In addition, our ability to expand these financial and related activities or to make acquisitions generally requires that we achieve a rating of satisfactory or better under the CRA.

Further, under the BHC Act, we may be subject to approvals, conditions, and other restrictions when seeking to acquire control over another entity or its assets. For this purpose, "control" includes (a) directly or indirectly owning, controlling, or holding the power to vote 25% or more of any class of the entity's voting securities, (b) controlling in any manner the election of a majority of the entity's directors, trustees, or individuals performing similar functions, or (c) directly or indirectly exercising a controlling influence over the management or policies of the entity. Under rules of the FRB, whether Ally is presumed to have a "controlling influence" over an entity is determined by applying a framework of tiered presumptions of control that are based on the percentage of a class of voting securities held by Ally and nine other relationships with the entity. For example, Ally would be presumed to have such a controlling influence with less than 5% of a class of voting securities and any of the following: a management agreement with the entity, one-half or more of the directors on the entity's board, or one-third or more of the total equity in the entity.

- ***Enhanced Prudential Standards*** — Ally is subject to enhanced prudential standards that have been established by the FRB under the Dodd-Frank Act. Targeted amendments to the Dodd-Frank Act and other financial-services laws were enacted through the EGRRCP Act, including amendments that affect whether and, if so, how the FRB applies enhanced prudential standards to BHCs like us with $100 billion or more but less than $250 billion in total consolidated assets. Through final rules implementing these amendments—which are commonly known as the tailoring framework—the FRB and other U.S. banking agencies established four risk-based categories of prudential standards and capital and liquidity requirements for banking organizations with $100 billion or more in total consolidated assets. The most stringent standards and requirements apply to U.S. global systemically important BHCs, which are assigned to Category I. The assignment of other banking organizations to the remaining three categories is based on measures of size and four other risk-based indicators: cross-jurisdictional activity, wSTWF, nonbank assets, and off-balance-sheet exposure. Under the tailoring framework, Ally is a Category IV firm and, as such, is (1) subject to supervisory stress testing on a two-year cycle (2) required to submit an annual capital plan to the FRB, (3) exempted from company-run stress testing requirements, (4) required to maintain a buffer of unencumbered highly liquid assets to meet projected net stressed cash outflows over a 30-day planning horizon, (5) exempted from the requirements of the LCR and the net stable funding ratio provided that our average wSTWF continues to remain under $50 billion, and (6) exempted from the requirements of the supplementary leverage ratio, the countercyclical capital buffer, and single-counterparty credit limits. We are subject to rules enabling the FRB to conduct supervisory stress testing on a more or less frequent basis based on our financial condition, size, complexity, risk profile, scope of operations, or activities or based on risks to the U.S. economy. Further, we are subject to rules requiring the resubmission of our capital plan if we determine that there has been or will be a material change in our risk profile, financial condition, or corporate structure since we last submitted the capital plan or if the FRB determines that (a) our capital plan is incomplete or our capital plan or internal capital adequacy process contains material weaknesses, (b) there has been, or will likely be, a material change in our risk profile (including a material change in our business strategy or any risk exposure), financial condition, or corporate structure, or (c) the BHC stress scenario(s) are not appropriate for our business model and portfolios, or changes in the financial markets or the macroeconomic outlook that could have a material impact on our risk profile and financial condition require the use of updated scenarios. While a resubmission is pending, without prior approval of the FRB, we would generally be prohibited from paying dividends, repurchasing our common stock, or making other capital distributions. In addition, to satisfy the FRB in its review of our capital plan, we may be required to further cease or limit these capital distributions or to issue capital instruments that could be dilutive to stockholders. The FRB also may prevent us from maintaining or expanding lending or other business activities.

- ***Capital Adequacy Requirements*** — Ally and Ally Bank are subject to various capital adequacy requirements. Refer to Note 20 to the Consolidated Financial Statements and the section below titled *Basel Capital Frameworks* for additional information.

- ***Capital Planning and Stress Tests*** — Under the tailoring framework described earlier in *Enhanced Prudential Standards*, Ally is generally subject to supervisory stress testing on a two-year cycle and exempted from mandated company-run capital stress testing requirements. Ally is also required to submit an annual capital plan to the FRB. Ally's annual capital plan must include an assessment of its expected uses and sources of capital and a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any dividend or other capital distribution, and any similar action that the FRB determines could have an impact on our capital. The plan must also include a detailed description of Ally's process for assessing capital adequacy, including a discussion of how Ally, under expected and stressful conditions, will maintain capital commensurate with its risks and above the minimum regulatory capital ratios, will serve as a source of strength to Ally Bank, and will maintain sufficient capital to continue its operations by maintaining ready access to funding, meeting its obligations to creditors and other counterparties, and continuing to serve as a credit intermediary.

In January 2021, the FRB issued a final rule effective April 5, 2021, to align its capital planning and stress capital buffer requirements with the tailoring framework. Refer to the section below titled *Basel Capital Framework* for further discussion about our stress capital buffer requirements. Under the final rule, unless otherwise directed by the FRB in specified circumstances, Ally and other Category IV firms are generally no longer required to calculate forward-looking projections of revenues, losses, reserves, and pro forma capital levels under scenarios provided by the FRB. Each firm continues to be required, however, to provide a forward-looking analysis of income and capital levels under expected and stressful conditions that are designed by the firm. In

addition, for Category IV firms, the final rule updated the frequency of calculating the portion of the stress capital buffer derived from the supervisory stress test to every other year. These firms have the ability to elect to participate in the supervisory stress test —and receive a correspondingly updated stress capital buffer requirement—in a year in which they would not generally be subject to the supervisory stress test. During a year in which a Category IV firm does not undergo a supervisory stress test, the firm would receive an updated stress capital buffer requirement that reflects its updated planned common-stock dividends. The final rule also includes reporting and other changes consistent with the tailoring framework. Ally did not opt into the 2021 supervisory stress test but will be subject to the 2022 supervisory stress test, with submissions due by April 5, 2022.

We submitted our 2021 capital plan on April 5, 2021, which includes planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon and other capital actions. During the second quarter of 2021, we issued $1.35 billion of Series B Preferred Stock and $1.0 billion of Series C Preferred Stock, both of which qualify as additional Tier 1 capital under U.S. Basel III. The proceeds from these issuances were used to redeem a portion of the Series 2 TRUPS then outstanding. Refer to Note 15 and Note 17 to the Consolidated Financial Statements for additional details about these instruments and capital actions. In June 2021, we submitted an updated capital plan to the FRB reflecting these capital actions and increases in our stock-repurchase program and common-stock dividend. This updated capital plan was used by the FRB to recalculate Ally's final stress capital buffer requirement, which was announced in August 2021 and remained unchanged at 3.5%.

- ***Resolution Planning*** — Under rules of the FDIC, Ally Bank is required to periodically submit to the FDIC a resolution plan (commonly known as a living will) that would enable the FDIC, as receiver, to resolve Ally Bank in the event of its insolvency under the FDI Act in a manner that ensures that depositors receive access to their insured deposits within one business day of Ally Bank's failure (two business days if the failure occurs on a day other than Friday), maximizes the net present value return from the sale or disposition of its assets, and minimizes the amount of any loss realized by the creditors in the resolution. If the FDIC determines that the resolution plan is not credible and the deficiencies are not adequately remedied in a timely manner, the FDIC may take formal or informal supervisory, enforcement, and other actions against us. Ally Bank submitted its most recent resolution plan on July 1, 2018. In April 2019, the FDIC issued an advance notice of proposed rulemaking seeking comment on ways to tailor and improve its resolution-planning rules and, at the same time, delayed the next round of resolution-plan submissions until the rulemaking process has been completed. In January 2021 the FDIC announced that, given the passage of time since the last submission of resolution plans and the uncertain economic outlook, the FDIC will resume requiring resolution plan submissions for insured depository institutions with $100 billion or more in assets, including Ally Bank. In June 2021 the FDIC outlined a modified approach to implementing its rule requiring these insured depository institutions to submit resolution plans. The modified approach extends the submission frequency to a three-year cycle, streamlines content requirements, and places enhanced emphasis on engagement with firms. Under the modified approach, resolution plans will be submitted in two groups, with the first group consisting of insured depository institutions, like Ally Bank, whose top-tier parent company is not a U.S. global systemically important bank or a Category II firm and the second group consisting of all other insured depository institutions with $100 billion or more in total assets. In August 2021, the FDIC notified Ally Bank that its next resolution plan submission is due on or before December 1, 2022. Under the tailoring framework described earlier in *Enhanced Prudential Standards*, Ally is no longer required to submit to the FRB and the FDIC a plan for the rapid and orderly resolution of Ally and its significant legal entities under the U.S. Bankruptcy Code and other applicable insolvency laws in the event of future material financial distress or failure.

- ***Limitations on Bank and BHC Dividends and Other Capital Distributions*** — Federal and Utah law place a number of conditions, limits, and other restrictions on dividends and other capital distributions that may be paid by Ally Bank to IB Finance and thus indirectly to Ally. In addition, even if the FRB does not require us to resubmit our capital plan as described earlier in *Capital Planning and Stress Tests*, Ally and IB Finance may be precluded from or limited in paying dividends or other capital distributions without the FRB's approval under certain circumstances—for example, if Ally or IB Finance were to not meet minimum regulatory capital ratios after giving effect to the distributions. FRB supervisory guidance also directs BHCs like us to consult with the FRB prior to increasing dividends, implementing common-stock-repurchase programs, or redeeming or repurchasing capital instruments. Further, the U.S. banking agencies are authorized to prohibit an insured depository institution, like Ally Bank, or a BHC, like Ally, from engaging in unsafe or unsound banking practices and, depending upon the circumstances, could find that paying a dividend or other capital distribution would constitute an unsafe or unsound banking practice.

  On January 10, 2022, our Board authorized a stock-repurchase program, permitting us to repurchase up to $2.0 billion of our common stock from time to time from the first quarter of 2022 through the fourth quarter of 2022, and an increase in our cash dividend on common stock from $0.25 per share for the fourth quarter of 2021 to $0.30 per share for the first quarter of 2022. For additional information on our capital actions, including our stock-repurchase program and dividends on our common stock, refer to Note 20 to the Consolidated Financial Statements. Our ability to make capital distributions, including our ability to pay dividends or repurchase shares of our common stock, will continue to be subject to the FRB's review and our internal governance requirements, including approval by our Board. The amount and size of any future dividends and share repurchases also will be subject to various factors, including Ally's capital and liquidity positions, accounting and regulatory considerations (including any restrictions that may be imposed by the FRB), impacts related to the COVID-19 pandemic, financial and operational performance, alternative uses of capital, common-stock price, and general market conditions, and may be extended, modified, or discontinued at any time.

- ***Transactions with Affiliates*** — Sections 23A and 23B of the Federal Reserve Act and the FRB's Regulation W prevent Ally and its nonbank subsidiaries from taking undue advantage of the benefits afforded to Ally Bank as a depository institution, including its access to federal deposit insurance and the FRB's discount window. Pursuant to these laws, "covered transactions"—including Ally

Bank's extensions of credit to and asset purchases from its affiliates, credit exposures to affiliates arising from derivative transactions, securities lending and borrowing transactions, and the acceptance of affiliate-issued debt obligations (other than securities) as collateral—are generally subject to meaningful restrictions. For example, unless otherwise exempted, (1) covered transactions are limited to 10% of Ally Bank's capital stock and surplus in the case of any individual affiliate and 20% of Ally Bank's capital stock and surplus in the case of all affiliates; (2) Ally Bank's credit transactions with an affiliate are generally subject to stringent collateralization requirements; (3) with few exceptions, Ally Bank may not purchase any "low quality asset" from an affiliate; and (4) covered transactions must be conducted on terms and conditions that are consistent with safe and sound banking practices (collectively, Affiliate Transaction Restrictions). In addition, transactions between Ally Bank and an affiliate must be on terms and conditions that are either substantially the same as or more beneficial to Ally Bank than those prevailing at the time for comparable transactions with or involving nonaffiliates.

These laws include an attribution rule that treats a transaction between Ally Bank and a nonaffiliate as a transaction between Ally Bank and an affiliate to the extent that the proceeds of the transaction are used for the benefit of or transferred to the affiliate.

- ***Source of Strength*** — The Dodd-Frank Act codified the FRB's policy requiring a BHC, like Ally, to serve as a source of financial strength for a depository-institution subsidiary, like Ally Bank, and to commit resources to support the subsidiary in circumstances when Ally might not otherwise elect to do so. The functional regulator of any nonbank subsidiary of Ally, however, may prevent that subsidiary from directly or indirectly contributing its financial support, and if that were to preclude Ally from serving as an adequate source of financial strength, the FRB may instead require the divestiture of Ally Bank and impose operating restrictions pending such a divestiture.

- ***Single-Point-of-Entry Resolution Authority*** — Under the Dodd-Frank Act, a BHC whose failure would have serious adverse effects on the financial stability of the United States may be subjected to an FDIC-administered resolution regime called the orderly liquidation authority as an alternative to bankruptcy. If Ally were to be placed into receivership under the orderly liquidation authority, the FDIC as receiver would have considerable rights and powers in liquidating and winding up Ally, including the ability to assign assets and liabilities without the need for creditor consent or prior court review and the ability to differentiate and determine priority among creditors. In doing so, moreover, the FDIC's primary goal would be a liquidation that mitigates risk to the financial stability of the United States and that minimizes moral hazard. Under the FDIC's proposed single-point-of-entry strategy for the resolution of a systemically important financial institution under the orderly liquidation authority, the FDIC would place the top-tier U.S. holding company in receivership, keep its operating subsidiaries open and out of insolvency proceedings by transferring them to a new bridge holding company, impose losses on the stockholders and creditors of the holding company in receivership according to their statutory order of priority, and address the problems that led to the institution's failure.

- ***Acceptance of Brokered Deposits*** — Under FDICIA and the PCA framework described later in *Basel Capital Framework*, insured depository institutions such as Ally Bank must be well capitalized or, with a waiver from the FDIC, adequately capitalized in order to accept brokered deposits, and even adequately capitalized institutions are subject to some restrictions on the rates they may offer for brokered deposits. At December 31, 2021, Ally Bank was well capitalized under the PCA framework. Brokered deposits totaled $4.7 billion at December 31, 2021, which represented 3.3% of Ally Bank's total deposits.

- ***Enforcement Authority*** — The FRB possesses extensive authorities and powers to regulate and supervise the conduct of Ally's businesses and operations. If the FRB were to take the position that Ally or any of its subsidiaries have violated any law or commitment or engaged in any unsafe or unsound practice, formal or informal enforcement and other supervisory actions could be taken by the FRB against Ally, its subsidiaries, and institution-affiliated parties (such as directors, officers, and agents). The UDFI and the FDIC have similarly expansive authorities and powers over Ally Bank and its subsidiaries. For example, any of these governmental authorities could order us to cease and desist from engaging in specified activities or practices or could affirmatively compel us to correct specified violations or practices. Some or all of these governmental authorities also would have the power, as applicable, to issue administrative orders against us that can be judicially enforced, to direct us to increase capital and liquidity, to limit our dividends and other capital distributions, to restrict or redirect the growth of our assets, businesses, and operations, to compel us to change our practices and remediate harm alleged to have been suffered by consumers or others, to assess civil money penalties against us, to remove our officers and directors, to require the divestiture or the retention of assets or entities, to terminate deposit insurance, or to force us into bankruptcy, conservatorship, or receivership. These actions could directly affect not only Ally, its subsidiaries, and institution-affiliated parties but also Ally's counterparties, stockholders, and creditors and its commitments, arrangements, and other dealings with them.

In addition, the CFPB has broad authorities and powers to enforce federal consumer-protection laws involving financial products and services. The CFPB has exercised these authorities and powers through public enforcement actions, lawsuits, and consent orders and through nonpublic enforcement actions.

The SEC, FINRA, the Department of Justice, state attorneys general, and other domestic or foreign governmental authorities also have an array of means at their disposal to regulate and enforce matters within their jurisdiction that could impact Ally's businesses and operations.

Basel Capital Framework

The FRB and other U.S. banking agencies have adopted risk-based and leverage capital standards that establish minimum capital-to-asset ratios for BHCs, like Ally, and depository institutions, like Ally Bank.

The risk-based capital ratios are based on a banking organization's RWAs, which are generally determined under the standardized approach applicable to Ally and Ally Bank by (1) assigning on-balance-sheet exposures to broad risk-weight categories according to the counterparty or, if relevant, the guarantor or collateral (with higher risk weights assigned to categories of exposures perceived as representing greater risk), and (2) multiplying off-balance-sheet exposures by specified credit conversion factors to calculate credit equivalent amounts and assigning those credit equivalent amounts to the relevant risk-weight categories. The leverage ratio, in contrast, is based on an institution's average unweighted on-balance-sheet exposures.

Under U.S. Basel III, Ally and Ally Bank must maintain a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum total risk-based capital ratio of 8%. In addition to these minimum risk-based capital ratios, Ally and Ally Bank are subject to a capital conservation buffer requirement, which for Ally was 3.5% and for Ally Bank was 2.5% as of December 31, 2021. Failure to maintain more than the full amount of the capital conservation buffer requirement would result in automatic restrictions on the ability of Ally and Ally Bank to make capital distributions, including dividend payments and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. U.S. Basel III also subjects Ally and Ally Bank to a minimum Tier 1 leverage ratio of 4%.

Prompted by the enactment of the EGRRCP Act, the FRB and other U.S. banking agencies tailored the capital and liquidity requirements that apply to large U.S. banking organizations. Refer to the section above titled *Bank Holding Company, Financial Holding Company, and Depository Institution Status* for additional information. In March 2020, the FRB issued a final rule to more closely align forward-looking stress testing results with the FRB's non-stress regulatory capital requirements for BHCs with $100 billion or more in total consolidated assets and other specified companies. The final rule introduced a stress capital buffer requirement based on firm-specific stress test performance and planned dividends, which for Ally replaced the fixed 2.5% component of the capital conservation buffer requirement. The final rule also made several changes to the CCAR process effective May 2020, such as eliminating the CCAR quantitative objection, narrowing the set of planned capital actions assumed to occur in the stress scenario, assuming that a firm maintains a constant level of assets over the planning horizon, eliminating the 30% dividend payout ratio as a criterion for heightened scrutiny of a firm's capital plan, and allowing a firm to make capital distributions in excess of those included in its capital plan if the firm is otherwise in compliance with the automatic distribution limits of the capital framework. Under the final rule, Ally's stress capital buffer requirement is the greater of 2.5% and the result of the following calculation: (1) the difference between Ally's starting and minimum projected Common Equity Tier 1 capital ratios under the severely adverse scenario in the supervisory stress test, plus (2) the sum of the dollar amount of Ally's planned common stock dividends for each of the fourth through seventh quarters of its nine-quarter capital planning horizon, as a percentage of RWAs. For a Category IV firm like Ally, the capital conservation buffer requirement comprises the stress capital buffer requirement. The capital conservation buffer requirement applicable to Ally's depository-institution subsidiary, Ally Bank, continues to be a fixed 2.5%. Ally received its first preliminary stress capital buffer requirement from the FRB in June 2020, which was determined under this new methodology to be 3.5%, was finalized in August 2020, and became effective in October 2020. In June 2020, the FRB also announced its determination that changes in financial markets or the macroeconomic outlook could have a material effect on the risk profiles and financial conditions of firms subject to the capital-plan rule and that, as a result, the firms (including Ally) would be required to resubmit capital plans to the FRB within 45 days after receiving updated stress scenarios from the FRB. On June 24, 2021, we received notification from the FRB that our stress capital buffer requirement would not be recalculated in connection with the second round of 2020 supervisory stress testing.

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

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

The risk-based capital ratios and the Tier 1 leverage ratio play a central role in PCA, which is an enforcement framework used by the U.S. banking agencies to constrain the activities of depository institutions based on their levels of regulatory capital. Five categories have been established using thresholds for the Common Equity Tier 1 risk-based capital ratio, the Tier 1 risk-based capital ratio, the total risk-based capital ratio, and the Tier 1 leverage ratio: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. FDICIA generally prohibits a depository institution from making any capital distribution, including any payment of a cash dividend or a management fee to its BHC, if the depository institution would become undercapitalized after the distribution. An undercapitalized institution is also subject to growth limitations and must submit and fulfill a capital restoration plan. While BHCs are not subject to the PCA framework, the FRB is empowered to compel a BHC to take measures—such as the execution of financial or performance

guarantees—when PCA is required in connection with one of its depository-institution subsidiaries. At December 31, 2021, Ally Bank was well capitalized under the PCA framework.

At December 31, 2021, Ally and Ally Bank were in compliance with their regulatory capital requirements. For an additional discussion of capital adequacy requirements, refer to Note 20 to the Consolidated Financial Statements.

On January 1, 2020, we adopted CECL, which is further described in Note 1 to the Consolidated Financial Statements. In December 2018, the FRB and other U.S. banking agencies approved a final rule to address the impact of CECL on regulatory capital by allowing BHCs and banks, including Ally, the option to phase in the day-one impact of CECL over a three-year period. In March 2020, the FRB and other U.S. banking agencies issued an interim final rule that became effective for the first quarter of 2020 and that provided BHCs and banks with an alternative option to temporarily delay an estimate of the impact of CECL, relative to the incurred loss methodology for estimating the allowance for loan losses, on regulatory capital. The interim final rule was clarified and adjusted in a final rule that became effective in September 2020. We elected this alternative option instead of the one described in the December 2018 rule. As a result, under the final rule, we delayed recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extended through December 31, 2021. Beginning on January 1, 2022, we are required to phase in 25% of the previously deferred estimated capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025. The estimated impact of CECL on regulatory capital that we deferred and began phasing in on January 1, 2022, is generally calculated as the entire day-one impact at adoption plus 25% of the subsequent change in allowance during the two-year deferral period. As of December 31, 2021, the total deferred impact on Common Equity Tier 1 capital related to our adoption of CECL was $1.2 billion.

In December 2017, the Basel Committee approved revisions to the global Basel III capital framework (commonly known as the Basel III endgame or as Basel IV), many of which—if adopted in the United States—could heighten regulatory capital standards. In March 2020, to better allow banking organizations to focus their resources on navigating the COVID-19 pandemic, the implementation date of these revisions was delayed by the Basel Committee from January 1, 2022, to January 1, 2023. At this time, how the revisions will be harmonized and finalized in the United States is not clear or predictable.

Insured Depository Institution Status

Ally Bank is an insured depository institution and, as such, is required to file periodic reports with the FDIC about its financial condition. Total assets of Ally Bank were $172.8 billion at December 31, 2021, $172.0 billion at December 31, 2020, and $167.5 billion at December 31, 2019.

Ally Bank's deposits are insured by the FDIC in the standard insurance amounts per depositor for each account ownership category as prescribed by the FDI Act. Deposit insurance is funded through assessments on Ally Bank and other insured depository institutions, and under the Dodd-Frank Act, the FDIC assesses premiums from each institution based on its average consolidated total assets minus its average tangible equity, while utilizing a scorecard method to determine each institution's risk to the DIF. The FDIC may take action to increase insurance premiums if the DIF is not funded to its regulatory-mandated Designated Reserve Ratio (DRR). Currently, the FDIC is required to maintain a DRR of 1.35% under the FDI Act. In 2020, due to extraordinary growth in insured deposits after the start of the COVID-19 pandemic, the DIF reserve ratio fell below the 1.35% statutory minimum. The FDI Act requires that the FDIC adopt a restoration plan when the DIF reserve ratio falls below 1.35% or is expected to do so within six months. The plan must restore the DIF reserve ratio to at least 1.35% within eight years, absent extraordinary circumstances. On September 15, 2020, the FDIC announced its restoration plan, projecting the DIF reserve ratio to return to a level above 1.35% without any increase to the deposit insurance assessment rate schedule while committing to closely monitor economic conditions, the health of the banking sector, and deposit-growth trends.

If an insured depository institution like Ally Bank were to become insolvent or if other specified events were to occur relating to its financial condition or the propriety of its actions, the FDIC may be appointed as conservator or receiver for the institution. In that capacity, the FDIC would have the power to (1) transfer assets and liabilities of the institution to another person or entity without the approval of the institution's creditors; (2) require that its claims process be followed and to enforce statutory or other limits on damages claimed by the institution's creditors; (3) enforce the institution's contracts or leases according to their terms; (4) repudiate or disaffirm the institution's contracts or leases; (5) seek to reclaim, recover, or recharacterize transfers of the institution's assets or to exercise control over assets in which the institution may claim an interest; (6) enforce statutory or other injunctions; and (7) exercise a wide range of other rights, powers, and authorities, including those that could impair the rights and interests of all or some of the institution's creditors. In addition, the administrative expenses of the conservator or receiver could be afforded priority over all or some of the claims of the institution's creditors, and under the FDI Act, the claims of depositors (including the FDIC as subrogee of depositors) would enjoy priority over the claims of the institution's unsecured creditors.

Investments in Ally

Because Ally Bank is an insured depository institution and Ally and IB Finance are BHCs, direct or indirect control of us—whether through the ownership of voting securities, influence over management or policies, or other means—is subject to approvals, conditions, and other restrictions under federal and state laws. Refer to the section above titled *Bank Holding Company, Financial Holding Company, and Depository Institution Status* for additional information. These laws may differ in their purposes, definitions and presumptions of control, and restrictions, which for example is the case as between the BHC Act and the Change in Bank Control Act. Investors are responsible for ensuring that they do not, directly or indirectly, acquire control of us in contravention of these laws.

Insurance Companies

Some of our insurance operations—including in the United States, Canada, and Bermuda—are subject to certain minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance laws, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance laws, dividend distributions may be made only from statutory unassigned surplus with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. Our insurance operations are also subject to applicable state and foreign laws generally governing insurance companies, as well as laws addressing products that are not regulated as insurance, such as VSCs and GAP waivers.

Consumer Finance

Our retail-automotive, consumer-mortgage, personal-lending, and credit-card businesses are subject to extensive federal, state, and local laws, including related judicial and administrative decisions. These laws, for example, may impose licensing obligations and financial requirements; limit the interest rates, finance charges, and other fees that can be charged; regulate the use of credit reports and the reporting of credit information; impose underwriting requirements; regulate marketing techniques and practices; require the safeguarding of nonpublic information about customers; and regulate servicing practices, including in connection with assessments, collection and foreclosure activities, claims handling, and investment and interest payments on escrow accounts. The laws applicable to consumer finance are complex and subject to change and to changes in interpretation and enforcement. Further, many existing laws were enacted without anticipating all of the technological and related innovations utilized by financial-technology firms and the financial-services companies that partner with them, and as a result, the application of these legal frameworks is not always clear and can be subject to wide supervisory and enforcement discretion.

Ally Invest Subsidiaries

Ally Invest Securities LLC (Ally Invest Securities) is registered as a securities broker-dealer with the SEC and in all 50 states, the District of Columbia, and Puerto Rico, is registered with the Municipal Securities Rulemaking Board as a municipal securities broker-dealer, and is a member of FINRA and the Securities Investor Protection Corporation (SIPC). As a result, Ally Invest Securities and its personnel are subject to extensive requirements under the Securities Exchange Act of 1934, as amended (Exchange Act), SEC regulations, SRO rules, and state laws, which collectively cover all aspects of the firm's securities activities—including sales and trading practices, capital adequacy, recordkeeping, privacy, anti-money laundering, financial and other reporting, supervision, misuse of material nonpublic information, conduct of its business in accordance with just and equitable principles of trade, and personnel qualifications. The firm operates as an introducing broker and clears all transactions, including all customer transactions, through a third-party clearing broker-dealer on a fully disclosed basis.

Ally Invest Forex LLC (Ally Invest Forex) is registered with the CFTC as an introducing broker and is a member of the NFA, which is the primary SRO for the U.S. futures industry. The firm is subject to similarly expansive requirements under the Commodity Exchange Act, CFTC and NFA rules governing introducing brokers and their personnel, and CFTC retail forex rules.

Ally Invest Advisors Inc. (Ally Invest Advisors) is registered as an investment adviser with the SEC. As a result, the firm is subject to a host of requirements governing investment advisers and their personnel under the Investment Advisers Act of 1940, as amended, and related rules and regulations, including certain fiduciary and other obligations with respect to its relationships with its investment advisory clients.

Regulators conduct periodic examinations of Ally Invest Securities, Ally Invest Forex, and Ally Invest Advisors and regularly review reports that the firms are required to submit on an ongoing basis. Violations of relevant regulatory requirements could result in adverse consequences for the firms and their personnel, including censure, penalties and fines, the issuance of cease-and-desist orders, and restriction, suspension or expulsion from the securities or commodity-futures industries.

Other Laws

Ally is subject to numerous federal, state, and local statutes, regulations, and other laws, and the possibility of violating applicable law presents ongoing compliance, operational, reputation, and other risks to Ally. Some of the other more significant laws to which we are subject include:

- ***Privacy and Data Security*** — The GLB Act and related regulations impose obligations on financial institutions to safeguard specified consumer information maintained by them, to provide notice of their privacy practices to consumers in specified circumstances, and to allow consumers to opt out of specified kinds of information sharing with unaffiliated parties. Related regulatory guidance also directs financial institutions to notify consumers in specified cases of unauthorized access to sensitive consumer information. In addition, most states have enacted laws requiring notice of specified cases of unauthorized access to information. In February 2017, the NYDFS adopted expansive cybersecurity regulations that require regulated entities to establish cybersecurity programs and policies, to designate chief information security officers, to comply with notice and reporting obligations, and to take other actions in connection with the security of their information. On January 1, 2020, a comprehensive privacy law went into effect in the State of California, requiring regulated entities to establish measures to identify, manage, secure, track, produce, and delete personal information.

  In November 2021, the U.S. banking agencies adopted a final rule establishing notification requirements for banking organizations and bank service providers in connection with significant computer security incidents. Under the rule, a BHC, such as Ally, and a state-chartered bank that is a member of the Federal Reserve System, such as Ally Bank, will be required to notify the FRB within 36 hours of incidents that have materially disrupted or degraded, or are reasonably likely to materially disrupt or degrade, the banking organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key

operations of the banking organization, or impact the stability of the financial sector. The rule will also require bank service providers to notify us of any computer security incident that has caused, or is reasonably likely to cause, a material service disruption for four or more hours. The final rule is effective April 1, 2022, with a mandatory compliance date of May 1, 2022.

- ***Volcker Rule*** — Under the Dodd-Frank Act and implementing regulations of the CFTC, the FDIC, the FRB, the Office of the Comptroller of the Currency, and the SEC (collectively, the Volcker Rule), insured depository institutions and their affiliates are prohibited, subject to limited exceptions, from (1) engaging in proprietary trading and (2) investing in or sponsoring certain types of funds (covered funds). The Volcker Rule contains exemptions for market-making, hedging, underwriting, and trading in U.S. government and agency obligations and also permits the retention of ownership interests in certain types of funds and the offering and sponsoring of funds under certain conditions. Effective January 1, 2020, the regulatory agencies amended the proprietary-trading provisions in the Volcker Rule to simplify and streamline compliance requirements for firms that do not have significant trading activity, such as Ally. In addition, effective October 1, 2020, the regulatory agencies amended the covered-fund provisions in the Volcker Rule to clarify and streamline their application and to permit banking entities to engage in activities that do not raise concerns that the Volcker Rule was intended to address, including in connection with specified credit funds, venture-capital funds, family-wealth-management vehicles, and customer-facilitation vehicles.

- ***Fair Lending Laws*** — The Equal Credit Opportunity Act, the Fair Housing Act, and similar fair-lending laws (collectively, Fair Lending Laws) generally prohibit a creditor from discriminating against an applicant or borrower in any aspect of a credit transaction on the basis of specified characteristics known as prohibited bases, such as race, gender, and religion. Creditors are also required under the Fair Lending Laws to follow a number of highly prescriptive rules, including rules requiring credit decisions to be made promptly, notices of adverse actions to be given, and, in the case of mortgage lenders of a certain size, anonymized data and information about mortgage applicants and credit decisions to be gathered and made publicly available.

- ***Fair Credit Reporting Act*** — The Fair Credit Reporting Act regulates the dissemination of credit reports by credit reporting agencies, requires users of credit reports to provide specified notices to the subjects of those reports, imposes standards on the furnishing of information to credit reporting agencies, obligates furnishers to maintain reasonable procedures to deal with the risk of identity theft, addresses the sharing of specified kinds of information with affiliates and third parties, and regulates the use of credit reports to make preapproved offers of credit and insurance to consumers.

- ***Truth in Lending Act*** — The Truth in Lending Act (TILA) and Regulation Z, which implements TILA, require lenders to provide borrowers with uniform, understandable information about the terms and conditions in certain credit transactions. These rules apply to Ally and its subsidiaries when they extend credit to consumers and require, in the case of certain loans, conspicuous disclosure of the finance charge and annual percentage rate, as applicable. In addition, if an advertisement for credit states specific credit terms, Regulation Z requires that the advertisement state only those terms that actually are or will be arranged or offered by the creditor together with specified notices. The CFPB in recent years has issued substantial amendments to the mortgage requirements under Regulation Z, and additional changes are likely in the future. Amendments to Regulation Z and Regulation X, which implements the Real Estate Settlement Procedures Act, require integrated mortgage loan disclosures to be provided for applications received on or after October 3, 2015. Further, TILA imposes a number of restrictions on credit-card practices impacting rates and fees, requires that a consumer's ability to pay be taken into account before issuing credit or increasing credit limits, and imposes certain disclosure requirements related to provision of open-end credit.

- ***Sarbanes-Oxley Act*** — The Sarbanes-Oxley Act of 2002 implemented a broad range of corporate-governance and accounting measures designed to improve the accuracy, reliability, and transparency of corporate financial reporting and disclosures and to reinforce the importance of corporate ethical standards. Among other things, this law provided for (1) the creation of an independent accounting oversight board; (2) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (3) additional corporate governance and responsibility measures including the requirement that the principal executive and financial officers certify financial statements; (4) the potential forfeiture of bonuses or other incentive-based compensation and profits from the sale of an issuer's securities by directors and senior officers in the 12 month period following initial publication of any financial statements that later require restatement; (5) an increase in the oversight and enhancement of certain requirements relating to audit committees and how they interact with the independent auditors; (6) requirements that audit committee members must be independent and are barred from accepting consulting, advisory, or other compensatory fees from the issuer; (7) requirements that companies disclose whether at least one member of the audit committee is a "financial expert" (as defined by the SEC) and, if not, why the audit committee does not have a financial expert; (8) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions, on non-preferential terms and in compliance with other bank regulatory requirements; (9) disclosure of a code of ethics; (10) requirements that management assess the effectiveness of internal control over financial reporting and that the independent registered public accounting firm attest to the assessment; and (11) a range of enhanced penalties for fraud and other violations.

- ***Bank Secrecy Act/Anti-Money-Laundering Requirements*** — The Bank Secrecy Act, as amended by the USA PATRIOT Act, contains provisions designed to detect and prevent the use of the U.S. financial system for money laundering and terrorist financing. The Bank Secrecy Act generally requires banks, certain other financial institutions, and, in certain cases, BHCs to undertake activities such as maintaining an anti-money-laundering program, verifying the identity of clients, monitoring for and reporting on suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to certain requests for information by regulatory authorities and law-enforcement agencies. In January 2021, the Bank Secrecy Act was amended by the

Anti-Money Laundering Act of 2020 (AMLA), which comprehensively reforms and modernizes U.S. anti-money-laundering laws. The AMLA codifies a risk-based approach to anti-money-laundering compliance for financial institutions, requires the U.S. Treasury Department to develop standards for evaluating technology and internal processes for Bank Secrecy Act compliance, directs the Financial Crimes Enforcement Network (FinCEN) to establish a registration database of beneficial-ownership information that designated companies will be required to report, and expands enforcement- and investigation-related authority and available sanctions for specified Bank Secrecy Act violations. In June 2021, FinCEN issued the priorities for anti-money laundering and countering the financing of terrorism policy, as required under the AMLA. The priorities include corruption, cybercrime, terrorist financing, fraud, transnational crime, drug trafficking, human trafficking, and proliferation financing. Many provisions of the AMLA will require additional rulemakings, reports, and other measures, and the impact of the AMLA will depend at least in part on their development and implementation.

- ***Community Reinvestment Act*** — Under the CRA, a bank has a continuing and affirmative obligation, consistent with its safe and sound operation, to help meet the credit needs of its entire community, including low- and moderate-income persons and neighborhoods. While the CRA does not establish specific lending requirements or programs, banks are rated on their performance in meeting the needs of their communities. In its most recent performance evaluation in 2020, Ally Bank received an "Outstanding" rating. In January 2020, Ally Bank began operating under a new three-year CRA strategic plan approved by the FRB. Failure by Ally Bank to maintain a "Satisfactory" or better rating under the CRA may adversely affect our ability to expand our financial and related activities as an FHC or make acquisitions. Refer to the section above titled *Bank Holding Company, Financial Holding Company, and Depository Institution Status* for additional information.

Human Capital

Our team members are integral to the success of our business, and central to our strategy is attracting, developing, and retaining talented individuals with the right skills to drive our business forward. We emphasize a working environment and company culture that embrace diverse talents, backgrounds, and perspectives and where colleagues feel valued as both individuals and members of the team. We had approximately 10,500 and 9,500 employees as of December 31, 2021, and 2020, respectively, which consisted primarily of full-time employees in the United States. Our employee growth for the year ended December 31, 2021, was primarily attributable to expansion in the overall business and our information technology organization.

Oversight and Governance

There are several processes in place to identify, prioritize, mitigate, and monitor human-capital risks. In alignment with our enterprise risk management framework, this promotes a well-controlled operational environment. We maintain enterprise policies and HR programs and conduct risk and control assessment and effectiveness tests, which are completed and reviewed, at least once a year. Transparency in risk reporting—through issue management, quarterly business reviews, and audits—provides appropriate governance and oversight. Our priority is to maintain the safety and soundness of Ally, our culture, and our workforce.

The Compensation, Nominating, and Governance Committee of the Board is responsible for the oversight of our human capital management. This Committee and Ally's Executive Council biannually review organizational health metrics and progress toward cultural priorities including our DE&I efforts. Annually, the full Board reviews and approves Ally's Code of Conduct and Ethics, which establishes how employees must conduct themselves and which is required to be attested to by all employees on an annual basis.

The management of our human capital resources is a core responsibility of our leaders. Leaders recognize the importance of attracting, engaging, and retaining talented employees at all levels of the organization. The HR leadership team reports to Ally's Chief HR Officer and includes our Chief Diversity Officer, our Chief Ethics Officer, and other direct reports that work with our leaders to identify human capital metrics that are designed to promote the health of our organization. Quarterly, our Chief Diversity Officer conducts a diversity council session with senior leaders.

Culture

We recognize our long-term success is underpinned by the strength of our purpose-driven culture—a culture that we believe sets us apart from the competition and gives us an advantage as we recruit and retain talented team members. Our people-first approach enables a winning customer-centric philosophy focused on resiliency, adaptability, and a growth-mindset-oriented drive to "Be (Even) Better." We strive to uphold our mantra to "Do it Right" through decisions and deeds at all levels of the organization, and we collectively commit to work with integrity and accountability and to uphold our core values in the workplace, the marketplace, and the community. Our culture is driven by our "LEAD" core values, where we emphasize that employees:

- [**L**]ook externally – We strive to meet and exceed the needs of our customers with agility, speed, and innovation. We continually evolve, respond quickly, and deliver a superior customer experience.

- [**E**]xecute with excellence – Good enough is never enough. With a focus on continuous improvement, our actions are driven by sound analysis and an intense focus on excellence.

- [**A**]ct with professionalism – We operate with integrity, hold ourselves and each other accountable, treat others with respect, and embrace diversity and inclusion. This is the cornerstone to our long-term success and at the very foundation of what it means to be an ally.

- [**D**]eliver results – We are passionate about winning – for our customers, our teams, and our company. Success is measured at both the outcome and the path to achieve it.

Our annual, CEO-sponsored enterprise-wide recognition program, "LEADing the Way," is designed to recognize employees whose leadership and performance consistently model our core values in one or more of the following areas: innovation, risk culture, corporate citizenship, customer experience, DE&I, process improvement, or other attributes that reflect our overall culture. This award is one of the highest recognitions an employee can receive at Ally. In 2021, approximately 100 team members were recognized with this award. Recipients are nominated based on exceeding their LEAD core value performance objective, which is required for all employees. Additionally, employees can nominate colleagues for the quarterly peer-to-peer "I'm An Ally" award recognition program that provides employees the opportunity to recognize the hard work of individuals across the entire organization. These recognition programs reinforce our continued commitment to our culture.

Diversity, Equity, and Inclusion

We believe the best ideas come from a collective mixture of different voices and perspectives. We are an equal opportunity employer, and we strive for an inclusive work environment where all backgrounds, experiences, interests, viewpoints, and skills are respected, appreciated, and encouraged consistent with our culture. We are focused on diverse representation and retention in the workforce including different genders, races, nationalities, sexual orientations, and other identities—across all levels of the organization from entry to leadership. Fostering these diverse perspectives is important and reflects the beliefs and actions that are the backbone of our culture.

We have a deliberate focus on DE&I with an intentional emphasis on inclusion, which expands beyond traditional definitions of diversity. Notably, our company-wide engagement survey score for belonging is consistently rated over the financial services industry benchmark and was eight points above in 2021, as measured by our third-party provider. The importance of DE&I starts at the top with our CEO and Board, who consistently stress the value in leveraging our differences. In June 2017, our CEO was among the first 150 CEOs who signed on to the CEO Action Pledge for Diversity and Inclusion, and this commitment has been renewed every year since. In connection with nationwide movements against systemic racism and social injustices, our Board and Executive Council publicly pledged our continuing support for all groups with a heightened focus on Black, Hispanic and Latino colleagues, suppliers, partners, and communities in the promotion of equity and equality.

Our DE&I Council provides executive leadership on DE&I and promotes belonging at Ally and in our communities. A subset of our commitment to DE&I is a Financial and Social Inclusion Framework that is built upon four pillars: Community, Customers, Employees, and Suppliers.

- Community: Further social justice and address disparate systems and policies through an intentional approach to its philanthropy, volunteerism, and board service, as well as CRA initiatives including loans, investments, and partnerships.
- Employees: Increase representation and retention of Black, Hispanic and Latino employees at professional, managerial, and executive levels through intentional programming and support.
- Customers: Enable financial and social inclusion through our culture of customer obsession, developing education and/or solutions to strengthen economic mobility for all.
- Suppliers: Actively promote ways diverse-owned businesses can engage and succeed within the Ally Supply Chain.

These four pillars are championed by our employees, which empowers us to advance DE&I efforts in meaningful ways beyond Ally. Additionally, these efforts are further supported by our Chief Diversity Officer, and over 15 full-time employees designated to advance DE&I within Ally. While our Financial and Social Inclusion Framework is focused on addressing the wealth gap, specifically in Black, Hispanic and Latino communities, the four pillars are reflective of our DE&I efforts more broadly as further discussed below.

Community

Our approach to community is inclusive and integrates our employees across the organization. We help our employees develop their own skills while serving our communities with their time and talent. We encourage our employees to utilize eight paid hours per year to volunteer in their communities. In 2021, a year impacted by the COVID-19 pandemic, our employees volunteered approximately 28,000 hours in our communities. Also in 2021 we celebrated our tenth-annual "Giving Back Month," and over the past decade we have achieved more than 100,000 volunteer hours and nearly $5 million in donations from our employees to our communities. Additionally, in 2021, we announced the creation of "Green Teams," a network of employees who support environmental engagement.

Our philanthropic approach is based on a framework of economic mobility. We support programs that provide opportunities to individuals and families in low-and moderate-income communities with emphasis on three areas: affordable housing, financial literacy, and workforce preparedness. We solely funded the Ally Charitable Foundation, a non-consolidated entity, which has approximately $80 million in assets as of December 31, 2021, to drive positive and lasting impacts in our communities. In 2021, Ally and the Ally Charitable Foundation made a $5 million commitment to the Charlotte Mayor's Racial Equity Initiative, a public/private partnership to address racial inequities. Additionally, the Ally Charitable Foundation championed Trust-Based Philanthropy, a philanthropic approach that supports extraordinary, grassroots nonprofits led by Black, Hispanic, and Latino individuals, through funding and various forms of technical assistance.

One of our largest and most powerful initiatives is Moguls in the Making, an annual competition that fosters opportunities for students from historically black colleges and universities. The annual program was launched in 2019 in collaboration with the Thurgood Marshall College Fund and the Sean Anderson Foundation. In 2021, we sponsored the third Moguls in the Making competition, with 50 students, who brought innovative and impactful solutions to economic mobility challenges. Since the program's inception in 2019, we have offered internships to 36 students, which have often led to permanent job placements within Ally or the broader financial-services industry. Additionally, in 2021, we took further steps to address inequality of access to careers with long-term growth potential with a $1.3 million commitment that supported 23 scholarships and programs in partnership with the Congressional Black Caucus Foundation, TMCF, and other professional university groups.

Our financial education approach is broad, leveraging our team members to teach critical financial skills to children in elementary schools through adults re-entering society from the criminal justice system. During 2021, we provided financial skills training to nearly 12,000 individuals through various channels. One notable example of using our thought leadership in this area is the creation of Fintropolis, the gamification of financial education for middle school children. We leveraged Moguls in the Making interns to develop the concept of the game and curriculum that would be relevant to that audience.

Our work in the communities is woven throughout our culture. We originated approximately $1.5 billion and $1.4 billion in loans and investments that benefit low- and moderate-income individuals and communities as part of our CRA program during the years ended December 31, 2021, and 2020, respectively. In 2021, we executed on our mission to expand access to capital for Black, Hispanic and Latino fund managers by investing $70 million in funds with diverse managers/owners, including funds such as the Fearless Fund and Altura Capital. These investments will provide a financial foundation to help develop the next generation of successful Black, Hispanic and Latino entrepreneurs, investors, affordable housing developers, and community leaders. We also assisted Liberty Bank, one of the largest Black-owned banks in the country, by selling participations in $10 million of high-yielding loans. Additionally, Ally Bank received consecutive "Outstanding" CRA ratings in our last two reviews.

Employees

We take deliberate steps to weave DE&I through all our human capital efforts: from pipelining candidates, onboarding, all the way through the employee lifecycle. With this approach, we have been able to build on our LEAD culture to celebrate the differences that our employees bring to the workplace. In 2021, we held learning sessions focused on educating our employees on the impacts of systemic barriers to equity facing a wide-range of diverse communities. We also implemented unconscious bias mitigation and awareness training to help leaders across the organization understand the impacts of unconscious bias on our decision-making processes. Every employee has a specific culture-related performance objective, which includes a strong focus on DE&I. Additionally, for all executive leaders, annual performance objectives and reviews include a specific focus on representation and diversity trends within the workforce. The importance of DE&I is consistently reinforced by executive leadership through town hall meetings, employee communications, and active participation in and sponsorship of our ERGs. A diverse and inclusive workforce makes us stronger, more agile, more innovative, and more adaptable. We believe it makes us better and benefits our various stakeholders culturally, operationally, and financially.

We maintain eight ERGs sponsored by members of Ally's Executive Council and chaired by leaders from multiple levels of management across Ally. These ERGs consist of: Aliados, Asian/Middle Eastern, Black/African American, Diverse Abilities, Generational, Pride, Veteran, and Women ALLYs. Membership in our ERGs is voluntary and open to all employees, whether they identify with the ERG or view themselves as an ally to the group. At December 31, 2021, 43% of our workforce belonged to at least one ERG, as compared to 38% as of December 31, 2020. Our objective is to foster a workplace environment where all employees have a sense of belonging and know their opinions count.

Our commitment to inclusion emphasizes representation transparency, accountability, and action for our employees. As of December 31, 2021, our gender representation is approximately 48% women, 50% men, and 2% undisclosed/other. We increased representation of women and people of color in our manager and above roles and redesigned programs to create more opportunities for early talent.

The following table presents our employee representation of women, and Black or African American, Latino or Hispanic, or Asian individuals as a percentage of all employees.

	2021 (a)				2020 (a)			
December 31,	**Women**	**Black or African American**	**Latino or Hispanic**	**Asian**	Women	Black or African American	Latino or Hispanic	Asian
Associate	**73 %**	**50 %**	**10 %**	**3 %**	73 %	51 %	10 %	3 %
Analyst	**47**	**18**	**8**	**8**	47	16	7	7
Managers/Directors	**34**	**7**	**4**	**13**	32	6	3	11
Executive	**25**	**4**	**3**	**4**	23	2	4	2
All employees	**48**	**21**	**7**	**8**	49	22	7	7

(a) Figures in the table rely upon information self-reported by our employees.

We believe equal access to earning potential is essential in attracting, retaining, and inspiring top talent. Our external hiring practices are based on market rates for roles, experience, and performance. To the same end, we do not and have not requested salary history from

candidates since 2017, and we regularly benchmark our compensation against other companies, both within and outside our industry. Pay rates for all positions are routinely reviewed, ensuring equitable pay across the organization. On February 1, 2021, we established an internal minimum hourly wage for our U.S. employees of $17, which increased on September 13, 2021, to $20.

In December 2021, we announced that Juneteenth will be observed as a paid holiday for U.S. employees to commemorate the emancipation of millions of people from slavery and National Day for Truth and Reconciliation will be observed as a paid holiday for Canadian employees to honor the Native children, survivors, families, and communities affected by residential schools.

Customers

The diversity of our employees is a key component of our success as an organization as it allows us to have a workforce that is representative of customers we serve. In June 2021, we announced the elimination of all overdraft fees across our retail deposit products for all customers. This change is an example of our "Do It Right" commitment for all customers, including those that may be financially vulnerable. In January 2022, we announced Ally CoverDraft service, which provides a no fee overdraft allowance to our qualifying customers on debit transactions subject to a certain amount.

Suppliers

Our Supplier Diversity program focuses on diversity and inclusion amongst our supplier base. The Supplier Diversity program includes a proactive business strategy encouraging the use of diverse suppliers defined as those owned by U.S.-based minorities, women, LGBTQ, veterans and those with disabilities, and small or disadvantaged businesses defined by local, state, or federal classifications. We monitor and report expenditure with diverse suppliers in two tiers: first-tier expenditure is our direct expenditure with diverse suppliers, and second-tier expenditure is indirect expenditure associated with our prime suppliers that are utilizing minority, women, LGBTQ, veteran, disability-owned, and small or disadvantaged businesses to help support us.

Since the program's inception, we have created operational processes to include diverse suppliers in our bidding and contracting opportunities. This has resulted in an increase in both first-tier diverse expenditure and our third-party supplier expenditure with minority-owned and women-owned businesses. Within the second-tier expenditure program, approximately 70% of Ally's top 50 supplier relationships reported their diverse expenditure supporting Ally's business for the first time in 2021.

We implemented new internal sourcing processes and standards for the identification and, wherever possible, inclusion of diverse suppliers in our Request for Proposal events. Our dedicated Supplier Diversity team assists our Business Lines and procurement teams in identifying a mix of diverse suppliers with the proper credentials and capabilities to adhere to our third-party risk, operational, commercial, legal and performance standards. As part of this due diligence process, our Supplier Diversity and procurement teams partner to research qualified diverse suppliers capable of meeting our standards in Request for Proposal events. This allows us to integrate consideration of diverse business enterprises in third-party purchasing opportunities. In addition, our procure-to-pay platform has functionality where suppliers can connect with us to promote their products and services. Our comprehensive sourcing network pairs our needs with the business strengths of a diverse mix of large and small suppliers who then may participate in our bidding and selection processes.

In January 2021, we hosted our inaugural Supplier Diversity Symposium, engaging more than 40 diverse suppliers in a company-wide networking event with our CEO and other business executives to increase access, build relationships, and explore opportunities to expand relationships with diverse suppliers. In addition to the Symposium, we hosted three quarterly diverse supplier spotlight events as part of our ongoing commitment to supplier diversity. Through these spotlight events, we engaged diverse suppliers through interactive mock sales pitches and provided immediate coaching and feedback. As a result of this access, many of the participating diverse suppliers went on to connect with our supply chain department and business line executives to explore potential opportunities. In February 2022, we hosted the second annual Supplier Diversity Symposium, and facilitated interactive breakout sessions and a fireside chat with our CEO.

Recognition

As a reflection of our collective efforts across each of these pillars to build an inclusive culture, we were recognized by several organizations in 2022 and 2021. In 2022, Ally was named a Forbes Best Employer among large employers, which ranked us 64th out of 500 large employers. Additionally, we were recognized as a 2022 Top Workplaces USA award recipient for our people-first culture.

In 2021, we made the Forbes' lists as a best place to work for women, veterans, and diversity. We also were named to Diversity Inc.'s Top 50 companies for diversity list, and as a best place to work for disability inclusion by the following organizations: American Association of People with Disabilities, and Disability:IN. Additionally, the Human Rights Campaign Foundation named us a best place to work for LGBTQ equality, the fifth straight year we have achieved this recognition, and we were on the LinkedIn top companies list in Charlotte for 2021.

Engagement

Active engagement is key as we continue to build a company where our employees want to work, have purposeful careers, and feel empowered to make a difference. Throughout the year, we leverage an industry recognized third-party provider to administer confidential employee surveys to provide management feedback on key strengths, as well as to identify areas where we can take action to further improve our culture and further strengthen our engaged workforce.

The following table presents our company-wide engagement survey results as measured by our third-party provider, based on a 100-point scale, as well as employee participation in the survey.

	2021	2020
Ally score	**84**	87
Financial services benchmark	**74**	72
Ally employee participation %	**79**	82

For 2021 and 2020, our employee engagement scores have been within the top 10% of all companies that participated in the survey and at least ten points higher than the financial services industry benchmark. Active employee engagement helps to strengthen our employee retention rate, which was approximately 86% and 90% for the years ended December 31, 2021, and December 31, 2020, respectively.

Hiring, Retention, and Learning and Development

We make significant investments in recruitment and employee development to attract and retain top talent. Our recruitment process is vast and includes partnerships with universities with virtual and on-campus recruiting events, online platforms, internship and rotational programs, and referral bonuses to current employees. We hold numerous programs to invest in the growth and development of our employees. Our employee base receives continuing education courses relevant to our industry through the Ally Learning Center, in addition to on-the-job training related to their function. We offer targeted trainings for management and leadership development. We have organized a mentor-mentee program as an avenue for our employees to share knowledge, experience, and perspective and to foster the personal and professional growth of one another. Certain of our business lines offer rotational and leader development programs with the oversight and guidance of our HR business partners.

Our performance management process is designed to promote a culture of meaningful work, ongoing feedback and coaching, and employee-owned careers. Annually, employees partner with managers to create and align performance measurements considering company-wide objectives. We encourage quarterly performance review discussions between employees and managers and require year end performance evaluations summarizing the ongoing performance, development, and career interest conversations that occurred throughout the year. Additionally, we provide a multi-rater feedback tool to solicit additional perspectives on employee contributions and a more holistic picture of employee performance and leadership.

We encourage internal mobility among our employees, contributing to 26% of our existing eligible workforce that has been with Ally for at least one year receiving promotions or taking on new roles during the year ended December 31, 2021. Our deliberate focus on mobility supports our ongoing retention efforts for top talent across the organization. The retention rate for employees that we determine to be high performers through talent planning was 94% for the year ended December 31, 2021. On a routine basis, we perform talent and succession planning to develop and retain our top talent. We also provide support for continuing education through a tuition reimbursement program, as well as student loan repayment assistance and contributions to employee’s 529 education savings plans.

Total Rewards, Health, and Wellness

Our compensation program offers market-competitive base pay and pay-for-performance incentives based on achieving individual and company goals. In addition, our total rewards include competitive holiday and flexible paid-time-off, a 401(k) retirement savings plan with matching and company contributions that can total up to 10% of an employee’s salary per year, as well as other benefits designed to support the personal and professional lives of our employees. Examples of these benefits include paid parental and caregiver leave, adoption and surrogacy assistance, a backup child and adult/elder care program, no-cost access to certified financial planners, and an employee assistance program. We also match employee donations to registered nonprofits subject to an annual cap and provide our employees with eight hours of voluntary-time-off to give back in the communities where we work.

We empower our employees to act as founders with an owner’s mindset across all levels of the organization and all parts of the business which is encouraged through our shared equity program. In August 2021, we announced that all eligible employees may be awarded Ally stock annually through our discretionary #OwnIt Annual Grant Program dependent upon our financial performance and Board approval. In January 2022, for the third consecutive year, we awarded all active, regular Ally employees with 100 restricted stock units, up to a maximum grant date value of $5,000, and subject to a 3-year cliff vesting schedule, in recognition of our notable accomplishments and to support a founder’s mentality. This benefit provides shared equity to our employees and to further encourage the mindset of an owner, we also maintain an employee stock purchase plan that provides employees with the opportunity to purchase Ally stock at a discount.

Supporting and valuing all our employees is central to our culture. We offer flexible health insurance options including dental and vision for our employees, as well as a pre-tax health savings account with employer contributions. We provide life and disability benefits and manage a wellness program encouraging healthy living with financial rewards.

In response to the COVID-19 pandemic, we provided a range of financial-assistance offerings, including a one-time $1,200 expense payment in 2020 for those earning less than $100,000. We enhanced existing benefits and introduced new benefits related to COVID-19 and mental health concerns. Our Ally Employee Relief Fund has received over $1 million in donations and has helped over 700 of our employees since its launch in May 2020.

To curb the spread of COVID-19, we instituted a remote work protocol beginning in mid-March 2020. In 2021, we launched a voluntary office reentry pilot program to test processes and procedures designed to create a safe in-office environment. We required daily health attestations and reconfigured our working environment to allow for social distancing. The health and safety of our employees remain paramount in our decision-making, and our phased reopening of our facilities is based on viral trends, medical advisor guidance, governmental regulations, and local ordinances. While we began 2021 with nearly 99% of our employees working remotely, we ended the year prepared to reopen our corporate and regional business offices as a resource to vaccinated employees in January 2022 and we plan to open our operational centers to vaccinated employees in early 2022.

For our work to prioritize employee well-being with resources, benefits, and support, we were recognized with a Nation’s Best and Brightest in Wellness award in 2021, for the fifth consecutive year.

Additional Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K (and amendments to these reports) are available on our internet website, free of charge, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. These reports are available at www.ally.com/about/investor/sec-filings/. These reports can also be found on the SEC website at www.sec.gov.

Item 1A. Risk Factors

We face many risks and uncertainties, any one or more of which could have a material adverse effect on our business, results of operations, financial condition (including capital and liquidity), or prospects or the value of or return on an investment in Ally. We describe certain of these risks and uncertainties in this section, although we may be adversely affected by other risks or uncertainties that are not presently known to us, that we have failed to appreciate, or that we currently consider immaterial. These risk factors should be read in conjunction with the MD&A in Part II, Item 7 of this report, and the Consolidated Financial Statements and notes thereto. This Annual Report on Form 10-K is qualified in its entirety by these risk factors.

Risks Related to Regulation and Supervision

The regulatory and supervisory environment in which we operate could have an adverse effect on our business, financial condition, results of operations, and prospects.

We are subject to extensive regulatory frameworks and to direct supervision and periodic examinations by various governmental agencies and industry SROs that are charged with overseeing the kinds of business activities in which we engage. This regulatory and supervisory oversight is designed to protect public and private interests—such as macroeconomic policy objectives, financial-market stability and liquidity, and the confidence and security of depositors generally—that may not always be aligned with those of our stockholders or non-deposit creditors. At any given time, we are involved in a number of legal and regulatory proceedings and governmental and regulatory examinations, investigations, and other inquiries. Refer to the section above titled *Regulation and Supervision* in Part I, Item 1 of this report. Since the economic crisis that began in 2007–2008, governmental scrutiny of the financial-services industry has intensified, fundamental changes have been made to the banking, securities, and other laws that govern financial services, and a multitude of related business practices have been altered. While the scope, intensity, and focus of governmental oversight can vary from time to time, we expect to continue devoting substantial time and resources to risk management, compliance, regulatory-change management, and cybersecurity and other technology initiatives, each of which may adversely affect our ability to operate profitably or to pursue advantageous business opportunities.

Ally has elected to be treated as an FHC, which permits us to engage in a number of financial and related activities—including securities, advisory, insurance, and merchant-banking activities—beyond the business of banking. Ally and Ally Bank are subject to ongoing requirements for Ally to qualify as an FHC. If Ally or Ally Bank is found not to be well capitalized or well managed, as defined under applicable law, we can be restricted from engaging in the broader range of financial and related activities permitted for FHCs, including the ability to acquire companies engaged in those activities, and can be required to discontinue these activities or even divest Ally Bank. In addition, if we fail to achieve a satisfactory or better rating under the CRA, our ability to expand these financial and related activities or make acquisitions could be restricted.

In connection with their continuous supervision and examinations of us, the FRB, the UDFI, the CFPB, the SEC, FINRA, the NYDFS, or other regulatory agencies may explicitly or implicitly require changes in our business or operations. Such a requirement may be judicially enforceable or impractical for us to contest, and if we are unable to comply with the requirement in a timely and effective manner, we could become subject to formal or informal enforcement and other supervisory actions, including memoranda of understanding, written agreements, cease-and-desist orders, and prompt-corrective-action or safety-and-soundness directives. The financial-services industry continues to face scrutiny from supervisory authorities in the examination process, including through an increasing use of horizontal reviews from a broader industry perspective, as well as strict enforcement of laws at federal, state, and local levels, particularly in connection with business and other practices that may harm or appear to harm consumers and compliance with anti-money-laundering, sanctions, and related laws. Because of the regulatory and supervisory framework, financial institutions often are less inclined to litigate with governmental authorities. In general, the amounts paid by financial institutions in settling proceedings or investigations and the severity of other terms of regulatory settlements are likely to remain elevated. In some cases, governmental authorities have required criminal pleas or other extraordinary terms, including admissions of wrongdoing and the imposition of monitors, as part of settlements. Supervisory actions could entail significant restrictions on our existing business, our ability to develop new business or make acquisitions, our flexibility in conducting operations, and our ability to pay dividends or utilize capital. Enforcement and other supervisory actions also can result in the imposition of civil monetary penalties or injunctions, related litigation by private plaintiffs, damage to our reputation, and a loss of customer or investor confidence. We could be required as well to dispose of specified assets and liabilities within a prescribed period of time. As a result, any enforcement or other supervisory action could have an adverse effect on our business, financial condition, results of operations, and prospects.

Our regulatory and supervisory environments—whether at federal, state, or local levels—are not static. No assurance can be given that applicable statutes, regulations, and other laws will not be amended or construed differently, that new laws will not be adopted, or that any of these laws will not be enforced more aggressively. For example, while Congress nullified the CFPB's guidance about compliance with fair-lending laws in the context of indirect automotive financing, the NYDFS later adopted arguably more far-reaching guidance on the subject. Changes in the regulatory and supervisory environments could adversely affect us in substantial and unpredictable ways, including by limiting the types of financial services and products we may offer, enhancing the ability of others to offer more competitive financial services and products, restricting our ability to make acquisitions or pursue other profitable opportunities, and negatively impacting our financial condition and results of operations. Further, our noncompliance with applicable laws—whether as a result of changes in interpretation or enforcement, system or human errors, or otherwise—could result in the suspension or revocation of licenses or registrations that we need to operate and in the initiation of enforcement and other supervisory actions or private litigation.

Our ability to execute our business strategy for Ally Bank may be adversely affected by regulatory constraints.

A primary component of our business strategy is the continued growth of Ally Bank, which is a direct bank with no branch network. This growth includes expanding our consumer and commercial lending and increasing our deposit customers and balances while optimizing our cost of funds. If regulatory agencies raise concerns about any aspect of our business strategy for Ally Bank or the way in which we implement it, we may be obliged to limit or even reverse the growth of Ally Bank or otherwise alter our strategy, which could have an adverse effect on our business, financial condition, results of operations, or prospects. In addition, if we are compelled to retain or shift any of our business activities in or to nonbank affiliates, our funding costs for those activities—such as unsecured funding in the capital markets—could be more expensive than our cost of funds at Ally Bank.

We are subject to stress tests, capital and liquidity planning, and other enhanced prudential standards, which impose significant restrictions and costly requirements on our business and operations.

We are currently subject to enhanced prudential standards that have been established by the FRB under the Dodd-Frank Act. Refer to the section above titled *Regulation and Supervision* in Part I, Item 1 of this report. Under the FRB's tailoring framework for the enhanced prudential standards, Ally is a Category IV firm and, as such, is generally subject to supervisory stress testing on a two-year cycle and is required to submit an annual capital plan to the FRB. The FRB may require us to revise and resubmit our capital plan in specified circumstances, including if the FRB determines that our capital plan is incomplete, our capital plan or internal capital adequacy process contains material weaknesses, or there has been, or will likely be, a material change in our risk profile (including a material change in our business strategy or any risk exposure), financial condition, or corporate structure. While a resubmission is pending, without prior approval of the FRB, we would generally be prohibited from paying dividends, repurchasing our common stock, or making other capital distributions. In addition, to satisfy the FRB in its review of our capital plan, we may be required to further cease or limit these capital distributions or to issue capital instruments that could be dilutive to stockholders. The FRB also may prevent us from maintaining or expanding lending or other business activities. Any of these developments may damage our reputation and result in a loss of customer or investor confidence.

Further, we may be required to raise capital if we are at risk of failing to satisfy our minimum regulatory capital ratios or related supervisory requirements, whether due to inadequate operating results that erode capital, future growth that outpaces the accumulation of capital through earnings, changes in regulatory capital standards, changes in accounting standards that affect capital (such as CECL), or otherwise. In addition, we may elect to raise capital for strategic reasons even when we are not required to do so. Our ability to raise capital on favorable terms or at all will depend on general economic and market conditions, which are outside of our control, and on our operating and financial performance. Accordingly, we cannot be assured of being able to raise capital when needed or on favorable terms. An inability to raise capital when needed and on favorable terms could damage the performance and value of our business, prompt supervisory actions and private litigation, harm our reputation, and cause a loss of customer or investor confidence, and if the condition were to persist for any appreciable period of time, our viability as a going concern could be threatened. Even if we are able to raise capital but do so by issuing common stock or convertible securities, the ownership interest of our existing stockholders could be diluted, and the market price of our common stock could decline.

The enhanced prudential standards also require Ally, as a Category IV firm, to conduct quarterly liquidity stress tests, to maintain a buffer of unencumbered highly liquid assets to meet projected net stressed cash outflows over a 30-day planning horizon, to adopt a contingency funding plan that would address liquidity needs during various stress events, and to implement specified liquidity risk management and corporate governance measures. These enhanced liquidity standards could constrain our ability to originate or invest in longer-term or less liquid assets or to take advantage of other profitable opportunities and, therefore, may adversely affect our business, results of operations, and prospects.

Our ability to rely on deposits as a part of our funding strategy may be limited.

Ally Bank is a key part of our funding strategy, and we place great reliance on deposits at Ally Bank as a source of funding. Competition for deposits and deposit customers, however, is fierce and has only intensified with the implementation of enhanced capital and liquidity requirements since the economic crisis that began in 2007–2008. Ally Bank does not have a branch network but, instead, obtains its deposits through online and other digital channels, from customers of Ally Invest, and through deposit brokers. Brokered deposits may be more price sensitive than other types of deposits and may become less available if alternative investments offer higher returns. Brokered deposits totaled $4.7 billion at December 31, 2021, which represented 3.3% of Ally Bank's total deposits. In addition, our ability to maintain or grow deposits may be constrained by our lack of in-person banking services, gaps in our product and service offerings, changes in consumer trends, our smaller scale relative to other financial institutions, competition from fintech companies and emerging financial-services providers, any failures or deterioration in our customer service, or any loss of confidence in our brand or our business. Our level of deposits also could be adversely affected by regulatory or supervisory restrictions, including any applicable prior approval requirements or limits on our offered rates or brokered deposit growth, and by changes in monetary or fiscal policies that influence deposit or other interest rates. Perceptions of our existing and future financial strength, rates or returns offered by other financial institutions or third parties, and other competitive factors beyond our control, including returns on alternative investments, will also impact the size of our deposit base.

Requirements under U.S. Basel III that increased the quality and quantity of regulatory capital and future revisions to the Basel III framework may adversely affect our business and financial results.

Ally and Ally Bank are subject to U.S. Basel III. Refer to the section above titled *Regulation and Supervision* in Part I, Item 1 of this report. U.S. Basel III subjects Ally and Ally Bank to minimum risk-based capital ratios and a capital conservation buffer above these

minimum ratios. Failure to satisfy these regulatory capital requirements would result in restrictions on our ability to make capital distributions, including dividend payments and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers.

If Ally or Ally Bank were to fail to satisfy its regulatory capital requirements, significant regulatory sanctions could result, such as a bar on capital distributions, limitations on acquisitions and new activities, restrictions on our acceptance of brokered deposits, a loss of our status as an FHC, or informal or formal enforcement and other supervisory actions. Such a failure also could irrevocably damage our reputation, prompt a loss of customer and investor confidence, generate private litigation, and even lead to our resolution or receivership. Any of these consequences could have an adverse effect on our business, results of operations, financial condition, or prospects.

In December 2017, the Basel Committee approved revisions to the global Basel III capital framework (commonly known as the Basel III endgame or as Basel IV), many of which—if adopted in the United States—could heighten regulatory capital standards. How these revisions will be finalized in the United States and harmonized with other regulatory proposals and rules (such as the stress capital buffer) is not clear or predictable, and no assurance can be provided that they would not further impact our business, results of operations, financial condition, or prospects in an adverse way.

Our business and financial results could be adversely affected by the political environment and governmental fiscal and monetary policies.

A fractious or volatile political environment in the United States, including any related social unrest, could negatively impact business and market conditions, economic growth, financial stability, and business, consumer, investor, and regulatory sentiments, any one or more of which in turn could cause our business and financial results to suffer. In addition, disruptions in the foreign relations of the United States could adversely affect the automotive and other industries on which our business depends and our tax positions and other dealings in foreign countries. We also could be negatively impacted by political scrutiny of the financial-services industry in general or our business or operations in particular, whether or not warranted, and by an environment where criticizing financial-services providers or their activities is politically advantageous.

Our business and financial results are also significantly affected by the fiscal and monetary policies of the U.S. government and its agencies. We are particularly affected by the monetary policies of the FRB, which regulates the supply of money and credit in the United States in pursuit of maximum employment, stable prices, and moderate long-term interest rates. The FRB and its policies influence the availability and demand for loans and deposits, the rates and other terms for loans and deposits, the conditions in equity, fixed-income, currency, and other markets, and the value of securities and other financial instruments. Refer to the risk factor below, titled *The levels of or changes in interest rates could affect our results of operations and financial condition*, for more information on how the FRB could affect interest rates. These policies and related governmental actions could adversely affect every facet of our business and operations—for example, the new and used vehicle financing market, the cost of our deposits and other interest-bearing liabilities, and the yield on our earning assets.

Additionally, changes to tax policies could have a material impact to our results of operations and financial condition. For example, the U.S. Congress has recently engaged in significant debate on potential tax reforms, including proposals to increase the federal statutory rate, to impose a surcharge on stock repurchases, and to modify foreign tax credits. In November 2021, the House of Representatives passed the Build Back Better Act, which could adversely affect us if enacted into law. Any increase in the federal statutory rate could result in a significant day-one tax expense related to the revaluation of our deferred tax assets and liabilities and a significant increase in tax expense for future years. Tax and other fiscal policies, moreover, impact not only general economic and market conditions but also give rise to incentives or disincentives that affect how we and our customers prioritize objectives, deploy resources, and run households or operate businesses. Both the timing and the nature of any changes in monetary or fiscal policies, as well as their consequences for the economy and the markets in which we operate, are beyond our control and difficult to predict but could adversely affect us.

If our ability to receive distributions from subsidiaries is restricted, we may not be able to satisfy our obligations to counterparties or creditors, make dividend payments to stockholders, or repurchase our common stock.

Ally is a legal entity separate and distinct from its bank and nonbank subsidiaries and, in significant part, depends on dividend payments and other distributions from those subsidiaries to fund its obligations to counterparties and creditors, its dividend payments to stockholders, and its repurchases of common stock. Refer to the section above titled *Regulation and Supervision* in Part I, Item 1 of this report. Regulatory or other legal restrictions, deterioration in a subsidiary's performance, or investments in a subsidiary's own growth may limit the ability of the subsidiary to transfer funds freely to Ally. In particular, many of Ally's subsidiaries are subject to laws that authorize their supervisory agencies to block or reduce the flow of funds to Ally in certain situations. In addition, if any subsidiary were unable to remain viable as a going concern, Ally's right to participate in a distribution of assets would be subject to the prior claims of the subsidiary's creditors (including, in the case of Ally Bank, its depositors and the FDIC).

Legislative or regulatory initiatives on cybersecurity and data privacy could adversely impact our business and financial results.

Cybersecurity and data privacy risks have received heightened legislative and regulatory attention. For example, the U.S. banking agencies have proposed enhanced cyber risk management standards that would apply to us and our service providers and that would address cyber risk governance and management, management of internal and external dependencies, and incident response, cyber resilience, and situational awareness. In addition, the U.S. banking agencies recently adopted a rule requiring us to notify the FRB within 36 hours of any significant computer security incident. Several states and their governmental agencies, such as the NYDFS, also have adopted or proposed

cybersecurity laws. Privacy laws in the State of California, for example, require regulated entities to establish measures to identify, manage, secure, track, produce, and delete personal information.

Legislation and regulations on cybersecurity and data privacy may compel us to enhance or modify our systems and infrastructure, invest in new systems and infrastructure, change our service providers, augment our scenario and vulnerability testing, or alter our business practices or our policies on security, data governance, and privacy. If any of these outcomes were to occur, our operational costs could increase significantly. In addition, if governmental authorities were to conclude that we or our service providers had not adequately implemented laws on cybersecurity and data privacy or had not otherwise met related supervisory expectations, we could be subject to enforcement and other supervisory actions, related litigation by private plaintiffs, reputational damage, or a loss of customer or investor confidence.

Our business and financial results may be negatively affected by governmental responses to climate change and related environmental issues.

Governments are intensely focused on the effects of climate change and related environmental issues. For example, since December 2020, the FRB has become a member of the Network of Central Banks and Supervisors for Greening the Financial System, created a Supervision Climate Committee to identify and assess financial risks from climate change and to develop a program to ensure the resilience of supervised firms to those risks, and created a Financial Stability Climate Committee to identify, assess, and address climate-related risks to financial stability. In addition, President Biden has issued an Executive Order on Climate-Related Financial Risks, which in part directs the U.S. Treasury Secretary to work with other members of the Financial Stability Oversight Council to consider a number of actions. Included among them are the Financial Stability Oversight Council's assessment of climate-related financial risk to the stability of the federal government and the U.S. financial system, facilitation of the sharing of climate-related financial risk data and information among its members and other executive departments and agencies, and issuance of a report on any efforts by its members to integrate consideration of climate-related financial risk in their policies and programs. Further, the SEC has created a Climate and ESG Task Force in the Division of Enforcement, whose purpose includes proactively identifying ESG-related misconduct such as material gaps or misstatements in the disclosure of climate risks.

How governments act to mitigate climate and related environmental risks, as well as associated changes in the behavior and preferences of businesses and consumers, could have an adverse effect on our business and financial results. The FRB has announced its development of a program of scenario analysis to evaluate the potential economic and financial risks posed by different climate outcomes, and especially because of our concentration in automotive finance and insurance, this could have the effect of directly or indirectly compelling us to alter our businesses or operations in ways that would be detrimental to our results of operations and prospects. Such a program, moreover, could be followed by an incorporation of climate and related environmental risks into the FRB's supervisory stress tests, which may negatively impact us and our future capital plans. Further, we may be compelled to change or cease some of our lending or other business practices or our operational processes because of climate- or environmental-driven changes in applicable law or supervisory expectations or due to related political, social, market, or similar pressure. We also could experience a decline in the demand for and value of used gasoline-powered vehicles that secure our loans to dealers and consumers or that we remarket. It is possible as well that changes in climate and related environmental risks, perceptions of them, and governmental responses to them may occur more rapidly than we are able to adapt without disrupting our business and impairing our financial results.

Risks Related to Our Business

The COVID-19 pandemic has adversely affected us and our customers, counterparties, employees, and third-party service providers, and the adverse impacts on our business, financial position, results of operations, and prospects could be significant.

The spread of COVID-19 has created a global public-health crisis that has resulted in the substantial loss of life, with widespread volatility and deteriorations in household, business, economic, and market conditions, including in the United States where we conduct nearly all of our business. The extent of the impact of the COVID-19 pandemic on our capital, liquidity, and other financial positions and on our business, results of operations, and prospects will continue to depend on a number of evolving factors, including:

- *The duration, extent, and severity of the pandemic*. COVID-19 has not yet been contained and could continue to affect significantly more households and businesses or the same households and businesses repeatedly. The duration, severity, and trending of the pandemic remain difficult to predict.
- *The response of governmental and nongovernmental authorities and the effect on economies and markets*. Many governmental and nongovernmental authorities initially responded to COVID-19 by curtailing household and business activity as a containment measure while simultaneously deploying fiscal- and monetary-policy measures to partially mitigate the adverse effects on individual households and businesses. Although this response slowed the rate of spread of COVID-19 and supported economic stability, the number of cases has risen meaningfully at times and remains volatile, and the potential exists for further resurgences to occur, especially during the cold-and-flu season and in the wake of holidays and other times when social gatherings, travel, or vacations are common. In addition, while monetary policy has remained highly accommodative, the FRB has indicated that this will likely reverse in the near future due to rising inflation. A number of stimulative fiscal programs and actions have expired or been exhausted without renewal as the U.S. government continues to assess whether and how to continue or refine them. Even with vaccination rates increasing, national, regional, and local economies and markets could suffer further disruptions that are lasting.

- *The effect on our customers, counterparties, employees, and third-party service providers*. COVID-19 and its associated consequences and uncertainties have continued to affect households and businesses differently and unevenly. Many households and businesses have changed their behavior and may continue to do so in response to governmental mandates and advisories that restrict or alter commercial and social behavior and interactions. As a result, our credit, operational, and other risks have at times been elevated and are expected to remain uncertain and volatile for the foreseeable future.

The most notable impact of COVID-19 on our results of operations was a significant increase in our provision expense for credit losses during 2020. This was primarily driven by incremental reserves associated with a deterioration in macroeconomic conditions, such as unemployment, following the onset of the pandemic. Given the unpredictability of COVID-19 and its continued direct and indirect effects, our forecast of macroeconomic conditions and operating results—including expected lifetime credit losses on our loan portfolio—will continue to be subject to meaningful uncertainty. The degree to which our future actions and those of governments and others will directly or indirectly assist our customers, counterparties, and third-party service providers and advance our business and the economy generally is unknown. We cannot yet be confident in the sustainability of recent improvements in our business—especially with the most recent resurgence of COVID-19 in much of the United States, the discovery of additional variants of the COVID-19 virus, and ongoing uncertainties around the efficacy and widespread adoption of vaccines and other medical treatments—and the future effects on our business, financial position, results of operations, and prospects could be significant as time goes on.

We are unable to estimate the near-term and ultimate impacts of COVID-19 on our business and operations. The pandemic and its ongoing direct and indirect effects could cause us to experience higher credit losses in our lending portfolio, additional increases in our allowance for credit losses, impairment of our goodwill and other financial assets, heightened volatility in and diminished access to capital markets and other funding sources, further reduced demand for our products and services, and other negative impacts on our financial position, results of operations, and prospects. In addition, while we continue to anticipate that our capital and liquidity positions will be sufficient, any future sustained adverse effects may impair these positions, prevent us from satisfying our minimum regulatory capital ratios and other supervisory requirements, and result in downgrades in our credit ratings. The COVID-19 pandemic and related governmental mandates and advisories also have necessitated changes in the way we and our third-party service providers continue operations—including an extended period of remote-work arrangements—and we may face heightened security, information-technology, operational, and similar risks as a result. The length of time we and our third-party service providers may be required to operate under these circumstances, as well as the potential for conditions to worsen or for significant disruptions to occur, remains unpredictable. All of these risks and uncertainties can be expected to persist at least until the pandemic is demonstrably and sustainably contained.

Weak or deteriorating economic conditions, failures in underwriting, changes in underwriting standards, financial or systemic shocks, or continued growth in our nonprime or used vehicle financing business could increase our credit risk, which could adversely affect our business and financial results.

Our business is centered around lending and banking with an emphasis on our digital platform, and a significant percentage of our assets are composed of loans, operating leases, and securities. As a result, in the ordinary course of business, credit risk is one of our most significant risks.

Our business and financial results depend significantly on household, business, economic, and market conditions. When those conditions are weak or deteriorating, we could simultaneously experience reduced demand for credit and increased delinquencies or defaults, including in the loans that we have securitized and in which we retain a residual interest. These kinds of conditions also could dampen the demand for products and services in our insurance, banking, brokerage, advisory, and other businesses. Increased delinquencies or defaults could also result from our failing to appropriately underwrite loans and operating leases that we originate or purchase or from our adopting—for strategic, competitive, or other reasons—more liberal underwriting standards. If delinquencies or defaults on our loans and operating leases increase, their value and the income derived from them could be adversely affected, and we could incur increased administrative and other costs in seeking a recovery on claims and any collateral. If unfavorable conditions are negatively affecting used vehicle or other collateral values at the same time, the amount and timing of recoveries could suffer as well. Weak or deteriorating economic conditions also may negatively impact the market value and liquidity of our investment securities, and we may be required to record additional impairment charges that adversely affect earnings if debt securities suffer a decline in value that is considered other-than-temporary. There can be no assurance that our monitoring of credit risk and our efforts to mitigate credit risk through risk-based pricing, appropriate underwriting and investment policies, loss-mitigation strategies, and diversification are, or will be, sufficient to prevent an adverse impact to our business and financial results. In addition, because of CECL, our financial results may be negatively affected as soon as weak or deteriorating economic conditions are forecasted and alter our expectations for credit losses. Refer to Note 1 to the Consolidated Financial Statements and the section above titled *Regulation and Supervision* in Part I, Item 1 of this report. A financial or systemic shock and a failure of a significant counterparty or a significant group of counterparties could negatively impact us as well, possibly to a severe degree, due to our role as a financial intermediary and the interconnectedness of the financial system.

We continue to have exposure to nonprime consumer automotive financing and used vehicle financing. We define nonprime consumer automotive loans primarily as those loans with a FICO® Score (or an equivalent score) at origination of less than 620. Customers that finance used vehicles tend to have lower FICO® Scores as compared to new vehicle customers, and defaults resulting from vehicle breakdowns are more likely to occur with used vehicles as compared to new vehicles that are financed. The carrying value of our nonprime consumer automotive loans before allowance for loan losses was $8.8 billion, or approximately 11.3% of our total consumer automotive loans at December 31, 2021, as compared to $8.6 billion, or approximately 11.7% of our total consumer automotive loans at December 31, 2020. At December 31, 2021, and 2020, $294 million and $337 million, respectively, of nonprime consumer automotive loans were considered

nonperforming as they had been placed on nonaccrual status in accordance with our accounting policies. Refer to the Nonaccrual Loans section of Note 1 to the Consolidated Financial Statements for additional information. Additionally, the carrying value of our consumer automotive used vehicle loans before allowance for loan losses was $49.3 billion, or approximately 63.0% of our total consumer automotive loans at December 31, 2021, as compared to $43.0 billion, or approximately 58.3% of our total consumer automotive loans at December 31, 2020. If our exposure to nonprime consumer automotive loans or used vehicle financing continue to increase over time, our credit risk will increase to a possibly significant degree.

As part of the underwriting process, we rely heavily upon information supplied by applicants and other third parties, such as credit reporting agencies, automotive dealers (in the case of automotive consumer and commercial loans), and service providers (in the case of unsecured personal loans). If any of this information is intentionally or negligently misrepresented and the misrepresentation is not detected before completing the transaction, we may experience increased credit risk.

Our allowance for loan losses may not be adequate to cover actual losses, and we may be required to significantly increase our allowance, which may adversely affect our financial condition and results of operations.

Through the issuance of CECL, the FASB has required the implementation of a new accounting model to measure credit losses for financial assets measured at amortized cost, which includes the vast majority of our finance receivables and loan portfolio. Under this new model, the allowance is established to reserve for management's best estimate of expected lifetime losses inherent in our finance receivables and loan portfolio. CECL substantially increased our allowance for loan losses with a resulting negative day-one adjustment to equity on January 1, 2020. Refer to Note 1 to the Consolidated Financial Statements and the section above titled *Regulation and Supervision* in Part I, Item 1 of this report.

Regulatory agencies periodically review our allowance for loan losses, as well as our methodology and models used for calculating our allowance for loan losses, and from time to time may insist on an increase in the allowance for loan losses or the recognition of additional loan charge-offs based on judgments different than those of management. If these differences in judgment are considerable, our allowance could meaningfully increase and result in a sizable decrease in our net income and capital.

The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current and future credit risks using existing quantitative and qualitative information, all of which may change substantially over time. Changes in economic conditions affecting borrowers, revisions to accounting rules and related guidance, new qualitative or quantitative information about existing loans, identification of additional problem loans, changes in the size or composition of our finance receivables and loan portfolio, changes to our models or loss estimation techniques including consideration of forecasted economic assumptions, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. For example, our shift to a full credit spectrum consumer automotive finance portfolio over the past several years has resulted in additional increases in our allowance for loan losses, and could result in additional increases in the future. Any increase in the allowance in future periods may adversely affect our financial condition or results of operations. Refer to the risk factor below, titled *Our business and operations make extensive use of models, and we could be adversely affected if our design, implementation, or use of models is flawed*, for more information on how risks associated with our use of models could affect our allowance for loan losses.

We have dealer-centric automotive finance and insurance businesses, and a change in the key role of dealers within the automotive industry or our ability to maintain or build relationships with them could have an adverse effect on our business, results of operations, financial condition, or prospects.

Our Dealer Financial Services business, which includes our Automotive Finance and Insurance segments, depends on the continuation of the key role of dealers within the automotive industry, the maintenance of our existing relationships with dealers, and our creation of new relationships with dealers. Refer to the section titled *Our Business* in the MD&A that follows.

A number of trends are affecting the automotive industry and the role of dealers within it. These include challenges to the dealer's role as intermediary between manufacturers and purchasers, shifting financial and other pressures exerted by manufacturers on dealers, the rise of vehicle sharing and ride hailing, the development of autonomous and alternative-energy vehicles, the impact of demographic shifts on attitudes and behaviors toward vehicle ownership and use, changing consumer and regulatory expectations around the vehicle buying experience, adjustments in the geographic distribution of new and used vehicle sales, and advancements in communications technology. While it is not currently clear how and how quickly these trends may develop, any one or more of them could adversely affect the key role of dealers and their business models, profitability, and viability, and if this were to occur, our dealer-centric automotive finance and insurance businesses could suffer as well.

Our share of commercial wholesale financing remains at risk of decreasing in the future as a result of intense competition and other factors. The number of dealers with whom we have wholesale relationships decreased approximately 14% as compared to December 31, 2020. If we are not able to maintain existing relationships with significant automotive dealers or if we are not able to develop new relationships for any reason—including if we are not able to provide services on a timely basis, offer products and services that meet the needs of the dealers, compete successfully with the products and services of our competitors, or effectively counter the influence that captive automotive finance companies have in the marketplace or the exclusivity privileges that some competitors have with automotive manufacturers—our wholesale funding volumes, and the number of dealers with whom we have retail funding relationships, could decline in the future. If this were to occur, our business, results of operations, financial condition, or prospects could be adversely affected.

GM and Stellantis dealers and their retail customers continue to constitute a significant portion of our customer base, which creates concentration risk for us.

While we continue to diversify our automotive finance and insurance businesses and to expand into other financial services, GM and Stellantis dealers and their retail customers still constitute a significant portion of our customer base. In 2021, 31% of our new vehicle dealer inventory financing and 21% of our consumer automotive financing volume were transacted for GM dealers and customers, and 48% of our new vehicle dealer inventory financing and 26% of our consumer automotive financing volume were transacted for Stellantis dealers and customers. In 2020, 40% of our new vehicle dealer inventory financing and 22% of our consumer automotive financing volume were transacted for GM-franchised dealers and customers, and 40% of our new vehicle dealer inventory financing and 28% of our consumer automotive financing volume were transacted for Stellantis dealers and customers. GM and its captive finance company compete vigorously with us and could take further actions that negatively impact the amount of business that we do with GM dealers and their customers. Additionally, through a recent acquisition, Stellantis has indicated its intention to develop a captive finance company in the United States that could impact the business that we do with Stellantis dealers and their customers. A significant adverse change in GM's or Stellantis' business—including, for example, in the production or sale of GM or Stellantis vehicles, the quality or resale value of GM or Stellantis vehicles, GM's or Stellantis' relationships with its key suppliers, or the rate or volume of recalls of GM or Stellantis vehicles—could negatively impact our GM and Stellantis dealer and retail customer bases and the value of collateral securing our extensions of credit to them. Any future reductions in GM and Stellantis business that we are not able to offset could adversely affect our business and financial results.

Our business and financial results are dependent upon overall U.S. automotive industry sales volume.

Our automotive finance and insurance businesses can be impacted by the sales volume for new and used vehicles. Vehicle sales are impacted, in turn, by several economic and market conditions, including employment levels, household income, interest rates, credit availability, inventory levels, customer preferences, and fuel costs. For example, new vehicle sales decreased dramatically during the economic crisis that began in 2007–2008 and did not rebound significantly until 2012 and 2013. More recently, automotive manufacturers have continued to experience shortages in their supply of semiconductor chips and other supply-chain delays, which have materially constrained their production and sale of new vehicles. Any future declines in new or used vehicle sales could have an adverse effect on our business and financial results.

Vehicle loans and operating leases make up a significant part of our earning assets, and our business and financial results could suffer if used vehicle prices are low or volatile or decrease in the future.

During the year ended December 31, 2021, approximately 56% of our average earning assets were composed of vehicle loans or operating leases and related residual securitization interests. If we experience higher losses on the sale of repossessed vehicles or lower or more volatile residual values for off-lease vehicles, our business or financial results could be adversely affected.

General economic conditions, the supply of off-lease and other vehicles to be sold, the levels of demand for vehicle ownership and use, relative market prices for new and used vehicles, perceived vehicle quality, the shift from gasoline to electric vehicles, overall vehicle prices, the vehicle disposition channel, volatility in gasoline or diesel fuel prices, levels of household income, interest rates, and other factors outside of our control heavily influence used vehicle prices. Consumer confidence levels and the strength of automotive manufacturers and dealers can also influence the used vehicle market. For example, during the economic crisis that began in 2007–2008, sharp declines in used vehicle demand and sale prices adversely affected our remarketing proceeds and financial results.

Our expectation of the residual value of a vehicle subject to an automotive operating lease contract is a critical element used to determine the amount of the operating lease payments under the contract at the time the customer enters into it. As a result, to the extent that the actual residual value of the vehicle—as reflected in the sale proceeds received upon remarketing at lease termination—is less than the expected residual value for the vehicle at lease inception, we will incur additional depreciation expense and lower profit on the operating lease transaction than our priced expectations. Our expectation of used vehicle values is also a factor in determining our pricing of new loan and operating lease originations. In stressed economic environments, residual-value risk may be even more volatile than credit risk. To the extent that used vehicle prices are significantly lower than our expectations, our profit on vehicle loans and operating leases could be substantially less than our expectations, even more so if our estimate of loss frequency is underestimated as well. In addition, we could be adversely affected if we fail to efficiently process and effectively market off-lease vehicles and repossessed vehicles and, as a consequence, incur higher-than-expected disposal costs or lower-than-expected proceeds from the vehicle sales.

The levels of or changes in interest rates could affect our results of operations and financial condition.

We are highly dependent on net interest income, which is the difference between interest income on earning assets (such as loans and investments) and interest expense on deposits and borrowings. Net interest income is significantly affected by market rates of interest, which in turn are influenced by monetary and fiscal policies, general economic and market conditions, the political and regulatory environments, business and consumer sentiment, competitive pressures, and expectations about the future (including future changes in interest rates). We may be adversely affected by policies, laws, and events that have the effect of flattening or inverting the yield curve (that is, the difference between long-term and short-term interest rates), depressing the interest rates associated with our earning assets to levels near the rates associated with our interest expense, increasing the volatility of market rates of interest, or changing the spreads among different interest rate indices.

The levels of or changes in interest rates could adversely affect us beyond our net interest income, including by increasing the cost or decreasing the availability of deposits or other variable-rate funding instruments, reducing the return on or demand for loans or increasing the prepayment speed of loans, increasing customer or counterparty delinquencies or defaults, negatively impacting our ability to remarket off-lease and repossessed vehicles, and reducing the value of our loans, retained interests in securitizations, and fixed-income securities in our investment portfolio and the efficacy of our hedging strategies.

The level of and changes in market rates of interest—and, as a result, these risks and uncertainties—are beyond our control. The dynamics among these risks and uncertainties are also challenging to assess and manage. For example, while an accommodative monetary policy may benefit us to some degree by spurring economic activity among our customers, such a policy may ultimately cause us more harm by inhibiting our ability to grow or sustain net interest income. A rising interest rate environment can pose different challenges, such as potentially slowing the demand for credit, increasing delinquencies and defaults, and reducing the values of our loans and fixed-income securities. Market volatility in interest rates can create particularly difficult conditions. Following a prolonged period in which the federal funds rate was stable or decreasing, the FRB increased this benchmark rate on a number of occasions during 2017 and 2018 and began to end its quantitative-easing program and reduce the size of its balance sheet. During 2019, however, the FRB reversed course and reduced the federal funds rate several times and, in March 2020, reduced the target range for the federal funds rate to zero to 0.25 percent. A meaningful rise in inflation during 2021 and into 2022 has prompted FRB officials to signal that increases in the federal funds rate and reductions in the size of the FRB's balance sheet are expected in the coming year. Refer to the section titled *Market Risk* in the MD&A that follows and Note 21 to the Consolidated Financial Statements.

The discontinuation of LIBOR may adversely affect our business and financial results.

LIBOR meaningfully influences market interest rates around the globe. We have exposure to LIBOR-based contracts through a number of our finance receivables and loans, primarily commercial automotive loans and corporate finance loans, as well as certain investment securities and other arrangements.

In March 2021, the United Kingdom Financial Conduct Authority and the administrator of LIBOR announced that U.S. dollar LIBOR settings will cease to be provided or cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. In November 2020, U.S. banking agencies issued guidance encouraging banks to stop entering new contracts that use U.S. dollar LIBOR as a reference rate as soon as practicable but no later than December 31, 2021. Additionally, in October 2021, U.S. banking agencies emphasized their expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, including clarification on the meaning of new LIBOR contracts, considerations when assessing appropriateness of alternative reference rates, and expectations for fallback language in new or updated contracts.

While governmental authorities have endeavored to facilitate an orderly discontinuation of LIBOR, no assurance can be provided that this aim will be achieved or that the use, level, and volatility of LIBOR or other interest rates or the value of LIBOR-based securities will not be adversely affected. Further, the viability of SOFR as an alternative reference rate and the availability and acceptance of other alternative reference rates remain unclear and also may have adverse effects on market rates of interest and the value of securities and other financial arrangements. These uncertainties, proposals and actions to resolve them, and their ultimate resolution also could negatively impact our funding costs, loan and other asset values, asset-liability management strategies, and other aspects of our business and financial results. Refer to the section titled *Market Risk* in the MD&A that follows and Note 21 to the Consolidated Financial Statements.

We rely extensively on third-party service providers in delivering products and services to our customers and otherwise conducting our business and operations, and their failure to perform to our standards or other issues of concern with them could adversely affect our reputation, business, and financial results.

We seek to distinguish ourselves as a customer-centric company that delivers passionate customer service and innovative financial solutions and that is relentlessly focused on "Doing it Right." Third-party service providers, however, are key to much of our business and operations, including online and mobile banking, mortgage finance, personal lending, credit cards, brokerage, customer service, and operating systems and infrastructure. While we have implemented a supplier-risk-management program and can exert varying degrees of influence over our service providers, we do not control them, their actions, or their businesses. Our contracts with service providers, moreover, may not require or sufficiently incent them to perform at levels and in ways that we would choose to act on our own. Despite our supplier-risk-management program, no assurance can be provided that our service providers will perform to our standards, adequately represent our brand, comply with applicable law, appropriately manage their own risks, remain financially or operationally viable, abide by their contractual obligations, or continue to provide us with the services that we require. In such a circumstance, our ability to deliver products and services to customers, to satisfy customer expectations, and to otherwise successfully conduct our business and operations could be adversely affected. In addition, we may need to incur substantial expenses to address issues of concern with a service provider, and if the issues cannot be acceptably resolved, we may not be able to timely or effectively replace the service provider due to contractual restrictions, the unavailability of acceptable alternative providers, or other reasons. Further, regardless of how much we can influence our service providers, issues of concern with them could result in supervisory actions and private litigation against us and could harm our reputation, business, and financial results.

We are or may be subject to potential liability in connection with pending or threatened legal proceedings and other matters, which could adversely affect our business or financial results.

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

The course and outcome of legal matters are inherently unpredictable. This is especially so when a matter is still in its early stages, the damages sought are indeterminate or unsupported, significant facts are unclear or disputed, novel questions of law or other meaningful legal uncertainties exist, a request to certify a proceeding as a class action is outstanding or granted, multiple parties are named, or regulatory or other governmental entities are involved. Other contingent exposures and their ultimate resolution are similarly unpredictable for reasons that can vary based on the circumstances. As a result, we often are unable to determine how or when threatened or pending legal matters and other contingent exposures will be resolved and what losses may be incrementally and ultimately incurred. Actual losses may be higher or lower than any amounts accrued or estimated for those matters and other exposures, possibly to a significant degree. Refer to Note 29 to the Consolidated Financial Statements. In addition, while we maintain insurance policies to mitigate the cost of litigation and other proceedings, these policies have deductibles, limits, and exclusions that may diminish their value or efficacy. Substantial legal claims, even if not meritorious, could have a detrimental impact on our business, results of operations, and financial condition and could cause us reputational harm.

Our inability to attract, retain, or motivate qualified employees could adversely affect our business or financial results.

Skilled employees are our most important resource, and competition for talented people is intense. Even though compensation and benefits expense is among our highest expenses, we may not be able to locate and hire the best people, keep them with us, or properly motivate them to perform at a high level. This risk may be exacerbated due to some of our competitors having significantly greater scale, financial and operational resources, and brand recognition. While we engage in robust succession planning, our senior executives and other key leaders have deep and broad industry experience and would be difficult to replace without some degree of disruption. In addition, we may experience competition in retaining employees based on remote or other flexible work arrangements, and our ability to attract or retain qualified employees may be adversely affected if our work arrangements are perceived as less favorable than those of our competitors. Continued scrutiny of compensation practices, especially in the financial services industry, has made this competition for talent only more difficult. In addition, many parts of our business are particularly dependent on key personnel, and retaining talented people in certain areas, such as technology, has been challenging. Further, growth in our businesses, through acquisitions or otherwise, will further increase our need for skilled employees. If we were to lose and find ourselves unable to replace these personnel or other skilled employees or if the competition for talent were to drive our compensation costs to unsustainable levels, our management of operational and other risks could suffer, and our business and financial results could be negatively impacted.

Our ability to successfully make acquisitions is subject to significant risks, including the risk that governmental authorities will not provide the requisite approvals, the risk that integrating acquisitions may be more difficult, costly, or time consuming than expected, and the risk that the value of acquisitions may be less than anticipated.

We may from time to time seek to acquire other financial-services companies or businesses. These acquisitions may be subject to regulatory approval, and no assurance can be provided that we will be able to obtain that approval in a timely manner or at all or that approval may not be subject to burdensome conditions. This risk has become more pronounced in the last year as several governmental officials have expressed skepticism about the value of further consolidation in the financial-services industry. Refer to the section above titled *Regulation and Supervision* in Part I, Item 1 of this report. Even when we are able to obtain regulatory approval, the failure of other closing conditions to be satisfied or waived could delay the completion of an acquisition for a significant period of time or prevent it from occurring altogether. Any failure or delay in closing an acquisition could adversely affect our reputation, business, and performance.

Acquisitions involve numerous risks and uncertainties, including inaccurate financial and operational assumptions, incomplete or failed due diligence, lower-than-expected performance, higher-than-expected costs, difficulties related to integration, diversion of management's attention from other business activities, adverse market or other reactions, changes in relationships with customers or counterparties, the potential loss of key personnel, and the possibility of litigation and other disputes. An acquisition also could be dilutive to our existing stockholders if we were to issue common stock to fully or partially pay or fund the purchase price. We, moreover, may not be successful in identifying appropriate acquisition candidates, integrating acquired companies or businesses, or realizing expected value from acquisitions. There is significant competition for valuable acquisition targets, and we may not be able to acquire other companies or businesses on attractive terms. No assurance can be given that we will pursue future acquisitions, and our ability to grow and successfully compete may be impaired if we choose not to pursue or are unable to successfully make acquisitions.

Our business requires substantial capital and liquidity, and a disruption in our funding sources or access to the capital markets may have an adverse effect on our liquidity, capital positions, and financial condition.

Liquidity is the ability to fund increases in assets and meet obligations as they come due, all without incurring unacceptable losses. Banks are especially vulnerable to liquidity risk because of their role in the maturity transformation of demand or short-term deposits into longer-term loans or other extensions of credit. We, like other financial services companies, rely to a significant extent on external sources of funding (such as deposits and borrowings) for the liquidity needed to conduct our business and operations. A number of factors beyond our control, however, could have a detrimental impact on the availability or cost of that funding and thus on our liquidity. These include market disruptions, changes in our credit ratings or the sentiment of our investors, the state of the regulatory environment and monetary and fiscal policies, reputational damage, the confidence of depositors in us, financial or systemic shocks, and significant counterparty failures. Weak business or operational performance, unexpected declines or limits on dividends or other distributions from our subsidiaries, and other failures to execute our strategic plan also could adversely affect Ally's liquidity position.

We have significant maturities of unsecured debt each year. While we have reduced our reliance on unsecured funding as our deposits have grown, it remains an important component of our capital structure and financing plans. At December 31, 2021, approximately $1.1 billion in principal amount of total outstanding consolidated unsecured debt is scheduled to mature in 2022, and approximately $2.1 billion and $1.5 billion is scheduled to mature in 2023 and 2024, respectively. We also utilize secured funding. At December 31, 2021, approximately $4.8 billion in principal amount of total outstanding consolidated secured long-term debt is scheduled to mature in 2022, approximately $1.5 billion is scheduled to mature in 2023, and approximately $1.3 billion is scheduled to mature in 2024. Furthermore, at December 31, 2021, approximately $32.0 billion in certificates of deposit at Ally Bank are scheduled to mature in 2022, which is not included in the amounts provided above. Additional funding, whether through deposits or borrowings, will be required to fund a substantial portion of the debt maturities over these periods.

At times we may rely on our ability to borrow from other financial institutions, and bank facilities are generally up for renewal on a yearly basis. Any weakness in market conditions, tightening of credit availability, or other events referenced earlier in this risk factor could have a negative effect on our ability to refinance any existing facilities and could increase the costs of bank funding. Ally and Ally Bank also continue to access the securitization markets. While those markets have stabilized following the liquidity crisis that commenced in 2007–2008, there can be no assurances that these sources of liquidity will remain available to us.

Our policies and controls are designed to enable us to maintain adequate liquidity to conduct our business in the ordinary course even in a stressed environment. There is no guarantee, however, that our liquidity position will never become compromised. In such an event, we may be required to sell assets at a loss or reduce loan and operating lease originations in order to continue operations. This could damage the performance and value of our business, prompt regulatory intervention and private litigation, harm our reputation, and cause a loss of customer and investor confidence, and if the condition were to persist for any appreciable period of time, our viability as a going concern could be threatened. Refer to the section titled *Liquidity Management, Funding, and Regulatory Capital* in the MD&A that follows and Note 20 to the Consolidated Financial Statements.

Our indebtedness and other obligations are significant and could adversely affect our business and financial results.

We have a significant amount of indebtedness apart from deposit liabilities. At December 31, 2021, we had approximately $17.9 billion in principal amount of indebtedness outstanding (including $7.6 billion in secured indebtedness). Interest expense on our indebtedness was equal to approximately 10% of our total financing revenue and other interest income for the year ended December 31, 2021. We also have the ability to create additional indebtedness.

If our debt service obligations increase, whether due to the increased cost of existing indebtedness or the incurrence of additional indebtedness, more of our cash flow from operations would need to be allocated to the payment of principal of, and interest on, our indebtedness, which would reduce the funds available for other purposes. Our indebtedness also could limit our ability to execute our strategic plan and withstand competitive pressures and could reduce our flexibility in responding to changing business and economic conditions. In addition, if we are unable to satisfy our indebtedness and other obligations in full and on time, our business, reputation, and value as a going concern could be profoundly and perhaps inexorably damaged.

Our borrowing costs and access to the banking and capital markets could be negatively impacted if our credit ratings are downgraded or otherwise fail to meet investor expectations.

The cost and availability of our funding are meaningfully affected by our short- and long-term credit ratings. Each of Standard & Poor's Rating Services, Moody's Investors Service, Inc., Fitch, Inc., and Dominion Bond Rating Service rates some or all of our debt, and these ratings reflect the rating agency's opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. Agency ratings are not a recommendation to buy, sell, or hold any security and may be revised or withdrawn at any time. Each agency's rating should be evaluated independently of any other agency's rating.

Future downgrades to our credit ratings or their failure to meet investor expectations may result in higher borrowing costs, reduced access to the banking and capital markets, more restrictive terms and conditions being added to any new or replacement financing arrangements.

The markets for automotive financing, insurance, banking (including corporate finance, mortgage finance, point-of-sale personal lending, and credit card), brokerage, and investment-advisory services are extremely competitive, and competitive pressures could adversely affect our business and financial results.

The markets for automotive financing, insurance, banking (including corporate finance, mortgage finance, point-of-sale personal lending, and credit card), brokerage, and investment-advisory services are highly competitive, and we expect competitive pressures only to intensify in the future, especially in light of the regulatory and supervisory environments in which we operate, technological innovations that alter the barriers to entry, current and evolving economic and market conditions, changing customer preferences and consumer and business sentiment, and monetary and fiscal policies. Refer to the section above titled *Industry and Competition* in Part I, Item 1 of this report. Competitive pressures may drive us to take actions that we might otherwise eschew, such as lowering the interest rates or fees on loans, raising the interest rates on deposits, or adopting more liberal underwriting standards. These pressures also may accelerate actions that we might otherwise elect to defer, such as substantial investment in systems or infrastructure. Whatever the reason, actions that we take in response to competition may adversely affect our results of operations and financial condition. These consequences could be exacerbated if we are not successful in introducing new products and services, achieving market acceptance of our products and services, developing and maintaining a strong customer base, continuing to enhance our reputation, or prudently managing risks and expenses.

Challenging business, economic, or market conditions may adversely affect our business, results of operations, and financial condition.

Our businesses are driven by robust economic and market activity, monetary and fiscal stability, and positive investor, business, and consumer sentiment. A downturn in economic conditions, disruptions in the equity or debt markets, high unemployment or underemployment, depressed vehicle or housing prices, unsustainable debt levels, high inflation, unfavorable changes in interest rates, declines in household incomes, deteriorating consumer or business sentiment, consumer or commercial bankruptcy filings, or declines in the strength of national or local economies could decrease demand for our products and services, increase the amount and rate of delinquencies and losses, raise our operating and other expenses, and negatively impact the returns on and the value of our loans, investment portfolio, and other assets. Further, if a significant and sustained increase in fuel prices or other adverse conditions were to lead to diminished new and used vehicle purchases or prices, our automotive finance and insurance businesses could suffer considerably. In addition, concerns about the pace of economic growth and uncertainty about fiscal and monetary policies can result in significant volatility in the financial markets and could impact our ability to obtain cost-effective funding. If any of these events were to occur or worsen, our business, results of operation, and financial condition could be adversely affected.

Acts or threats of terrorism, natural disasters, and other conditions or events beyond our control could adversely affect us.

Geopolitical conditions, natural disasters, pandemics, and other conditions or events beyond our control may adversely affect our business, results of operations, financial condition, or prospects. Refer to the risk factor above, titled *The COVID-19 pandemic has adversely affected us and our customers, counterparties, employees, and third-party service providers, and the adverse impacts on our business, financial position, results of operations, and prospects could be significant*, for more information on risks associated with the COVID-19 pandemic. For example, acts or threats of terrorism and political or military actions taken in response to terrorism could adversely affect general economic, business, or market conditions and, in turn, us, especially as an intermediary within the financial system. In addition, nation states engaged in warfare or other hostile actions may directly or indirectly use cyberattacks against financial systems and financial-services companies like us to exert pressure on one another or other countries with influence or interests at stake. We also could be negatively impacted if our key personnel, a significant number of our employees, or our systems or infrastructure were to become unavailable or damaged due to a pandemic, natural disaster, war, act of terrorism, accident, or similar cause. These same risks and uncertainties arise too for the service providers and counterparties on whom we depend as well as their own third-party service providers and counterparties.

Our hedging strategies may not be successful in mitigating our interest rate, foreign exchange, and market risks, which could adversely affect our financial results.

We employ various hedging strategies to mitigate the interest rate, foreign exchange, and market risks inherent in many of our assets and liabilities. Our hedging strategies rely considerably on assumptions and projections regarding our assets and liabilities as well as general market factors. If any of these assumptions or projections prove to be incorrect or our hedges do not adequately mitigate the impact of changes in interest rates, foreign exchange rates, and other market factors, we may experience volatility in our earnings that could adversely affect our profitability and financial condition. In addition, we may not be able to find market participants that are willing to act as our hedging counterparties on acceptable terms or at all, which could have an adverse effect on the success of our hedging strategies.

We use estimates and assumptions in determining the value or amount of many of our assets and liabilities. If our estimates or assumptions prove to be incorrect, our cash flow, profitability, financial condition, and prospects could be adversely affected.

We use estimates and assumptions in determining the fair value of many of our assets, including retained interests from securitizations, loans held for sale, and other investments that do not have an established market value or are not publicly traded. We also use estimates and assumptions in determining the residual values of our operating lease assets. In addition, we use estimates and assumptions in determining our allowance for loan losses, reserves for legal matters, insurance losses, and loss adjustment expenses (which represent the accumulation of estimates for both reported losses and those incurred, but not reported, including claims adjustment expenses relating to direct insurance and assumed reinsurance agreements). Refer to the section titled *Critical Accounting Estimates* in the MD&A that follows. Our assumptions and estimates may be inaccurate for many reasons. For example, they often involve matters that are inherently difficult to predict and that are beyond our control (such as macroeconomic conditions and their impact on automotive dealers) and often involve complex interactions

between a number of dependent and independent variables, factors, and other assumptions. Assumptions and estimates are also far more difficult during periods when markets are dislocated or illiquid and when comparable historical data is lacking. As a result, our actual experience may differ substantially from these estimates and assumptions. A meaningful difference between our estimates and assumptions and our actual experience may adversely affect our cash flow, profitability, financial condition, and prospects and may increase the volatility of our financial results. In addition, several different judgments associated with assumptions or estimates could be reasonable under the circumstances and yet result in significantly different results being reported.

Significant fluctuations in the valuation of investment securities or market prices could negatively affect our financial results.

Market prices for investment securities, nonmarketable equity investments, and other financial assets are subject to considerable fluctuation. Fluctuations may result, for example, from perceived changes in the value of the asset, the relative price of alternative investments, the usual volume of trading in the asset, shifts in investor sentiment, geopolitical events, actual or expected changes in monetary or fiscal policies, and general market conditions, such as inflation. Due to these kinds of fluctuations, the amount that we realize in the subsequent sale of an investment may significantly differ from the last reported value and could negatively affect our financial results. For example, because nonmarketable equity investments are not readily salable in capital markets, their values are particularly susceptible to extreme volatility. Additionally, negative fluctuations in the value of available-for-sale investment securities could result in unrealized losses recorded in equity.

Changes in accounting standards could adversely affect our reported revenues, expenses, profitability, and financial condition.

Our financial statements are subject to the application of U.S. GAAP, which are periodically revised or expanded. The application of U.S. GAAP is also subject to varying interpretations over time. Accordingly, we are required to adopt new or revised accounting standards or comply with revised interpretations that are issued from time to time by various parties, including accounting standard setters and those who interpret the standards, such as the FASB, the SEC, banking agencies, and our independent registered public accounting firm. Those changes are beyond our control but could adversely affect our revenues, expenses, profitability, or financial condition. For example, the adoption of CECL effective January 1, 2020, resulted in a significant increase to our allowance for loan losses in 2020. Refer to Note 1 to the Consolidated Financial Statements for financial accounting standards issued by the FASB, but not yet adopted by the Company.

The financial system is highly interrelated, and the failure of even a single financial institution or other participant in the financial system could adversely affect us.

The financial system is highly interrelated, including as a result of lending, trading, clearing, counterparty, and other relationships. We have exposure to and routinely execute transactions with a wide variety of financial institutions, including brokers, dealers, commercial banks, and investment banks. The financial system includes other substantial participants as well, including exchanges, central counterparties, government-sponsored enterprises, insurance companies, private-equity funds, hedge funds, family offices, mutual funds, and money-market funds. If any of these institutions or participants were to become or perceived to be unstable, were to fail in meeting its obligations in full and on time, or were to enter bankruptcy, conservatorship, or receivership, the consequences could ripple throughout the financial system and may adversely affect our business, results of operations, financial condition, or prospects. Because of interrelationships within the financial system, this could occur even if the institution or participant itself were not systemically important or perceived to play a meaningful role in the stable functioning of the financial markets.

Adverse economic conditions or changes in laws in the states where we have loan or operating lease concentrations may negatively affect our business and financial results.

We are exposed to portfolio concentrations in some states, including California, Texas, and Florida. Factors adversely affecting the economies and applicable laws in these states, including public policies that have the effect of drawing financial-services companies into contentious political or social issues, could have an adverse effect on our business, results of operations, and financial condition.

Negative publicity outside of our control, or our failure to successfully manage issues arising from our conduct or in connection with the financial services industry generally, could damage our reputation and adversely affect our business or financial results.

The performance and value of our business could be negatively impacted by any reputational harm that we may suffer, especially as an intermediary within the financial system. This harm could arise from negative publicity outside of our control or our failure to adequately address issues arising from our conduct or in connection with the financial services industry generally. Risks to our reputation could arise in any number of contexts—for example, stricter regulatory or supervisory environments, cyber incidents and other security breaches, inabilities to meet customer expectations, political controversies and social trends involving financial-services, mergers and acquisitions, lending or banking practices, actual or perceived conflicts of interest, failures to prevent money laundering, inappropriate conduct by employees, inadequate corporate governance, and any similar issues affecting our service providers.

Our failure to maintain appropriate ESG practices, oversight, and disclosures could result in reputational harm, a loss of customer and investor confidence, and adverse business and financial results.

Governments, investors, customers, and the general public are increasingly focused on ESG practices, oversight, and disclosures. For us and others in the financial-services industry, this focus extends to the practices and disclosures of the customers, counterparties, and service providers with whom we choose to do business. For example, while we have a smaller carbon footprint as a digital financial services

company and do not have commercial-lending relationships with a host of sensitive industries (such as those whose products are or are perceived to be harmful to the environment or the public health), the majority of our business and operations are connected to the automotive industry. Views about ESG are diverse, dynamic, and rapidly changing, with a number of competing constituencies. If we were to fail to maintain ESG practices, oversight, and disclosures that are considered appropriate by supervisory authorities, investors, customers, or other constituencies with the ability to affect our business and financial results, we could suffer reputational damage, a loss of customer and investor confidence, and adverse effects on our results of operations and prospects.

Climate change could adversely affect our business, operations, and reputation.

A prominent aspect of ESG is climate change and the management of climate and related environmental risks. The climate and the environment, however, are extraordinarily complex and impossible to reliably model, and as a result, related physical and transition risks and the scope and severity of their consequences are pervaded by uncertainty. Climate change and the transition to a less carbon-dependent economy may adversely affect our business, results of operations, financial condition, or prospects due to our concentration in automotive finance and insurance or for entirely different reasons that we cannot yet foresee. These physical and transition risks also may have a negative impact on the business, operations, or financial condition of customers, counterparties, and service providers on whom we rely. In addition, climate change may impact the broader economy, including through changes to the production, allocation, and use of energy and disruptions to supply chains. If our strategic or tactical responses to these physical and transition risks are or are perceived to be ineffective or insufficient, we could be subject to enforcement and other supervisory actions, reputational damage, a loss of customer or investor confidence, an exodus of talented employees, or other harm. Refer to the risk factor above, titled *Our business and financial results may be negatively affected by governmental responses to climate change and related environmental issues* for more information on risks associated with governmental responses to climate change.

Risks Related to Our Operations

We face a wide array of security risks that could result in business, reputational, financial, regulatory, and other harm to us.

Our operating systems and infrastructure, as well as those of our service providers or others on whom we rely, are subject to security risks that are rapidly evolving and increasing in scope, complexity, and frequency, in part, because of the introduction of new technologies, the expanded use of the internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions, and the increased sophistication and activities of hostile state-sponsored actors, organized crime, perpetrators of fraud, hackers, terrorists, and others. We, along with other financial institutions, our service providers, and others on whom we rely, have been and are expected to continue to be the target of cyberattacks, which could include computer viruses, malware, malicious or destructive code, phishing or spear phishing attacks, denial-of-service or denial-of-information attacks, ransomware, identity theft, access violations by employees or vendors, attacks on the personal email of employees, and ransom demands accompanied by threats to expose security vulnerabilities. The development of new technologies, as well as the utilization of decentralized technology infrastructures (such as cloud computing) and software-defined networks, could expose us to additional cybersecurity risks. We, our service providers, and others on whom we rely are also exposed to more traditional security threats to physical facilities and personnel.

These security risks could result in business, reputational, financial, regulatory, and other harm to us, which could be particularly pronounced due to our being a digital financial-services company with a meaningful dependence on service providers. For example, if sensitive, confidential, or proprietary data or other information about us or our customers or employees were improperly disclosed, accessed, or destroyed because of a security breach, we could experience severe business or operational disruptions, reputational damage, contractual claims, supervisory actions, or litigation by private plaintiffs. As a digital financial-services company and a direct bank with no branch network, we may face heightened pressure to resolve security breaches more expeditiously to prevent or mitigate a loss of depositor or customer confidence, and if we were to fail to do so, our viability as a going concern could be threatened. As threats inevitably evolve, we expect to continue experiencing increased scrutiny of our security frameworks and protocols by supervisory authorities and others and to continue expending significant resources to enhance our defenses, to educate our employees, to monitor and support the defenses established by our service providers and others on whom we rely, and to investigate and remediate incidents and vulnerabilities as they arise or are identified. Even so, we may not be able to anticipate or implement effective preventive measures against all security breaches, especially because techniques change frequently, attacks can be launched with no warning from a wide variety of sources around the globe, and attackers often need few resources to extensively probe and exploit vulnerabilities over lengthy periods of time. A sophisticated breach, moreover, may not be identified until well after the attack has occurred and the damage has been caused.

We also could be adversely affected by security risks faced by others. For example, a cyberattack or other security breach affecting a service provider or another entity on whom we rely could negatively impact us and our ability to conduct business and operations just as much as a breach affecting us directly. Further, in such a circumstance, we may not receive timely notice of or information about the breach or be able to exert any meaningful control or influence over how and when the breach is addressed. In addition, a security threat affecting the business community, the markets, or parts of them may cycle or cascade through the financial system and harm us. The mere perception of a security breach involving us or any part of the financial services industry, whether or not true, also could damage our business, operations, or reputation.

Many if not all of these risks and uncertainties are some of our most significant and yet beyond our control. Refer to the section titled *Risk Management* in the MD&A that follows.

Our operating systems or infrastructure, as well as those of our service providers or others on whom we rely, could fail or be interrupted, which could disrupt our business and adversely affect our results of operations, financial condition, and prospects.

We rely heavily upon communications, data management, and other operating systems and infrastructure—including cloud-based services—to conduct our business and operations, which creates meaningful operational risk for us. Any failure of or interruption in these systems or infrastructure or those of our service providers or others on whom we rely—including as a result of inadequate or failed technology or processes, unplanned or unsuccessful updates to technology, sudden increases in transaction volume, human errors, fraud or other misconduct, deficiencies in the integration of acquisitions or the commencement of new businesses, energy or similar infrastructure outages, disruptions in communications networks or systems, natural disasters, catastrophic events, pandemics, acts of terrorism, political or social unrest, external or internal security breaches, acts of vandalism, cyberattacks such as computer viruses and malware, misplaced or lost data, or breakdowns in business continuity plans—could cause failures or delays in receiving applications for loans and operating leases, underwriting or processing loan or operating-lease applications, servicing loans and operating leases, accessing online accounts, processing transactions, executing brokerage orders, communicating with our customers, managing our investment portfolio, or otherwise conducting our business and operations. These adverse effects could be exacerbated if systems or infrastructure need to be taken offline or meaningfully repaired, if backup systems or infrastructure are not adequately redundant and effective for the conduct of our business and operations, or if technological or other solutions do not exist or are slow to be developed. Further, to the extent that the systems or infrastructure of service providers or others are involved, we may have little or no knowledge, control, or influence over how and when failures or delays are addressed. As a digital financial-services company with a meaningful dependence on service providers, we are especially susceptible to business, reputational, financial, regulatory, and other harm as a result of these risks.

In the ordinary course of our business, we collect, store, process, and transmit sensitive, confidential, or proprietary data and other information, including business information, intellectual property, and the personally identifiable information of customers and employees. The secure collection, storage, processing, and transmission of this information are critical to our business and reputation, and if any of this information were mishandled, misused, improperly accessed, lost, or stolen or if related operations were disabled or otherwise disrupted, we could suffer significant business, reputational, financial, regulatory, and other damage.

Even when a failure of or interruption in operating systems or infrastructure is timely resolved, we may need to expend substantial resources in doing so, may be required to take actions that could adversely affect customer satisfaction or behavior, and may be exposed to reputational damage. We also could be exposed to contractual claims, supervisory actions, or litigation by private plaintiffs.

We are heavily reliant on technology, and a failure in effectively implementing technology initiatives, anticipating future technology needs or demands, or maintaining rights or interests in associated intellectual property could adversely affect our business or financial results.

Especially as a digital financial-services company and a direct bank with no branch network, we significantly depend on technology to deliver our products and services and to otherwise conduct our business and operations. To remain technologically competitive and operationally efficient, we invest in system upgrades, new solutions, cloud-based services, and other technology initiatives. Many of these initiatives take a significant amount of time to develop and implement, are tied to critical systems, and require substantial financial, human, and other resources. Although we take steps to mitigate the risks and uncertainties associated with these initiatives, no assurance can be provided that they will be implemented on time, within budget, or without negative financial, operational, or customer impact or that, once implemented, they will perform as we or our customers expect. We also may not succeed in anticipating or keeping pace with future technology needs, the technology demands of customers, or the competitive landscape for technology. If we were to misstep in any of these areas, our business, financial results, or reputation could be negatively impacted. Our use of systems and other technologies also depends on rights or interests in the underlying intellectual property, which we or our service providers may own or license. If we or a service provider were alleged or found to be infringing on the intellectual-property rights of another person or entity, we could be liable for significant damages for past infringement, substantial fees for continued use, and deprivation of access for limited or extended periods of time without the practical availability of an alternative.

Our enterprise risk-management framework or independent risk-management function may not be effective in mitigating risk and loss.

We maintain an enterprise risk-management framework that is designed to identify, measure, assess, monitor, test, control, report, escalate, and mitigate the risks that we face. These include credit, insurance/underwriting, market, liquidity, business/strategic, reputation, operational, information-technology/cyber-security, compliance, and conduct risks. The framework incorporates risk culture and incentives, risk governance and organization, strategy and risk appetite, a material-risk taxonomy, key risk-management processes, and risk capabilities. Our chief risk officer, chief compliance officer, and other personnel who make up our independent risk-management function are responsible for overseeing and implementing the framework. Refer to the section titled *Risk Management* in the MD&A that follows. While we continue to evolve our risk-management framework to consider changes in business and regulatory expectations, there can be no assurance that the framework—including its design and implementation—will effectively mitigate risk and limit losses in our business and operations. If conditions or circumstances arise that expose flaws or gaps in the framework or its implementation, the performance and value of our business and operations could be adversely affected. An ineffective risk-management framework or function also could give rise to enforcement and other supervisory actions, damage our reputation, and result in private litigation.

Our business and operations make extensive use of models, and we could be adversely affected if our design, implementation, or use of models is flawed.

We use quantitative models to price products and services, measure risk, calculate the quantitative portion of our allowance for loan losses, estimate asset and liability values, assess capital and liquidity, manage our balance sheet, create financial forecasts, and otherwise conduct our business and operations. If the design, implementation, or use of any of these models is flawed, we could make strategic or tactical decisions based on incorrect, misleading, or incomplete information. In addition, to the extent that any flawed models or inaccurate model outputs are used in reports to banking agencies or the public, we could be subjected to supervisory actions, private litigation, and other proceedings that may adversely affect our business and financial results. Refer to the section titled *Risk Management* in the MD&A that follows.

Risks Related to Ownership of Our Common Stock

Our ability to pay dividends on our common stock or repurchase shares in the future may be limited.

Any future dividends on our common stock or changes in our stock-repurchase program will be determined by our Board in its sole discretion and will depend on our business, financial condition, earnings, capital, liquidity, and other factors at the time. In addition, any plans to continue dividends or share repurchases in the future will be subject to our stress capital buffer requirement and the FRB's review of our annual capital plan, which are unpredictable. There is no assurance that our Board will approve, or the FRB will permit, future dividends or share repurchases. Refer to the section above titled *Regulation and Supervision* in Part I, Item 1 of this report.

It is possible that any indentures or other financing arrangements that we execute in the future could limit our ability to pay dividends on our capital stock, including our common stock. In the event that any of our indentures or other financing arrangements in the future restrict that ability, we may be unable to pay dividends unless and until we can refinance the amounts outstanding under those arrangements. In addition, under Delaware law, our Board may declare dividends on our capital stock only to the extent of our statutory surplus (which is defined as the amount equal to total assets minus total liabilities, in each case at fair market value, minus statutory capital) or, if no surplus exists, out of our net profits for the then-current or immediately preceding fiscal year. Further, even if we are permitted under our contractual obligations and Delaware law to pay dividends on our common stock, we may not have sufficient cash or regulatory approvals to do so.

The market price of our common stock could be adversely impacted by anti-takeover provisions in our organizational documents and Delaware law that could delay or prevent a takeover attempt or change in control of Ally or by other banking, antitrust, or corporate laws that have or are perceived as having an anti-takeover effect.

Our certificate of incorporation, our bylaws, and Delaware law contain provisions that could have the effect of discouraging, hindering, or preventing an acquisition that the Board does not find to be in the best interests of us and our stockholders. For example, our organizational documents include provisions that limit the liability of our directors, provide indemnification to our directors and officers, and limit the ability of our stockholders to call and bring business before special meetings of stockholders by requiring any requesting stockholders to hold at least 25% of our common stock in the aggregate.

These provisions, alone or together, could delay hostile takeovers and changes in control of Ally or changes in management.

In addition, we are subject to Section 203 of the General Corporation Law of the State of Delaware, which generally prohibits a corporation from engaging in various business combination transactions with any interested stockholder (generally defined as a stockholder who owns 15% or more of a corporation's voting stock) for a period of three years following the time that the stockholder became an interested stockholder, except under specified circumstances such as the receipt of prior board approval.

Banking and antitrust laws, including associated regulatory-approval requirements, also impose significant restrictions on the acquisition of direct or indirect control over any BHC like Ally or any insured depository institution like Ally Bank. Refer to the section above titled *Regulation and Supervision* in Part I, Item 1 of this report.

Any provision of our organizational documents or applicable law that deters, hinders, or prevents a non-negotiated takeover or change in control of Ally could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal corporate offices are located in Detroit, Michigan, and Charlotte, North Carolina. In Detroit, we lease approximately 403,000 square feet of office space under a lease that expires in December 2028. In July 2021, we purchased a new corporate facility in Charlotte, where we occupy 543,000 square feet of office space. We have begun to consolidate most of our Charlotte, North Carolina locations, through a series of phases, as the existing leases expire.

The primary offices for both our Automotive Finance and Insurance operations are located in Detroit, and are included in the totals referenced above. The primary office for our Mortgage Finance operations is located in Charlotte, and is included in the totals referenced above. The primary office for our Corporate Finance operations is located in New York, New York, where we lease approximately 55,000 square feet of office space under a lease that expires in June 2023.

In addition to the properties described above, we lease additional space to conduct our operations. We believe our facilities are adequate for us to conduct our present business activities.

Item 3. Legal Proceedings

Refer to Note 29 to the Consolidated Financial Statements for a discussion related to our legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the NYSE under the symbol "ALLY." At December 31, 2021, we had 337,940,636 shares of common stock outstanding, compared to 374,674,415 shares at December 31, 2020. As of February 23, 2022, we had approximately 31 holders of record of our common stock.

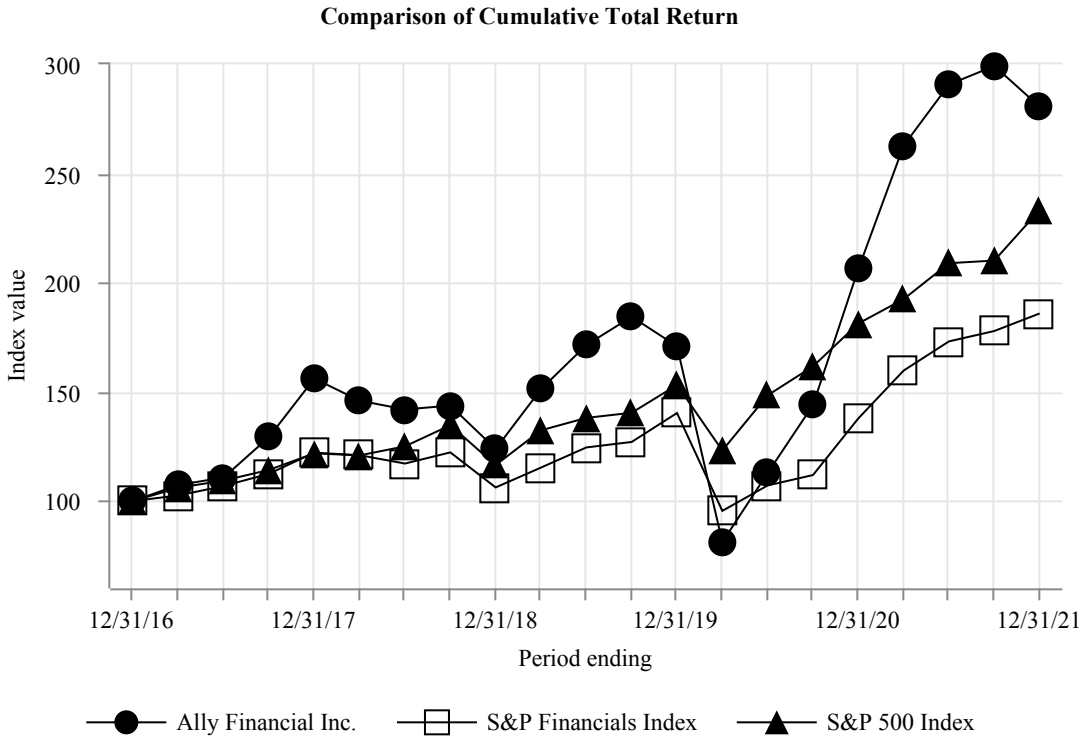
Securities Authorized for Issuance Under Equity Compensation Plans

For information regarding securities authorized for issuance under our equity compensation plans, see Part III, Item 12.

Stock Performance Graph

The following graph compares the cumulative total return to stockholders on our common stock relative to the cumulative total returns of the S&P 500 index and the S&P Financials index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each index on December 31, 2016, and its relative performance is tracked through December 31, 2021. The returns shown are based on historical results and are not intended to suggest future performance.

This performance graph is not deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, or incorporated by reference into any filing of Ally under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.



Recent Sales of Unregistered Securities

Ally did not have any sales of unregistered securities in the last three fiscal years.

Purchases of Equity Securities by the Issuer

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

Three months ended December 31, 2021	Total number of shares repurchased (a) *(in thousands)*	Weighted-average price paid per share (a) (b) *(in dollars)*	Total number of shares repurchased as part of publicly announced program (a) (c) *(in thousands)*	Maximum approximate dollar value of shares that may yet be repurchased under the program (a) (b) (c) *($ in millions)*
October 2021	**3,155**	**$ 51.59**	**3,155**	**$ 437**
November 2021	**5,518**	**49.07**	**5,518**	**167**
December 2021	**3,373**	**47.43**	**3,373**	**6**
Total	**12,046**	**49.27**	**12,046**	

(a) Consists of 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 13, 2021, we announced a common stock-repurchase program of up to $2.0 billion for 2021, replacing the $1.6 billion common stock-repurchase authorization previously announced on January 12, 2021. The programs commenced in the first quarter of 2021 and expired on December 31, 2021. Refer to Note 20 to the Consolidated Financial Statements for further details.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Notice about Forward-Looking Statements and Other Terms

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

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

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

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

- our ability to innovate, to anticipate the needs of current or future customers, to successfully compete, to increase or hold market share in changing competitive environments, or to deal with pricing or other competitive pressures;
- the continuing profitability and viability of our dealer-centric automotive finance and insurance businesses, especially in the face of competition from captive finance companies and their automotive manufacturing sponsors and challenges to the dealer's role as intermediary between manufacturers and purchasers;
- our ability to appropriately underwrite loans that we originate or purchase and to otherwise manage credit risk;
- changes in the credit, liquidity, or other financial condition of our customers, counterparties, service providers, or competitors;
- our ability to effectively deal with economic, business, or market slowdowns or disruptions;
- our ability to address heightened scrutiny and expectations from supervisory or other governmental authorities and to timely and credibly remediate related concerns or deficiencies;
- judicial, regulatory, or administrative inquiries, examinations, investigations, proceedings, disputes, or rulings that create uncertainty for, or are adverse to, us or the financial services industry;
- the potential outcomes of judicial, regulatory, or administrative inquiries, examinations, investigations, proceedings, or disputes to which we are or may be subject, and our ability to absorb and address any damages or other remedies that are sought or awarded, and any collateral consequences;
- the performance and availability of third-party service providers on whom we rely in delivering products and services to our customers and otherwise conducting our business and operations;
- our ability to manage and mitigate security risks, including our capacity to withstand cyberattacks;
- our ability to maintain secure and functional financial, accounting, technology, data processing, or other operating systems or infrastructure;
- the adequacy of our corporate governance, risk-management framework, compliance programs, or internal controls over financial reporting, including our ability to control lapses or deficiencies in financial reporting or to effectively mitigate or manage operational risk;
- the efficacy of our methods or models in assessing business strategies or opportunities or in valuing, measuring, estimating, monitoring, or managing positions or risk;
- our ability to keep pace with changes in technology that affect us or our customers, counterparties, service providers, or competitors or to maintain rights or interests in associated intellectual property;
- our ability to successfully make and integrate acquisitions;
- the adequacy of our succession planning for key executives or other personnel and our ability to attract or retain qualified employees;
- natural or man-made disasters, calamities, or conflicts, including terrorist events, cyber-warfare, and pandemics (such as adverse effects of the COVID-19 pandemic on us and our customers, counterparties, employees, and service providers);
- our ability to maintain appropriate ESG practices, oversight, and disclosures;
- policies and other actions of governments to manage and mitigate climate and related environmental risks, and the effects of climate change or the transition to a lower-carbon economy on our business, operations, and reputation; or
- other assumptions, risks, or uncertainties described in the Risk Factors (Item 1A), Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 7), or the Notes to the Consolidated Financial Statements (Item 8) in this Annual Report on Form 10-K or described in any of the Company's annual, quarterly or current reports.

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

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

acquisition of loans, or our purchase of operating leases as applicable. The term "consumer" means all consumer products associated with our loan and operating-lease activities and all commercial retail installment sales contracts. The term "commercial" means all commercial products associated with our loan activities, other than commercial retail installment sales contracts. The term "partnerships" means business arrangements rather than partnerships as defined by law.

Overview

Ally Financial Inc. (together with its consolidated subsidiaries unless the context otherwise requires, Ally, the Company, we, us, or our) is a digital financial-services company committed to its promise to "Do It Right" for its consumer, commercial, and corporate customers. Ally is composed of an industry-leading independent automotive finance and insurance operation, an award-winning digital direct bank (Ally Bank, Member FDIC and Equal Housing Lender, which offers mortgage lending, point-of-sale personal lending, and a variety of deposit and other banking products), a consumer credit card business, a corporate finance business for equity sponsors and middle-market companies, and securities brokerage and investment advisory services. A relentless ally for all things money, Ally helps people save well and earn well, so they can spend for what matters. We are a Delaware corporation and are registered as a BHC under the BHC Act, and an FHC under the GLB Act.

Our Business

Dealer Financial Services

Dealer Financial Services is composed of our Automotive Finance and Insurance segments. Our primary customers are automotive dealers, which are independently owned businesses. A dealer may sell or lease a vehicle for cash but, more typically, enters into a retail installment sales contract or operating lease with the customer and then sells the retail installment sales contract or the operating lease and the leased vehicle, as applicable, to Ally or another automotive-finance provider. The purchase by Ally or another provider is commonly described as indirect automotive lending to the customer.

Our Dealer Financial Services business is one of the largest full-service automotive finance operations in the country and offers a wide range of financial services and insurance products to automotive dealerships and their customers. We have deep dealer relationships that have been built throughout our over 100-year history, and we are leveraging competitive strengths to expand our dealer footprint. Our dealer-centric business model encourages dealers to use our broad range of products through incentive programs like our Ally Dealer Rewards program. Our automotive finance services include purchasing retail installment sales contracts and operating leases from dealers, extending automotive loans directly to consumers, offering term loans to dealers, financing dealer floorplans and providing other lines of credit to dealers, supplying warehouse lines to automotive retailers, offering automotive-fleet financing, providing financing to companies and municipalities for the purchase or lease of vehicles, and supplying vehicle-remarketing services. We also offer retail VSCs and commercial insurance primarily covering dealers' vehicle inventories. We are a leading provider of VSCs, GAP, and VMCs.

Automotive Finance

Our Automotive Finance operations provide U.S.-based automotive financing services to consumers, automotive dealers, other businesses, and municipalities. Our dealer-focused business model, value-added products and services, full-spectrum financing, and business expertise proven over many credit cycles make us a premier automotive finance company. At December 31, 2021, our Automotive Finance operations had $103.7 billion of assets and generated $5.5 billion of total net revenue in 2021. For consumers, we provide financing for new and used vehicles. In addition, our CSG provides automotive financing for small businesses and municipalities. At December 31, 2021, our CSG had $8.6 billion of loans outstanding. Through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale floorplan financing. We manage commercial account servicing on approximately 2,700 dealers that utilize our floorplan inventory lending or other commercial loans. We serviced $84.8 billion consumer loan and operating leases at December 31, 2021, and our commercial automotive loan portfolio was approximately $16.1 billion at December 31, 2021. The extensive infrastructure, technology, and analytics of our servicing operations as well as the experience of our servicing personnel enhance our ability to minimize our loan losses and enable us to deliver a favorable customer experience to both our dealers and retail customers. During 2021, we continued to reposition our origination profile to focus on capital optimization and risk-adjusted returns. In 2021, total consumer automotive originations were $46.3 billion, an increase of $11.1 billion compared to 2020. The shorter-term duration consumer automotive loan and variable-rate commercial loan portfolios offer attractive asset classes where we continue to optimize risk-adjusted returns through origination mix management and pricing and underwriting discipline.

Our success as an automotive finance provider is driven by the consistent and broad range of products and services we offer to dealers. The automotive marketplace is dynamic and evolving, including substantial investments in electrification by automobile manufacturers and suppliers. Ally remains focused on meeting the needs of both our dealer and consumer customers and continuing to strengthen and expand upon the approximately 21,100 dealer relationships we have. We continue to identify and cultivate relationships with automotive retailers including those with leading eCommerce platforms. We also operate Clearlane, our online direct-lending platform, which provides a digital platform for consumers seeking direct financing. We believe these actions will enable us to respond to the growing trends for a more streamlined and digital automotive financing process to serve both dealers and consumers. Furthermore, our strong and expansive dealer relationships, comprehensive suite of products and services, full-spectrum financing, and depth of experience position us to evolve with future shifts in automobile technologies, including electrification. Ally has and continues to provide automobile financing for hybrid and battery-electric vehicles today, and is well positioned to remain a leader in automotive financing as we believe the vast majority of these vehicles will be sold through dealerships with whom we have an established relationship.

The Growth channel was established to focus on developing dealer relationships beyond those relationships that primarily were developed through our previous role as a captive finance company for GM and Stellantis. The Growth channel was expanded to include direct-to-consumer financing through Clearlane and other channels and our arrangements with online automotive retailers. We have established relationships with thousands of Growth channel dealers through our customer-centric approach and specialized incentive programs designed to drive loyalty amongst dealers to our products and services. The success of the Growth channel has been a key enabler in

evolving our business model from a focused captive finance company to a leading market competitor. In this channel, we currently have approximately 14,800 dealer relationships, of which approximately 74% are franchised dealers (including brands such as Ford, Nissan, Kia, Hyundai, Toyota, Honda, and others), or used vehicle only retailers with a national presence.

Over the past several years, we have continued to focus on the consumer used vehicle segment primarily through franchised dealers, which has resulted in used vehicle financing volume growth, and has positioned us as an industry leader in used vehicle financing. The highly fragmented used vehicle financing market, with a total financing opportunity represented by approximately 284 million vehicles in operation, provides an attractive opportunity that we believe will further expand and support our dealer relationships and increase our risk-adjusted return on retail loan originations.

For consumers, we provide automotive loan financing and leasing for approximately 4.4 million new and used vehicle contracts. Retail financing for the purchase of vehicles by individual consumers generally takes the form of installment sales financing. We originated a total of approximately 1.4 million and 1.3 million automotive loans and operating leases during the years ended December 31, 2021, and 2020, respectively, totaling $46.3 billion and $35.1 billion, respectively.

Our consumer automotive financing operations generate revenue primarily through finance charges on retail installment sales contracts and rental payments on operating lease contracts. For operating leases, when the contract is originated, we estimate the residual value of the leased vehicle at lease termination. Periodically thereafter we revise the projected residual value of the leased vehicle at lease termination and adjust depreciation expense over the remaining life of the lease if appropriate. Given the fluctuations in used vehicle values, our actual sales proceeds from remarketing the vehicle may be higher or lower than the projected residual value, which results in gains or losses on lease termination. While all operating leases are exposed to potential reductions in used vehicle values, only loans where we take possession of the vehicle are affected by potential reductions in used vehicle values. Refer to the *Risk Management* section of this MD&A for further discussion of credit risk and lease residual risk.

We continue to maintain a diverse mix of product offerings across a broad risk spectrum, subject to underwriting policies that reflect our risk appetite. Our current operating results increasingly reflect our ongoing strategy to grow used vehicle financing and expand risk-adjusted returns. While we predominately focus on prime-lending markets, we seek to be a meaningful source of financing to a wide spectrum of customers and continue to carefully measure risk versus return. We place great emphasis on our risk management and risk-based pricing policies and practices and employ robust credit decisioning processes coupled with granular pricing that is differentiated across our proprietary credit tiers.

Our commercial automotive financing operations primarily fund dealer inventory purchases of new and used vehicles, commonly referred to as wholesale floorplan financing. This represents the largest portion of our commercial automotive financing business. Wholesale floorplan loans are secured by vehicles financed (and all other vehicle inventory), which provide strong collateral protection in the event of dealership default. Additional collateral or other credit enhancements (for example, personal guarantees from dealership owners) are typically obtained to further mitigate credit risk. The amount we advance to dealers is equal to 100% of the wholesale invoice price of new vehicles, subject to payment curtailment schedules. Interest on wholesale automotive financing is generally payable monthly and is indexed to a floating-rate benchmark. The rate for a particular dealer is based on, among other considerations, competitive factors and the dealer's creditworthiness. During 2021, we financed an average of $11.2 billion of dealer vehicle inventory through wholesale floorplan financings. Other commercial automotive lending products, which averaged $5.3 billion during 2021, consist of automotive dealer revolving lines of credit, term loans, including those to finance dealership land and buildings, and dealer fleet financing. We also provide comprehensive automotive remarketing services, including the use of SmartAuction, our online auction platform, which efficiently supports dealer-to-dealer and other commercial wholesale vehicle transactions. SmartAuction provides diversified fee-based revenue and serves as a means of deepening relationships with our dealership customers. In 2021, Ally and other parties, including dealers, fleet rental companies, and financial institutions, utilized SmartAuction to sell approximately 261,000 vehicles to dealers and other commercial customers. SmartAuction served as the remarketing channel for 29% of our off-lease vehicles.

Insurance

Our Insurance operations offer both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. We serve approximately 2.5 million consumers nationwide across F&I and P&C products. In addition, we offer F&I products in Canada, where we serve more than 400 thousand consumers and are the VSC and other protection plan provider for GM Canada and VSC provider for Subaru Canada. Our Insurance operations had $9.4 billion of assets at December 31, 2021, and generated $1.4 billion of total net revenue during 2021. As part of our focus on offering dealers a broad range of consumer F&I products, we offer VSCs, VMCs, and GAP products. We also underwrite selected commercial insurance coverages, which primarily insure dealers' wholesale vehicle inventory. Ally Premier Protection is our flagship VSC offering, which provides coverage for new and used vehicles of virtually all makes and models. We also offer ClearGuard on the SmartAuction platform, which is a protection product designed to minimize the risk to dealers from arbitration claims for eligible vehicles sold at auction.

From a dealer perspective, Ally provides significant value and expertise, which creates high retention rates and strong relationships. In addition to our product offerings, we provide consultative services and training to assist dealers in optimizing F&I results while achieving high levels of customer satisfaction and regulatory compliance. We also advise dealers regarding necessary liability and physical damage coverages.

Our F&I products are primarily distributed indirectly through the automotive dealer network. We have established approximately 1,500 F&I dealer relationships nationwide and 550 dealer relationships in Canada, with a focus on growing dealer relationships in the future. Our VSCs for retail customers offer owners and lessees mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle warranty. These VSCs are marketed to the public through automotive dealerships and on a direct response basis. We also offer GAP products, which cover certain amounts owed by a customer beyond their covered vehicle's value in the event the vehicle is damaged or stolen and declared a total loss. We continue to evolve our product suite and digital capabilities to position our business for future opportunities through growing third-party relationships and sales through our online direct-lending platform, Clearlane.

We have approximately 3,100 dealer relationships within our P&C business to whom we offer a variety of commercial products and levels of coverage. Vehicle inventory insurance for dealers provides physical damage protection for dealers' floorplan vehicles. Among dealers to whom we provide wholesale financing, our insurance product penetration rate is approximately 78%. Dealers who receive wholesale financing from us are eligible for insurance incentives such as automatic eligibility for our preferred insurance programs.

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk appetite, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

Mortgage Finance

Our Mortgage Finance operations consist of the management of held-for-investment and held-for-sale consumer mortgage loan portfolios. Our held-for-investment portfolio includes our direct-to-consumer Ally Home mortgage offering, and bulk purchases of high-quality jumbo and LMI mortgage loans originated by third parties. Our Mortgage Finance operations had $17.8 billion of assets at December 31, 2021, and generated $218 million of total net revenue in 2021.

Through our direct-to-consumer channel, which was introduced late in 2016, we offer a variety of competitively priced jumbo and conforming fixed- and adjustable-rate mortgage products through a third-party fulfillment provider. Under our current arrangement, our direct-to-consumer conforming mortgages are originated as held-for-sale and sold, while jumbo and LMI mortgages are originated as held-for-investment. Loans originated in the direct-to-consumer channel are sourced by existing Ally customer marketing, prospect marketing on third-party websites, and email or direct mail campaigns. In April 2019, we announced a strategic partnership with BMC, which delivers an enhanced end-to-end digital mortgage experience for our customers through our direct-to-consumer channel. Through this partnership, BMC conducts the sales, processing, underwriting, and closing for Ally's digital mortgage offerings in a highly innovative, scalable, and cost-efficient manner, while Ally retains control of all the marketing and advertising strategies and loan pricing. During the year ended December 31, 2021, we originated $10.4 billion of mortgage loans through our direct-to-consumer channel.

Through the bulk loan channel, we purchase loans from several qualified sellers including direct originators and large aggregators who have the financial capacity to support strong representations and warranties and the industry knowledge and experience to originate high-quality assets. Bulk purchases are made on a servicing-released basis, allowing us to directly oversee servicing activities and manage refinancing through our direct-to-consumer channel. During the year ended December 31, 2021, we purchased $3.9 billion of mortgage loans that were originated by third parties. Our mortgage loan purchases are held-for-investment.

The combination of our direct-to-consumer strategy and bulk portfolio purchase program provides the capacity to expand revenue sources and further grow and diversify our finance receivable portfolio with an attractive asset class while also deepening relationships with existing Ally customers.

Corporate Finance

Our Corporate Finance operations primarily provide senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle-market companies owned by private equity sponsors, and loans to asset managers that primarily provide leveraged loans. Our Corporate Finance operations had $8.0 billion of assets at December 31, 2021, and generated $436 million of total net revenue during 2021, and continues to offer attractive returns and diversification benefits to our broader lending portfolio. We believe our growing deposit-based funding model coupled with our expanded product offerings and deep industry relationships provide an advantage over our competition, which includes other banks as well as publicly and privately held finance companies. While there continues to be a significant level of liquidity and competition in the middle-market lending space, we have continued to prudently grow our lending portfolio with a focus on a disciplined and selective approach to credit quality, including a greater focus on asset-based loans. We seek markets and opportunities where our clients require customized, highly structured, and time-sensitive financing solutions. Our corporate-finance lending portfolio is generally composed of first-lien, first-out loans.

Our focus is on businesses owned by private equity sponsors with loans typically used for leveraged buyouts, refinancing and recapitalizations, mergers and acquisitions, growth, co-lending arrangements, turnarounds, and debtor-in-possession financings. Loan facilities typically include both a revolver and term loan component. Our target commitment hold level for these individual exposures ranges from $15 million to $150 million, depending on product type. Additionally, our Lender Finance business provides asset managers with facilities from $50 million to up to $500 million to partially fund their direct-lending activities. We also selectively arrange larger transactions that we may retain on-balance sheet or syndicate to other lenders. By syndicating loans to other lenders, we are able to provide financing commitments in excess of our target hold levels to our customers and generate loan syndication fee income while reducing our risk exposure to individual borrowers. All of our loans are floating-rate facilities with maturities typically ranging from two to seven years. In certain

instances, we may be offered the opportunity to make small equity investments in our borrowers, which provide a potential additional revenue opportunity for our business. The portfolio is well diversified across multiple industries including financials, services, manufacturing distribution, and other specialty sectors. These specialty sectors include our healthcare, technology/venture finance, defense and aerospace, and transportation and logistics. We also provide a healthcare-based commercial real estate product focused on lending to skilled nursing facilities, senior housing, medical office buildings, and hospitals. Other smaller complementary product offerings that help strengthen our reputation as a full-spectrum provider of financing solutions for borrowers include selectively offering second-out loans on certain transactions and issuing letters of credit through Ally Bank.

Corporate and Other

Overview

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

Ally Invest

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

Through Ally Invest, we are able to offer a broader array of products through a fully integrated digital consumer platform centered around self-directed products and digital advisory services. Ally Invest's suite of commission-free and low-cost investing options serve both active and passive investors with diverse and evolving financial objectives through a transparent online process. Our digital platform and broad product offerings are enhanced by outstanding client-focused and user-friendly customer service that is generally accessible twenty-four hours a day, seven days a week, via the phone, web or email—consistent with the Ally brand.

Ally Invest provides clients with self-directed trading services for a variety of securities including stocks, options, ETFs, mutual funds, and fixed-income products through Ally Invest Securities. Ally Invest Securities also offers margin lending, which allows customers to borrow money by using securities and cash currently held in their accounts as collateral. Through Ally Invest Forex, we offer self-directed investors and traders the ability to trade over 50 currency pairs through a forex trading platform.

Ally Invest also provides digital advisory services to clients through web-based solutions, informational resources, and virtual interaction through Ally Invest Advisors, an SEC-registered investment advisor. These services have emerged as a fast-growing segment within the financial services industry over the past several years. Ally Invest Advisors provides clients the opportunity to obtain professional portfolio management services in return for a fee based upon the client's assets under management. We also offer cash enhanced portfolios that incur no management fee. A number of core robo portfolios are offered, which hold ETFs diversified across asset class, industry sector, and geography and which are customized for clients based on risk tolerance, investment time horizon, and wealth ratio.

Ally Lending

Information related to our unsecured personal lending business, Ally Lending, is also included within Corporate and Other. Ally Lending currently serves medical, retail, and home improvement service providers by enabling promotional and fixed rate installment-loan products through a digital application process at point-of-sale. The home improvement segment, which was launched in the second quarter of 2020, now represents approximately 38% of new originations, and is expected to grow. Point-of-sale lending broadens our capabilities, and expands our product offering into consumer unsecured lending, all while helping to further meet the financial needs of our customers.

Ally Credit Card

Additionally, beginning in December 2021 with the acquisition of Fair Square, which we rebranded Ally Credit Card, financial information related to our credit card business is included within Corporate and Other. The acquisition provides us with a scalable, digital-first credit card platform, and advances our evolution as a leading digital consumer bank. Ally Credit Card (formerly Fair Square) features leading-edge technology, and a proprietary, analytics-based underwriting model. We believe the addition of credit card to our suite of products enhances our ability to grow and deepen both new and existing customer relationships. As of December 31, 2021, our credit card business was composed of approximately 750,000 customers. Refer to Note 2 to the Consolidated Financial Statements for additional details on the acquisition of Fair Square.

Corporate Treasury and ALM Activities

The net financing revenue and other interest income of our Automotive Finance, Mortgage Finance, and Corporate Finance operations include the results of an FTP process that insulates these operations from interest rate volatility by matching assets and liabilities with similar interest rate sensitivity. The FTP process assigns charge rates to the assets and credit rates to the liabilities within our Automotive Finance,

Mortgage Finance, and Corporate Finance operations, based on anticipated maturity and a benchmark rate curve plus an assumed credit spread. The assumed credit spread represents the cost of funds for each asset class based on a blend of funding channels available to the enterprise, including unsecured and secured capital markets, private funding facilities, and deposits. In addition, a risk-based methodology is used to allocate equity to these operations.

Deposits

We are focused on growing and retaining a stable deposit base and deepening relationships with our 2.5 million primary deposit customers by leveraging our compelling brand and strong value proposition. Ally Bank is a digital direct bank with no branch network that obtains retail deposits directly from customers. We have grown our deposits with a strong brand that is based on a promise of being straightforward with our customers and offering high-quality customer service. Ally Bank has consistently increased its share of the direct banking deposit market and remains one of the largest direct banks in terms of retail deposit balances. Our strong customer acquisition and retention rates reflect the strength of our brand and, together with our overall value proposition, continue to drive growth in retail deposits. At December 31, 2021, Ally Bank had $141.6 billion of total deposits—including $134.7 billion of retail deposits, which grew $10.3 billion, or 8% during 2021. Over the past several years, the continued growth of our retail-deposit base has contributed to a more favorable mix of lower cost funding and we continue to focus on efficient deposit growth by continuing to expand the deposit value proposition beyond competitive deposit rates. Our segment results include cost of funds associated with these deposit-product offerings.

Our deposit products and services are designed to develop long-term customer relationships and capitalize on the shift in consumer preference for direct banking. Our deposits franchise is key to growing and building momentum across our suite of digital offerings at Ally Home, Ally Invest, Ally Lending, and Ally Credit Card, consistent with our strategic objective to grow multi-product customers. These products and services appeal to a broad group of customers, many of whom appreciate a streamlined digital experience coupled with our strong value proposition. Ally Bank offers a full spectrum of retail deposit products, including online savings accounts, money-market demand accounts, CDs, interest-bearing checking accounts, trust accounts, and IRAs. Our deposit services include Zelle® person-to-person payment services, eCheck remote deposit capture, and mobile banking. As demonstrated with the successful launch of our Smart Savings Tools, Ally continues to deliver innovative digital tools on top of traditional financial products to add incremental value to customers, while also driving increased engagement and loyalty. Over 500,000 customers have adopted our Smart Savings Tools.

We believe we are well-positioned to continue to benefit from the consumer-driven shift from branch banking to direct banking as demonstrated by the growth we have experienced since 2010. Our nearly 2.5 million deposit customers and 4.7 million retail bank accounts as of December 31, 2021, reflect increases from 2.3 million and 4.5 million, respectively, as compared to December 31, 2020. Our customer base spans across diverse demographic segmentations and socioeconomic bands. Our direct bank business model resonates particularly well with the millennial generation, which consistently makes up the largest percentage of our new customers. According to a 2021 American Bankers Association survey, 88% of customers prefer to do their banking most often via digital and other direct channels (internet, mobile, telephone, and mail). Furthermore, over the past five years, estimated direct banking deposits as a percentage of the broader retail deposits market increased by approximately 2 percentage points, from 7% in 2016 to 9% in 2021. We have received a positive response to innovative savings and other deposit products. In October 2021, MONEY® Magazine named Ally to its "Best Online Bank" list for the fourth consecutive year, as well as the ninth time in the past eleven years, and in June 2021, Kiplinger named Ally Bank the "Best Internet Bank" for the fifth consecutive year. Ally Bank's competitive direct banking includes online and mobile banking features such as electronic bill pay, remote deposit, and electronic funds transfer nationwide, with innovative interfaces such as banking through Alexa-enabled devices, and no minimum balance requirements.

We intend to continue to grow and invest in our digital direct bank and further capitalize on the shift in consumer preference for direct banking with expanded digital capabilities and customer-centric products that utilize advanced analytics for personalized interactions and other technologies that improve efficiency, security, and the customer's connection to the brand. We are focused on growing, deepening, and further leveraging the customer relationships and brand loyalty that exist with Ally Bank as a catalyst for future loan and deposit growth, as well as revenue opportunities that arise from introducing Ally Bank deposit customers to our digital wealth management offering, Ally Invest.

Funding and Liquidity

Our funding strategy targets a stable retail deposit base, supplemented by brokered deposits, public and private secured debt, and public unsecured debt. These diversified funding sources are managed across products, markets, and investors to enhance funding flexibility and stability, resulting in a more cost-effective long-term funding strategy.

Prudent expansion of asset originations at Ally Bank and continued growth of a stable deposit base continue to be the cornerstone of our long-term liquidity strategy. Our primary funding source is retail deposits, which provide us with stable, low-cost funding. We believe retail deposits are less sensitive to interest rate changes, market volatility, or changes in credit ratings when compared to other funding sources. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries. At December 31, 2021, deposit liabilities totaled $141.6 billion, which reflects an increase of $4.5 billion as compared to December 31, 2020. Deposits as a percentage of total liability-based funding increased four percentage points to 89% at December 31, 2021, as compared to December 31, 2020.

As we continue to migrate assets to Ally Bank and grow our bank funding capabilities, our need for funding at the parent company has been reduced. At December 31, 2021, 95% of Ally's total assets were within Ally Bank. This compares to approximately 94% as of December 31, 2020. Longer-term unsecured debt is the primary funding source utilized at the parent company. At December 31, 2021, we had $1.1 billion and $2.1 billion of unsecured long-term debt principal maturing in 2022 and 2023, respectively. We have substantially reduced our reliance on market-based funding by continuing to focus on retail deposit funding.

The strategies outlined above have allowed us to build and maintain a conservative liquidity position. Total available liquidity at December 31, 2021, was $31.2 billion. Absolute levels of liquidity decreased during 2021 primarily as a result of decreased liquid cash and equivalents. Refer to the section below titled *Liquidity Management, Funding, and Regulatory Capital* for a further discussion about liquidity risk management.

Credit Strategy

Our strategy and approach to extending credit, as well as our management of credit risk, are critical elements of our business. Credit performance is influenced by several factors including our risk appetite, our credit and underwriting processes, our monitoring and collection efforts, the financial condition of our borrowers, the performance of loan collateral, fiscal and monetary stimulus, and various macroeconomic considerations. Most of our businesses offer credit products and services, which drive overall business performance. Consistent with our risk appetite, our business lines operate under credit standards that consider the borrower's ability and willingness to repay loans. The failure to effectively manage credit risk can have a direct and significant impact on Ally's earnings, capital position, and reputation. Refer to the *Risk Management* section of this MD&A for a further discussion of credit risk and performance of our consumer and commercial credit portfolios.

Within our Automotive Finance operations, we serve a mix of consumers across the credit spectrum to achieve portfolio diversification and to optimize the risk and return of our consumer automotive portfolio. This is achieved through the utilization of robust credit decisioning processes coupled with granular pricing that is differentiated across our proprietary credit tiers. While we are a full-spectrum automotive finance lender, the significant majority of our consumer automotive loans are underwritten within the prime-lending segment. We define prime consumer automotive loans primarily as those loans with a FICO® Score at origination of 620 or greater. The carrying value of our nonprime consumer automotive loans before allowance for loan losses, as of December 31, 2021, was approximately 11.3% of our total consumer automotive loans at December 31, 2021. During 2021, our strategy for originations has been to optimize the deployment of capital by focusing on risk-adjusted returns against available origination opportunities, which has included a continued gradual and measured shift toward our Growth channel including used vehicle financings.

The mortgage-finance team focuses on applicants with stronger credit profiles and with income streams to support repayments of the loan and operates under credit standards that consider and assess the value of the underlying real estate in accordance with prudent credit practices and regulatory requirements. Refer to the *Mortgage Finance* section of the MD&A that follows for credit quality information about purchases and originations of consumer mortgages held-for-investment. We generally rely on appraisals conducted by licensed appraisers in conformance with the expectations and requirements of Fannie Mae and federal regulators. When appropriate, we require credit enhancements such as private mortgage insurance. We price each mortgage loan that we originate based on several factors, including the customer's FICO® Score, the LTV ratio, and the size of the loan. For bulk purchases, we only purchase loans from sellers with the experience to originate high-quality loans and the financial wherewithal to support their representations and warranties.

Within Ally Lending, our digital payment provider that offers point-of-sale financing to consumers, we serve a mix of consumers across the credit spectrum to achieve portfolio diversification and to optimize the risk and return of our personal lending portfolio. As of December 31, 2021, the amortized cost of our finance receivables related to Ally Lending was $1.0 billion.

Additionally, on December 1, 2021, we acquired Fair Square, which we rebranded Ally Credit Card, a digital credit card provider. This expansion into credit card lending further broadens our consumer finance product portfolio. As of December 31, 2021, the amortized cost of our finance receivables related to Ally Credit Card was $953 million.

Within our commercial lending portfolios, Corporate Finance operations primarily provide senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle-market companies. Throughout 2021, we continued to prudently grow this portfolio with a disciplined and selective approach to credit quality, which has generally included the avoidance of covenant-light lending arrangements. This includes growth of our lender finance vertical launched in 2019, which provides senior secured revolving credit facilities to asset managers, collateralized by a portfolio of loans. Within our commercial automotive business, we continue to offer a variety of dealer-centric lending products that primarily relate to floorplan financing and term loans. These commercial automotive products are an important aspect of our dealer relationships and offer a secured lending arrangement with strong collateral protections in the event of dealer default. The performance of our commercial credit portfolios continues to remain strong. While nonperforming finance receivables and loans increased $96 million from December 31, 2020, to $257 million at December 31, 2021, our total net charge-offs within our commercial lending portfolio remained low at $11 million for the year ended December 31, 2021, compared to $51 million for the year ended December 31, 2020. Refer to the *Risk Management* section of the MD&A for further details.

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 income taxes, net of valuation allowances, as well as wind-down, legal, and minimal operational costs. For all periods presented, the operating results for these operations have been removed from continuing operations. The MD&A has been adjusted to exclude discontinued operations unless otherwise noted.

Primary Business Lines

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019	**Favorable/ (unfavorable) 2021–2020 % change**	Favorable/ (unfavorable) 2020–2019 % change
Total net revenue					
Dealer Financial Services					
Automotive Finance	**$ 5,460**	$ 4,488	$ 4,390	**22**	**2**
Insurance	**1,404**	1,376	1,328	**2**	**4**
Mortgage Finance	**218**	220	193	**(1)**	**14**
Corporate Finance	**436**	344	284	**27**	**21**
Corporate and Other	**688**	258	199	**167**	**30**
Total	**$ 8,206**	$ 6,686	$ 6,394	**23**	**5**
Income (loss) from continuing operations before income tax expense					
Dealer Financial Services					
Automotive Finance	**$ 3,384**	$ 1,285	$ 1,618	**163**	**(21)**
Insurance	**343**	284	315	**21**	**(10)**
Mortgage Finance	**32**	53	40	**(40)**	**33**
Corporate Finance	**282**	88	153	**n/m**	**(42)**
Corporate and Other	**(186)**	(296)	(159)	**37**	**(86)**
Total	**$ 3,855**	$ 1,414	$ 1,967	**173**	**(28)**

n/m = not meaningful

Consolidated Results of Operations

The following table summarizes our consolidated operating results for the periods shown. Refer to the reportable operating segment sections of the MD&A that follows for a more complete discussion of operating results by business line. For a discussion of our fiscal 2020 results compared to fiscal 2019, refer to Part II, Item 7. Management Discussion and Analysis of Financial Condition and *Results of Operations* in our 2020 Annual Report on Form 10-K.

Year ended December 31, *($ in millions)*	**2021**	2020	2019	**Favorable/ (unfavorable) 2021–2020 % change**	Favorable/ (unfavorable) 2020–2019 % change
Net financing revenue and other interest income					
Total financing revenue and other interest income	**$ 8,651**	$ 8,797	$ 9,857	**(2)**	(11)
Total interest expense	**1,914**	3,243	4,243	**41**	24
Net depreciation expense on operating lease assets	**570**	851	981	**33**	13
Net financing revenue and other interest income	**6,167**	4,703	4,633	**31**	2
Other revenue					
Insurance premiums and service revenue earned	**1,117**	1,103	1,087	**1**	1
Gain on mortgage and automotive loans, net	**87**	110	28	**(21)**	n/m
Loss on extinguishment of debt	**(136)**	(102)	(2)	**(33)**	n/m
Other gain on investments, net	**285**	307	243	**(7)**	26
Other income, net of losses	**686**	565	405	**21**	40
Total other revenue	**2,039**	1,983	1,761	**3**	13
Total net revenue	**8,206**	6,686	6,394	**23**	5
Provision for credit losses	**241**	1,439	998	**83**	(44)
Noninterest expense					
Compensation and benefits expense	**1,643**	1,376	1,222	**(19)**	(13)
Insurance losses and loss adjustment expenses	**261**	363	321	**28**	(13)
Goodwill impairment	**—**	50	—	**100**	n/m
Other operating expenses	**2,206**	2,044	1,886	**(8)**	(8)
Total noninterest expense	**4,110**	3,833	3,429	**(7)**	(12)
Income from continuing operations before income tax expense	**3,855**	1,414	1,967	**173**	(28)
Income tax expense from continuing operations	**790**	328	246	**(141)**	(33)
Net income from continuing operations	**$ 3,065**	$ 1,086	$ 1,721	**182**	(37)
Financial ratios:					
Return on average assets (a)	**1.70 %**	0.59 %	0.95 %	**n/m**	n/m
Return on average equity (a)	**18.31 %**	7.59 %	12.26 %	**n/m**	n/m
Equity to assets (a)	**9.26 %**	7.83 %	7.78 %	**n/m**	n/m
Common dividend payout ratio (b)	**10.63 %**	26.30 %	15.60 %	**n/m**	n/m

n/m = not meaningful
(a) The ratios were based on average assets and average total equity using an average daily balance methodology.
(b) The common dividend payout ratio was calculated using basic earnings per common share.

2021 Compared to 2020

We earned net income from continuing operations of $3.1 billion for the year ended December 31, 2021, compared to net income of $1.1 billion for the year ended December 31, 2020. During the year ended December 31, 2021, results were favorably impacted by higher net financing revenue driven by lower interest expense and lower net depreciation expense on operating lease assets, and lower provision for credit losses associated with improved macroeconomic conditions. These items were partially offset by higher noninterest expense for the year ended December 31, 2021, as well as increased income tax expense from continuing operations.

Net financing revenue and other interest income increased $1.5 billion for the year ended December 31, 2021, as compared to the year ended December 31, 2020. We experienced lower interest expense for the year ended December 31, 2021, as compared to 2020, driven by market and industry dynamics that drove a decrease in our deposit rates and other funding costs, and our continued shift to more cost-efficient deposit funding. Within our Automotive Finance operations, total net operating lease revenue increased $396 million for the year ended

December 31, 2021, compared to 2020, driven by strong remarketing gains as a result of continued new vehicle supply constraints and an increase in demand for used vehicles, as well as lower depreciation expense based on revised residual value expectations. Additionally, during the year ended December 31, 2021, consumer automotive revenue increased as higher average consumer assets and higher portfolio yields contributed to the increase in revenue resulting from a continued focus on the used-vehicle portfolio primarily through franchised dealers and growth in application volume from our dealer network. These items were partially offset by lower commercial loan net financing revenue within our Automotive Finance operations, driven by lower outstanding floorplan assets as a result of declining new vehicle inventories due to ongoing production constraints from a global semiconductor chip shortage and strong new vehicle sales during the first half of 2021.

Loss on extinguishment of debt increased $34 million for the year ended December 31, 2021, as compared to the year ended December 31, 2020. The increase for the year ended December 31, 2021, was primarily driven by $131 million of losses incurred for the full redemption of the Series 2 TRUPs during the year ended December 31, 2021, as compared to a $99 million loss on the early repayment of 13 FHLB advances we elected to prepay and early terminate during 2020.

Other gain on investments was $285 million for the year ended December 31, 2021, compared to $307 million for the year ended December 31, 2020. The decrease for the year ended December 31, 2021, was the result of a decrease in realized gains on available-for-sale securities and higher unrealized losses on equity securities, as compared to 2020. These decreases were partially offset by higher realized gains on equity securities during the year ended December 31, 2021.

Other income, net of losses increased $121 million for the year ended December 31, 2021, as compared to the year ended December 31, 2020. The increase for the year ended December 31, 2021, was primarily due to an increase in remarketing fee income resulting from higher dealer sales activity. In addition, late fee income increased for the year ended December 31, 2021, as compared to the year ended December 31, 2020, as a result of the suppression of late fees in the prior year, as part of our COVID-19 relief efforts.

The provision for credit losses decreased $1.2 billion for the year ended December 31, 2021, compared to the year ended December 31, 2020. For the year ended December 31, 2021, the decrease in provision for credit losses was primarily driven by reserve increases during the year ended December 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the year ended December 31, 2021, as the macroeconomic environment continued to recover. Additionally, the provision decrease during the year ended December 31, 2021, was impacted by lower net charge-offs in our consumer automotive portfolio as we continue to experience strong credit performance and elevated used vehicle values, partially offset by a reserve increase from portfolio growth in our consumer portfolios during the year ended December 31, 2021. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Noninterest expense was $4.1 billion for the year ended December 31, 2021, compared to $3.8 billion for the year ended December 31, 2020. The increase for the year ended December 31, 2021, was driven by higher compensation and benefits expense including an update to our retirement eligibility benefits, and increased expenses to support the growth of our consumer product suite and expand our digital capabilities and portfolio of products, as well as $57 million of contributions to the Ally Charitable Foundation during the year ended December 31, 2021, as compared to $35 million of contributions to the Ally Charitable Foundation during the year ended December 31, 2020. The increase in noninterest expense was partially offset by lower insurance losses for the year ended December 31, 2021, as compared to 2020, and a goodwill impairment charge of $50 million related to Ally Invest recognized during the year ended December 31, 2020.

We recognized total income tax expense from continuing operations of $790 million for the year ended December 31, 2021, compared to income tax expense of $328 million for 2020. The increase in income tax expense for the year ended December 31, 2021, was primarily due to the tax effects of an increase in pretax earnings, partially offset by a tax benefit from the release of valuation allowance on foreign tax credit carryforwards during the second quarter of 2021.

Dealer Financial Services

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

Automotive Finance

Results of Operations

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019	**Favorable/ (unfavorable) 2021–2020 % change**	Favorable/ (unfavorable) 2020–2019 % change
Net financing revenue and other interest income					
Consumer	**$ 5,198**	$ 4,931	$ 4,775	**5**	3
Commercial	**514**	833	1,561	**(38)**	(47)
Operating leases	**1,550**	1,435	1,470	**8**	(2)
Other interest income	**—**	5	8	**(100)**	(38)
Total financing revenue and other interest income	**7,262**	7,204	7,814	**1**	(8)
Interest expense	**1,483**	2,069	2,692	**28**	23
Net depreciation expense on operating lease assets (a)	**570**	851	981	**33**	13
Net financing revenue and other interest income	**5,209**	4,284	4,141	**22**	3
Other revenue					
Gain on automotive loans, net	**—**	—	8	**—**	(100)
Other income	**251**	204	241	**23**	(15)
Total other revenue	**251**	204	249	**23**	(18)
Total net revenue	**5,460**	4,488	4,390	**22**	2
Provision for credit losses	**53**	1,236	962	**96**	(28)
Noninterest expense					
Compensation and benefits expense	**571**	549	524	**(4)**	(5)
Other operating expenses	**1,452**	1,418	1,286	**(2)**	(10)
Total noninterest expense	**2,023**	1,967	1,810	**(3)**	(9)
Income from continuing operations before income tax expense	**$ 3,384**	$ 1,285	$ 1,618	**163**	(21)
Total assets	**$ 103,653**	$ 104,794	$ 113,863	**(1)**	(8)

(a) Includes net remarketing gains of $344 million, $127 million, and $69 million for the years ended December 31, 2021, 2020, and 2019, respectively.

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

Year ended December 31, *($ in millions)*	**2021**		2020		2019	
	Average balance (a)	**Yield**	Average balance (a)	Yield	Average balance (a)	Yield
Finance receivables and loans, net (b)						
Consumer automotive (c)	**$ 75,689**	**6.65 %**	$ 72,805	6.54 %	$ 72,268	6.60 %
Commercial						
Wholesale floorplan (d)	**11,183**	**3.17**	19,308	3.45	28,200	4.60
Other commercial automotive (e)	**5,273**	**4.21**	5,740	4.21	5,663	4.65
Investment in operating leases, net (f)	**10,518**	**9.32**	9,264	6.30	8,509	5.74

(a) Average balances are calculated using an average daily balance methodology.
(b) Nonperforming finance receivables and loans are included in the average balances. For information on our accounting policies regarding nonperforming status, refer to Note 1 to the Consolidated Financial Statements.
(c) Includes the effects of derivative financial instruments designated as hedges, which is included within Corporate and Other. Excluding the impact of hedging activities, the yield was 6.87%, 6.77%, and 6.61% for the years ended December 31, 2021, 2020, and 2019, respectively.
(d) Includes the effects of derivative financial instruments designated as hedges, which is included within Corporate and Other. Excluding the impact of hedging activities, the yield was 2.61%, 3.07%, and 4.60% for the years ended December 31, 2021, 2020, and 2019, respectively.
(e) Consists primarily of automotive dealer term loans, including those to finance dealership land and buildings, and dealer fleet financing.
(f) Yield includes net gains on the sale of off-lease vehicles of $344 million, $127 million, and $69 million for the years ended December 31, 2021, 2020, and 2019, respectively. Excluding these gains and losses on sale, the yield was 6.05% for the year ended December 31, 2021, and 4.93% for both the years ended December 31, 2020, and 2019. The shift in off-lease vehicle disposition mix is expected to continue in the near term and may limit our ability to optimize remarketing proceeds. Refer to the *Operating Lease Residual Risk Management* section of this MD&A for further discussion.

2021 Compared to 2020

Our Automotive Finance operations earned income from continuing operations before income tax expense of $3.4 billion for the year ended December 31, 2021, compared to $1.3 billion for the year ended December 31, 2020. For the year ended December 31, 2021, the increase was due primarily to lower provision for credit losses and lower interest expense, as well as lower net depreciation expense on operating lease assets.

Consumer automotive loan financing revenue increased $267 million for the year ended December 31, 2021, compared to 2020. Higher average consumer assets and higher portfolio yields contributed to the increase in revenue resulting from a continued focus on the used-vehicle portfolio primarily through franchised dealers and growth in application volume from our dealer network. Through these actions, we continue to optimize risk adjusted returns through our origination mix.

Commercial loan financing revenue decreased $319 million for the year ended December 31, 2021, compared to 2020. The decrease was driven by lower outstanding floorplan assets as a result of declining new vehicle inventories due to ongoing production constraints from a global semiconductor chip shortage and strong new vehicle sales during the first half of 2021.

Interest expense was $1.5 billion for the year ended December 31, 2021, compared to $2.1 billion for the year ended December 31, 2020. The decrease was primarily due to market and industry dynamics, which drove a decrease in our deposit rates and other funding costs, as we continue to shift towards a more favorable mix of lower cost funding.

Other income was $251 million for the year ended December 31, 2021, compared to $204 million for 2020. The increase during the year ended December 31, 2021, was primarily due to an increase in remarketing fee income resulting from higher dealer sales activity during the year ended December 31, 2021. In addition, late fee income increased for the year ended December 31, 2021, as compared to the year ended December 31, 2020, as a result of the suppression of late fees in the prior year, as part of our COVID-19 relief efforts.

Total net operating lease revenue increased $396 million for the year ended December 31, 2021, compared to 2020. We recognized remarketing gains of $344 million for the year ended December 31, 2021, compared to remarketing gains of $127 million for the year ended December 31, 2020, while depreciation expense on operating lease assets decreased $64 million for the year ended December 31, 2021, compared to 2020. The increase in net operating lease revenue was primarily driven by strong remarketing gains as a result of continued new vehicle supply constraints and an increase in demand for used vehicles. The increase was also impacted by an increase in yield primarily resulting from lower depreciation expense resulting from downward adjustments to the rate of depreciation during the year ended December 31, 2021, as well as asset growth. Refer to the *Operating Lease Residual Risk Management* section of this MD&A for further discussion.

The provision for credit losses decreased $1.2 billion for the year ended December 31, 2021, compared to the year ended December 31, 2020. For the year ended December 31, 2021, the decrease in provision for credit losses was primarily driven by reserve increases during the year ended December 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to reserve declines during the year ended December 31, 2021, as the macroeconomic environment continued to recover. Additionally, the provision decrease during the year ended December 31, 2021, was driven by lower net charge-offs in our consumer and

commercial automotive portfolios as we continue to experience strong credit performance. Additionally, we continue to benefit from elevated used vehicle values in our consumer automotive portfolio. The decrease in provision was partially offset by a reserve increase from portfolio growth in our consumer automotive portfolio during the year ended December 31, 2021. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses.

Automotive Financing Volume

Our Automotive Finance operations provide automotive financing services to consumers and automotive dealers. For consumers, we provide retail financing and leasing for new and used vehicles, and through our commercial automotive financing operations, we fund dealer purchases of new and used vehicles through wholesale floorplan financing and provide dealer term and revolving loans and automotive fleet financing.

Acquisition and Underwriting

Our consumer underwriting process is focused on multidimensional risk factors and data driven risk-adjusted probabilities that are continuously monitored and routinely updated. Each application is placed into an analytical category based on specific aspects of the applicant's credit profile and loan structure. We then evaluate the application by applying a proprietary credit scoring algorithm tailored to its applicable category. Inputs into this algorithm include, but are not limited to, proprietary scores and deal structure variables such as LTV, new or used vehicle collateral, and term of financing. The output of the algorithm is used to sort applications into various credit tiers (S, A, B, C, D, and E). Credit tiers help determine our primary indication of credit quality and pricing, and are also communicated to the dealer that submitted the application. This process is built on long established credit risk fundamentals to determine both the applicant's ability and willingness to repay. While advances in excess of 100% of the vehicle collateral value at loan origination—notwithstanding cash down and vehicle trade in value—are typical in the industry (primarily due to additional costs such as mechanical warranty contracts, taxes, license, and title fees), our pricing, risk, and underwriting processes are rooted in statistical analysis to manage this risk.

Our underwriting process uses a combination of automated strategies and manual evaluation by an experienced team of dedicated underwriters. Continued advancements in our data-driven risk assessment process have allowed us to methodically increase our use of automated credit decisioning in recent years. This increase in automated decisioning has enhanced the buying experience for our dealer and consumer customers through improved response times, and more consistent credit decisions. Underwriting is also governed by our credit policies, which set forth guidelines such as acceptable transaction parameters and verification requirements. For higher-risk approved transactions, these guidelines require verification of details such as applicant income and employment through documentation provided by the applicant or other data sources.

Underwriters have a limited ability to approve exceptions to the guidelines in our credit policies. For example, an exception may be approved to allow a term or a ratio of payment-to-income, debt-to-income, or LTV greater than that in the guidelines. Exceptions must be approved by underwriters with appropriate approval authority and generally are based on compensating factors. We monitor exceptions with the goal of limiting them to a small portion of approved applications and originated loans, and rarely permit more than a single exception to avoid layered risk.

Consumer Automotive Financing

New- and used-vehicle consumer financing through dealerships takes one of two forms: retail installment sales contracts (retail contracts) and operating lease contracts. We purchase retail contracts for new and used vehicles and operating lease contracts from dealers after those contracts are executed by the dealers and the consumers. Our consumer automotive financing operations generate revenue primarily through finance charges on retail contracts and rental payments on operating lease contracts. In connection with operating lease contracts, we recognize depreciation expense on the vehicle over the operating lease contract period and we may also recognize a gain or loss on the remarketing of the vehicle at the end of the lease.

The amount we pay a dealer for a retail contract is based on the rate of finance charge agreed by the dealer and customer, the negotiated purchase price of the vehicle, any other products such as service contracts, less any vehicle trade-in value, any down payment from the consumer, and any available automotive manufacturer incentives. Under the retail contract, the consumer is obligated to make payments in an amount equal to the purchase price of the vehicle (less any trade-in or down payment) plus finance charges at a rate negotiated between the consumer and the dealer. In addition, the consumer is responsible for charges related to past-due payments. Consistent with industry practice, when we purchase the retail contract, we pay the dealer at a rate discounted below the rate agreed by the dealer and the consumer (generally described in the industry as the "buy rate"). Our agreements with dealers limit the amount of the discount that we will accept. Although we do not own the vehicles that we finance through retail contracts, our agreements require that we hold a perfected security interest in those vehicles.

With respect to consumer leasing, we purchase operating lease contracts and the associated vehicles from dealerships after those contracts are executed by the dealers and the consumers. The amount we pay a dealer for an operating lease contract is based on the negotiated price for the vehicle, less any vehicle trade-in, any down payment from the consumer, and any available automotive manufacturer incentives. Under an operating lease, the consumer is obligated to make payments in amounts equal to the amount by which the negotiated purchase price of the vehicle (less any trade-in value, down payment, or any available manufacturer incentives) exceeds the contract residual value (including residual support) of the vehicle at lease termination, plus operating lease rental charges. The consumer is also generally responsible for charges related to past-due payments, excess mileage, excessive wear and tear, and certain disposal fees where applicable. At contract inception, we determine pricing based on the projected residual value of the leased vehicle. This evaluation is primarily based on a proprietary model, which includes variables such as vehicle age, expected mileage, seasonality, segment factors, vehicle type, economic indicators, production cycle, automotive manufacturer incentives, and shifts in used vehicle supply. This internally generated data is compared against third-party, independent data for reasonableness.

Periodically, we revise the projected value of the leased vehicle at termination based on then-current market conditions and adjust depreciation expense, if appropriate, over the remaining life of the contract. Upon termination of the lease, lessees generally have the ability to exercise a purchase option at the stated contractual amount. If the lessee declines to exercise the purchase option, the dealer then has the ability to buy out the vehicle. If neither the lessee or dealer completes the buyout, the vehicle is returned to us and we remarket the vehicle. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense.

Our standard consumer operating lease contract, SmartLease, requires a monthly payment by the consumer. We also offer an alternative leasing plan, SmartLease Plus, which requires one up-front payment of all operating lease amounts at the time the consumer takes possession of the vehicle.

Our standard consumer lease contracts are operating leases; therefore, credit losses on the operating lease portfolio are not as significant as losses on retail contracts because lease credit losses are primarily limited to past-due payments and assessed fees. Since some of these fees are not assessed until the vehicle is returned, these losses on the operating lease portfolio are correlated with lease termination volume. Operating lease accounts over 30 days past due represented 0.8% and 1.1% of the portfolio at December 31, 2021, and 2020, respectively.

With respect to all financed vehicles, whether subject to a retail contract or an operating lease contract, we require that property damage insurance be obtained by the consumer. In addition, for operating lease contracts, we require that bodily injury, collision, and comprehensive insurance be obtained by the consumer.

Our portfolio yield for investment in operating leases, net, including net gains on the sale of off-lease vehicles, increased over 300 basis points to 9.3% for the year ended December 31, 2021, as compared to 6.3% for the year ended December 31, 2020. Our portfolio yield for consumer automotive loans, excluding the impact of hedging activities, increased approximately 10 basis points for the year ended December 31, 2021, relative to the year ended December 31, 2020. We set our buy rates using a granular, risk-based methodology factoring in several variables including interest costs, projected net average annualized loss rates at the time of origination, anticipated operating costs, and targeted return on equity. Our underwriting capabilities allow us to manage our risk tolerance levels to quickly react to major changes in the economy, including the current pandemic environment. Over the past several years, we have continued to focus on optimizing pricing relative to market interest rates as well as portfolio diversification and the used-vehicle segment, primarily through franchised dealers, which has contributed to higher yields on our consumer automotive loan portfolio. Commensurate with this shift in origination mix, we continue to maintain disciplined underwriting within our new and used consumer automotive loan originations. The carrying value of our nonprime consumer automotive loans before allowance for loan losses was $8.8 billion, or approximately 11.3%, of our total consumer automotive loans at December 31, 2021, as compared to $8.6 billion, or approximately 11.7% of our total consumer automotive loans at December 31, 2020.

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

	Used retail			New retail		
Credit Tier (a)	**Volume** *($ in billions)*	**% Share of volume**	**Average FICO®**	**Volume** *($ in billions)*	**% Share of volume**	**Average FICO®**
Year ended December 31, 2021						
S	**$ 5.4**	**19**	**736**	**$ 4.4**	**34**	**740**
A	**13.8**	**50**	**682**	**6.7**	**50**	**681**
B	**6.8**	**25**	**648**	**1.9**	**15**	**650**
C	**1.3**	**5**	**610**	**0.1**	**1**	**616**
D	**0.3**	**1**	**563**	**—**	**—**	**585**
E	**0.1**	**—**	**545**	**—**	**—**	**564**
Total retail originations	**$ 27.7**	**100**	**679**	**$ 13.1**	**100**	**693**
Year ended December 31, 2020						
S	$ 4.6	24	736	$ 4.9	44	736
A	9.2	48	682	4.8	43	678
B	4.1	21	646	1.3	11	646
C	1.0	5	609	0.2	2	611
D	0.3	1	566	—	—	593
E	0.1	1	542	—	—	574
Total retail originations	$ 19.3	100	682	$ 11.2	100	698
Year ended December 31, 2019						
S	$ 4.9	26	739	$ 6.0	46	744
A	8.0	42	678	4.9	38	676
B	4.6	24	645	1.6	13	643
C	1.4	7	613	0.4	3	613
D	0.1	1	568	—	—	569
Total retail originations	$ 19.0	100	681	$ 12.9	100	700

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

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

Year ended December 31,	**2021**	2020	2019
0–71	**15 %**	19 %	20 %
72–75	**66**	64	65
76 +	**19**	17	15
Total retail originations	**100 %**	100 %	100 %

Retail originations with a term of 76 months or more represented 19% of total retail originations for the year ended December 31, 2021, compared to 17% for the year ended December 31, 2020, and 15% for the year ended December 31, 2019. Substantially all of the loans originated with a term of 76 months or more during the years ended December 31, 2021, 2020, and 2019, were considered to be prime and in credit tiers S, A, or B. We define prime consumer automotive loans primarily as those loans with a FICO® Score at origination of 620 or greater.

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

December 31,	**2021**	2020	2019
Pre-2017	**3 %**	8 %	17 %
2017	**5**	10	17
2018	**9**	18	27
2019	**15**	27	39
2020	**22**	37	—
2021	**46**	—	—
Total retail	**100 %**	100 %	100 %

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

	Consumer automotive financing originations			**% Share of Ally originations**		
Year ended December 31, *($ in millions)*	**2021**	2020	2019	**2021**	2020	2019
Used retail	**$ 27,743**	$ 19,312	$ 18,968	**60**	55	52
New retail	**13,141**	11,185	12,938	**28**	32	36
Lease	**5,369**	4,618	4,371	**12**	13	12
Total consumer automotive financing originations (a)	**$ 46,253**	$ 35,115	$ 36,277	**100**	100	100

(a) Includes CSG originations of $4.7 billion, $3.8 billion, and $4.0 billion for the years ended December 31, 2021, 2020, and 2019 respectively.

	Consumer automotive financing originations			**% Share of Ally originations**		
Year ended December 31, *($ in millions)*	**2021**	2020	2019	**2021**	2020	2019
Growth channel	**$ 24,680**	$ 17,460	$ 17,195	**53**	50	47
Stellantis dealers	**11,989**	9,745	9,692	**26**	28	27
GM dealers	**9,584**	7,910	9,390	**21**	22	26
Total consumer automotive financing originations	**$ 46,253**	$ 35,115	$ 36,277	**100**	100	100

Total consumer automotive loan and operating lease originations increased $11.1 billion for the year ended December 31, 2021, compared to 2020. The increase for the year ended December 31, 2021, as compared to 2020, was primarily driven by higher consumer demand and higher financed transaction amounts, as well as increased application flow and decisioning speeds. Additionally, originations for the year ended December 31, 2020, were impacted by the COVID-19 pandemic that temporarily shut down or restricted operations at automotive dealers. These restrictions, along with the industry-wide halt of new vehicle production, drove a significant decrease in industry automotive light vehicle sales.

We have included origination metrics by loan term and FICO® Score within this MD&A. However, we employ our own risk evaluation, including proprietary risk models, in evaluating credit risk, as described in the section above titled *Acquisition and Underwriting*.

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

Year ended December 31, 2021	Used retail	New retail	Lease
740 +	**16 %**	**18 %**	**53 %**
660–739	**41**	**40**	**34**
620–659	**27**	**24**	**10**
540–619	**11**	**5**	**2**
< 540	**2**	**—**	**—**
Unscored (a)	**3**	**13**	**1**
Total consumer automotive financing originations	**100 %**	**100 %**	**100 %**
Year ended December 31, 2020			
740 +	19 %	21 %	46 %
660–739	40	38	37
620–659	24	20	12
540–619	12	6	4
< 540	2	1	—
Unscored (a)	3	14	1
Total consumer automotive financing originations	100 %	100 %	100 %
Year ended December 31, 2019			
740 +	18 %	24 %	47 %
660–739	39	34	35
620–659	25	19	11
540–619	13	7	5
< 540	1	1	—
Unscored (a)	4	15	2
Total consumer automotive financing originations	100 %	100 %	100 %

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

Originations with a FICO® Score of less than 620 (considered nonprime) represented 9% of total consumer loan and operating lease originations for the year ended December 31, 2021, compared to 10% for the year ended December 31, 2020, and 11% for the year ended December 31, 2019. Consumer loans and operating leases with FICO® Scores of less than 540 composed 1% of total originations for the year ended December 31, 2021. Nonprime applications are subject to more stringent underwriting criteria (for example, minimum payment-to-income ratio, maximum debt-to-income ratio, and maximum amount financed), and our nonprime loan portfolio generally does not include any loans with a term of 76 months or more. For discussion of our credit-risk-management practices and performance, refer to the section titled *Risk Management*.

Manufacturer Marketing Incentives

Automotive manufacturers may elect to sponsor incentive programs on retail contracts and operating leases by subsidizing finance rates below market rates. These marketing incentives are also referred to as rate support or subvention. When an automotive manufacturer subsidizes the finance rate, we are compensated at contract inception for the present value of the difference between the manufacturer-supported customer rate and our standard rate. For a retail contract, we defer and recognize this amount as a yield adjustment over the life of the contract. For an operating lease contract, this payment reduces our cost basis in the underlying operating lease asset.

Automotive manufacturers may also elect to sponsor incentives, referred to as residual support, on operating leases. When an automotive manufacturer provides residual support, we receive payment at contract inception that increases the contractual operating lease residual value resulting in a lower operating lease payment from the customer. The payment received from the automotive manufacturer reduces our cost basis in the underlying operating lease asset. Other operating lease incentive programs sponsored by automotive manufacturers may be made at contract inception indirectly through dealers, which also reduces our cost basis in the underlying operating lease asset.

Under what the automotive finance industry refers to as "pull-ahead programs," consumers may be encouraged by the manufacturer to terminate operating leases early in conjunction with the acquisition of a new vehicle. As part of these programs, we may waive all or a portion of the customer's remaining payment obligation. Under most programs, the automotive manufacturer compensates us for a portion of the foregone revenue from the waived payments. This compensation may be partially offset to the extent that our remarketing sales proceeds are higher than otherwise would be realized if the vehicle had been remarketed upon contract maturity.

Servicing

We have historically serviced all retail contracts and operating leases we originated. However, our expansion into direct-to-consumer lending and other relationships have resulted in the employment of third-party servicers for a small portion of the portfolio. On occasion, we have sold a portion of the retail contracts we originated through whole-loan sales and securitizations, but generally retained the right to service and earn a servicing fee for our servicing functions.

Servicing activities consist largely of collecting and processing customer payments, responding to customer concerns and inquiries, processing customer requests (including those for payoff quotes, total-loss handling, and payment modifications), maintaining a perfected security interest in the financed vehicle, engaging in collections activity, and disposing of off-lease and repossessed vehicles. Servicing activities are generally consistent across our Automotive Finance operations; however, certain practices may be influenced by state laws.

Our customers have the option to receive monthly billing statements and remit payment by mail or through electronic fund transfers, or to establish online web-based account administration through Ally Auto Online Services. Customer payments are processed by regional third-party processing centers that electronically transfer payment information to customers' accounts.

Collections activity includes initiating contact with customers who fail to comply with the terms of the retail contract or operating lease agreement by sending reminder notices or contacting customers via various channels when an account becomes 3 to 7 days past due. The type of collection treatment and level of intensity increases as the account becomes more delinquent. The nature and timing of these activities depend on the repayment risk of the account.

During the collections process, we may offer a payment extension to a customer experiencing temporary financial difficulty. A payment extension enables the customer to delay monthly payments for 30, 60, or 90 days. Extensions granted to a customer typically do not exceed 90 days in the aggregate during any 12-month period or 180 days in aggregate over the life of the contract. During the extension period, finance charges continue to accrue. If the customer's financial difficulty is not temporary but we believe the customer is willing and able to repay their loan at a lower payment amount, we may offer to modify the remaining obligation, extending the term and lowering the scheduled monthly payment. In those cases, the outstanding balance generally remains unchanged. The use of extensions and modifications helps us mitigate financial loss. Extensions may assist in cases where we believe the customer will recover from short-term financial difficulty and resume regularly scheduled payments. Modifications may also be utilized in cases where we believe customers can fulfill the obligation with lower payments over a longer period. Before offering an extension or modification, we evaluate and take into account the capacity of the customer to meet the revised payment terms. Generally, we believe extensions that fall within our policy guidelines to represent more than an insignificant delay in payment, and therefore, they are not considered a TDR. Although the granting of an extension could delay the eventual charge-off of an account, typically we are able to repossess and sell the related collateral, thereby mitigating the loss. At December 31, 2021, 18.8% of the total amount outstanding in the servicing portfolio had been granted an extension or was rewritten, compared to 30.9% at December 31, 2020. This decrease was largely due to the impacts caused by the COVID-19 pandemic and our related relief-programs to support our customers during the year ended December 31, 2020. These programs have since been terminated.

Subject to legal considerations, we generally begin repossession activity once an account is at least 90 days past due. Repossession may occur earlier if we determine the customer is unwilling to pay, the vehicle is in danger of being damaged or hidden, or the customer voluntarily surrenders the vehicle. Approved third-party repossession vendors handle the repossession activity. Generally, after repossession, the customer is given a period of time to redeem the vehicle or reinstate the contract by paying off the account or bringing the account current, respectively. If the vehicle is not redeemed or the contract is not reinstated, the vehicle is sold at auction. Generally, the proceeds do not cover the unpaid balance, including unpaid earned finance charges and allowable expenses, and the resulting deficiency is charged-off. Asset recovery centers pursue collections on accounts that have been charged-off, including those accounts where the vehicle was repossessed, and skip accounts where the vehicle cannot be located.

Our total consumer automotive serviced portfolio, as well as our consumer automotive on-balance-sheet serviced portfolio, was $84.8 billion and $80.2 billion at December 31, 2021, and 2020, respectively.

Remarketing and Sales of Leased Vehicles

When we acquire an operating lease, we assume ownership of the vehicle from the dealer. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. When vehicles are not purchased by customers or the receiving dealer at scheduled lease termination, the vehicle is returned to us for remarketing. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the expected residual value. Conversely, we may recognize a remarketing gain when the proceeds from a returned vehicle are greater than the expected residual value. Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales. Our methods of vehicle sales at lease termination primarily include the following:

- ***Sale to dealer*** — After the lessee declines an option to purchase the off-lease vehicle, the dealer who accepts it has the opportunity to purchase it directly from us at a price we define.
- ***Internet auctions*** — Once the lessee and the dealer decline to purchase the off-lease vehicle, we offer it to dealers and other third parties through our proprietary internet site (SmartAuction). Through SmartAuction, we seek to maximize the net sales proceeds from an off-lease vehicle by reducing the time between vehicle return and ultimate disposition, reducing holding costs, and broadening the number of prospective buyers. We use SmartAuction for our own vehicles and make it available for third-party use.

We earn a service fee for every third-party vehicle sold through SmartAuction, which includes the cost of ClearGuard coverage, our protection product designed to assist in minimizing the risk to dealers of arbitration claims for eligible vehicles. In 2021, approximately 261,000 vehicles were sold through SmartAuction, as compared to approximately 258,000 vehicles in 2020.

- ***Physical auctions*** — We dispose of an off-lease vehicle not purchased at termination by the lessee or dealer or sold on SmartAuction through traditional third-party, physical auctions. We are responsible for handling decisions at the auction including arranging for inspections, authorizing repairs and reconditioning, and determining whether bids received at auction should be accepted.

We employ an internal team, including statisticians, to manage our analysis of projected used vehicle values and residual risk. This team aids in the pricing of new operating leases, managing the disposal process including vehicle concentration risk, geographic optimization of vehicles to maximize gains, disposal platform (internet vs. physical), and evaluating our residual risk on a real-time basis. This team tracks market movements of used vehicles using data down to the VIN level including trim and options, vehicle age, mileage, and seasonality factors that we feel are more relevant than other published indices (for example, Manheim, NADA). This analysis includes vehicles sold on our SmartAuction platform, as well as vehicles sold through Manheim, ADESA, and over 200 independent physical auction sites. We believe this analysis gives us a competitive advantage over our peers.

Commercial Automotive Financing

Automotive Wholesale Dealer Financing

One of the most important aspects of our dealer relationships is providing wholesale floorplan financing for new- and used-vehicle inventories at dealerships. Wholesale floorplan financing, including syndicated loan arrangements, represents the largest portion of our commercial automotive financing business and is the primary source of funding for dealers' purchases of new and used vehicles.

Wholesale floorplan financing is generally extended in the form of lines of credit to individual dealers. These lines of credit are secured by the vehicles financed and all other vehicle inventory, which provide strong collateral protection in the event of dealership default. Additional collateral (for example, blanket lien over all dealership assets) or other credit enhancements (for example, personal guarantees from dealership owners) are generally obtained to further mitigate credit risk. Furthermore, in some cases, we may benefit from situations where an automotive manufacturer repurchases vehicles. These repurchases may serve as an additional layer of protection in the event of repossession of dealership new-vehicle inventory or dealership franchise termination. The amount we advance to dealers for a new vehicle is equal to 100% of the manufacturer's wholesale invoice price, subject to payment curtailment schedules. The amount we advance to dealers for a used vehicle is typically 90–100% of the dealer's cost of acquiring it. Interest on wholesale floorplan financing is generally payable monthly. The majority of wholesale floorplan financing is structured to yield interest at a floating rate indexed to LIBOR or the Prime Rate. We have established an enterprise-wide LIBOR transition program to manage the discontinuance of LIBOR. Refer to the section titled *LIBOR Transition* within the MD&A for further details. The rate for a particular dealer is based on, among other things, competitive factors, the size of the account, and the dealer's creditworthiness. Additionally, under our Ally Dealer Rewards Program, dealers benefit in certain circumstances from wholesale-floorplan-financing incentives, which we pay and account for as a reduction to interest income in the period they are earned.

Under our wholesale-floorplan-financing agreement, a dealership is generally required to pay the principal amount financed for a vehicle within a specified number of days following the dealership's sale or lease of the vehicle. The agreement also affords us the right to demand payment of all amounts owed under the wholesale credit line at any time. We, however, generally make this demand only if we terminate the credit line, the dealer defaults, or a risk-based reason exists to do so.

Commercial Wholesale Financing Volume

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

	Average balance		
Year ended December 31, *($ in millions)*	**2021**	2020	2019
Stellantis new vehicles	**32 %**	33 %	33 %
GM new vehicles	**20**	33	40
Growth new vehicles	**14**	16	13
Used vehicles	**34**	18	14
Total	**100 %**	100 %	100 %
Total commercial wholesale finance receivables	**$ 11,183**	$ 19,308	$ 28,200

Average commercial wholesale financing receivables outstanding decreased $8.1 billion during the year ended December 31, 2021, compared to 2020. The decrease was primarily due to lower dealer inventory levels, driven by strong consumer demand for vehicles that outpaced lower automotive production levels due to the global semiconductor chip shortage. The decline was also impacted by a reduction in the number of GM dealer relationships due to the competitive environment across the automotive lending market. Dealer inventory levels are dependent on a number of factors, including manufacturer production schedules and vehicle mix, sales incentives, and industry sales.

Manufacturer production and corresponding dealer stock levels, as well as dealer penetration levels, may continue to influence our future wholesale balances. While the severity and duration of these supply chain disruptions is not currently clear, we anticipate this will continue to limit the growth in commercial wholesale finance receivables throughout 2022 commensurate with lower dealer inventory levels.

Other Commercial Automotive Financing

We also provide other forms of commercial financing for the automotive industry including automotive dealer term and revolving loans and automotive fleet financing. Automotive dealer term and revolving loans are loans that we make to dealers to finance other aspects of the dealership business, including acquisitions. These loans are usually secured by real estate or other dealership assets and are typically personally guaranteed by the individual owners of the dealership. Additionally, these loans generally include cross-collateral and cross-default provisions. Automotive fleet financing credit lines may be obtained by dealers, their affiliates, and other independent companies that are used to purchase vehicles, which they lease or rent to others. The average balances of other commercial automotive loans decreased $467 million for the year ended December 31, 2021, compared to 2020, to an average of $5.3 billion.

Servicing and Monitoring

We service all of the wholesale credit lines in our portfolio and the associated wholesale automotive finance receivables. A statement setting forth billing and account information is distributed on a monthly basis to each dealer. Interest and other nonprincipal charges are billed in arrears and are required to be paid immediately upon receipt of the monthly billing statement. Generally, dealers remit payments to us through ACH transactions initiated by the dealer through a secure web application.

We manage risk related to wholesale floorplan financing by assessing dealership borrowers using a proprietary model based on various factors, including their capital sufficiency, operating performance, and credit and payment history. This model assigns dealership borrowers a risk rating that affects the amount of the line of credit and the ongoing risk management of the account. We monitor the level of borrowing under each dealer's credit line daily. We may adjust the dealer's credit line if warranted, based on the dealership's vehicle sales rate, and temporarily suspend the granting of additional credit, or take other actions following evaluation and analysis of the dealer's financial condition.

We periodically inspect and verify the existence of dealer vehicle inventories. The timing of these collateral audits varies, and no advance notice is given to the dealer. Among other things, audits are intended to assess dealer compliance with the financing agreement and confirm the status of our collateral.

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.

Year ended December 31, *($ in millions)*	**2021**	2020	2019	**Favorable/ (unfavorable) 2021–2020 % change**	Favorable/ (unfavorable) 2020–2019 % change
Insurance premiums and other income					
Insurance premiums and service revenue earned	**$ 1,117**	$ 1,103	$ 1,087	**1**	1
Interest and dividends on investment securities, cash and cash equivalents, and other earning assets, net (a)	**59**	42	54	**40**	(22)
Other gain on investments, net (b)	**216**	220	175	**(2)**	26
Other income	**12**	11	12	**9**	(8)
Total insurance premiums and other income	**1,404**	1,376	1,328	**2**	4
Expense					
Insurance losses and loss adjustment expenses	**261**	363	321	**28**	(13)
Acquisition and underwriting expense					
Compensation and benefits expense	**92**	82	80	**(12)**	(3)
Insurance commissions expense	**562**	517	475	**(9)**	(9)
Other expenses	**146**	130	137	**(12)**	5
Total acquisition and underwriting expense	**800**	729	692	**(10)**	(5)
Total expense	**1,061**	1,092	1,013	**3**	(8)
Income from continuing operations before income tax expense	**$ 343**	$ 284	$ 315	**21**	(10)
Total assets	**$ 9,381**	$ 9,137	$ 8,547	**3**	7
Insurance premiums and service revenue written	**$ 1,197**	$ 1,229	$ 1,310	**(3)**	(6)
Combined ratio (c)	**93.9 %**	98.0 %	92.2 %		

(a) Includes interest expense of $58 million, $80 million, and $79 million for the years ended December 31, 2021, 2020, and 2019, respectively.
(b) Includes net unrealized losses on equity securities of $10 million for the year ended December 31, 2021, and net unrealized gains on equity securities of $31 million and $88 million for the years ended December 31, 2020, and 2019 respectively.
(c) Management uses a combined ratio as a primary measure of underwriting profitability. Underwriting profitability is indicated by a combined ratio under 100% and is calculated as the sum of all incurred losses and expenses (excluding interest and income tax expense) divided by the total of premiums and service revenues earned and other income.

2021 Compared to 2020

Our Insurance operations earned income from continuing operations before income tax expense of $343 million for the year ended December 31, 2021, compared to $284 million for the year ended December 31, 2020. The increase for the year ended December 31, 2021, was primarily driven by a $102 million decrease in insurance losses and loss adjustment expenses primarily from lower weather-related losses within our P&C business, partially offset by higher acquisition and underwriting expenses.

Insurance premiums and service revenue earned was $1.1 billion for both the years ended December 31, 2021, and 2020. The activity for the year ended December 31, 2021, included $63 million in higher earned revenue from our F&I products, as revenue is earned over the life of the contracts on a basis proportionate to the anticipated loss pattern. The increase was partially offset by $49 million in lower earned premiums driven by lower dealer vehicle inventory levels.

Other gain on investments, net was $216 million for the year ended December 31, 2021, compared to $220 million for the same period during 2020. The decrease was driven by net unrealized losses on equity securities of $10 million during 2021 as compared to net unrealized gains of $31 million during 2020. This decrease was partially offset by higher realized gains of $37 million from the investment securities portfolio.

Insurance losses and loss adjustment expenses totaled $261 million for the year ended December 31, 2021, compared to $363 million for the same period in 2020. The decrease was primarily driven by lower weather-related losses within our P&C business.

Total acquisition and underwriting expense increased $71 million for the year ended December 31, 2021, as compared to the same period in 2020. The increase was primarily due to an increase in insurance commissions, commensurate with higher earned premiums from our F&I products.

Lower weather losses from our P&C business drove a decrease in the combined ratio to 93.9% for the year ended December 31, 2021, compared to 98.0% for the year ended December 31, 2020. In April 2021, we renewed our annual excess of loss reinsurance agreement and continue to utilize this coverage for our vehicle inventory insurance to manage our risk of weather-related loss.

Premium and Service Revenue Written

The following table summarizes premium and service revenue written by product, net of premiums ceded to reinsurers. VSC and GAP revenue are earned over the life of the service contract on a basis proportionate to the anticipated loss pattern. Refer to Note 3 to the Consolidated Financial Statements for further discussion of this revenue stream.

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Finance and insurance products			
Vehicle service contracts	**$ 838**	$ 850	$ 901
Guaranteed asset protection and other finance and insurance products (a)	**162**	137	121
Total finance and insurance products	**1,000**	987	1,022
Property and casualty insurance (b)	**197**	242	288
Total	**$ 1,197**	$ 1,229	$ 1,310

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

Insurance premiums and service revenue written was $1.2 billion for both the years ended December 31, 2021, and 2020. F&I premiums written on VSCs declined for the year ended December 31, 2021, due to lower volume partially offset by higher rates. F&I premiums written on GAP and other F&I products increased for the year ended December 31, 2021, due to both increased volume and higher rates. P&C premiums written declined during the year ended December 31, 2021, driven by lower dealer vehicle inventory levels resulting from lower manufacturer production levels, which have been impacted by supply chain disruptions including shortages of semiconductor chips. This decline in P&C premiums written was partially offset by lower dealer inventory reinsurance costs. While the severity and duration of these supply chain disruptions is not currently clear, we anticipate that written premium levels will continue to be impacted by trends related to automotive manufacturer vehicle production and dealer inventory levels.

Cash and Investments

A significant aspect of our Insurance operations is the investment of proceeds from premiums and other revenue sources. We use these investments to satisfy our obligations related to future claims at the time these claims are settled. Our Insurance operations have an Investment Committee, which develops guidelines and strategies for these investments. The guidelines established by this committee reflect our risk appetite, liquidity requirements, regulatory requirements, and rating agency considerations, among other factors.

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

December 31, *($ in millions)*	**2021**	2020
Cash and cash equivalents		
Noninterest-bearing cash	**$ 173**	$ 189
Interest-bearing cash	**549**	579
Total cash and cash equivalents	**722**	768
Equity securities	**1,085**	1,064
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	**255**	56
U.S. States and political subdivisions	**526**	680
Foreign government	**157**	176
Agency mortgage-backed residential	**703**	719
Mortgage-backed residential	**195**	44
Corporate debt	**1,887**	1,914
Total available-for-sale securities	**3,723**	3,589
Total cash, cash equivalents, and securities	**$ 5,530**	$ 5,421

In addition to these cash and investment securities, the Insurance segment has an interest-bearing intercompany arrangement with the Corporate and Other segment, callable on demand. The intercompany loan balance due to Insurance was $923 million and $830 million at December 31, 2021, and December 31, 2020, respectively, and interest income of $14 million and $1 million of interest income was recognized for the years ended December 31, 2021, and December 31, 2020, respectively.

Mortgage Finance

Results of Operations

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019	**Favorable/ (unfavorable) 2021–2020 % change**	Favorable/ (unfavorable) 2020–2019 % change
Net financing revenue and other interest income					
Total financing revenue and other interest income	**$ 407**	$ 487	$ 577	**(16)**	(16)
Interest expense	**283**	369	406	**23**	9
Net financing revenue and other interest income	**124**	118	171	**5**	(31)
Gain on mortgage loans, net	**87**	93	20	**(6)**	n/m
Other income, net of losses	**7**	9	2	**(22)**	n/m
Total other revenue	**94**	102	22	**(8)**	n/m
Total net revenue	**218**	220	193	**(1)**	14
Provision for credit losses	**(1)**	7	5	**114**	(40)
Noninterest expense					
Compensation and benefits expense	**22**	22	31	**—**	29
Other operating expenses	**165**	138	117	**(20)**	(18)
Total noninterest expense	**187**	160	148	**(17)**	(8)
Income from continuing operations before income tax expense	**$ 32**	$ 53	$ 40	**(40)**	33
Total assets	**$ 17,847**	$ 14,889	$ 16,279	**20**	(9)

n/m = not meaningful

2021 Compared to 2020

Our Mortgage Finance operations earned income from continuing operations before income tax expense of $32 million for the year ended December 31, 2021, compared to $53 million for the year ended December 31, 2020. The decrease for the year ended December 31, 2021, was driven by an increase in noninterest expense and lower net gains on the sale of mortgage loans, partially offset by higher net financing revenue and other interest income and a decrease in the provision for credit losses.

Net financing revenue and other interest income was $124 million for the year ended December 31, 2021, compared to $118 million for the year ended December 31, 2020. The increase in net financing revenue and other interest income for the year ended December 31, 2021, was primarily due to lower prepayment activity, driven by a higher interest rate environment, which resulted in lower premium amortization. Premium amortization was $92 million for the year ended December 31, 2021, compared to $123 million for the year ended December 31, 2020. This benefit was partially offset by the impact of lower average balances and net interest rate margin in 2021. During the year ended December 31, 2021, we purchased $3.9 billion of mortgage loans that were originated by third parties, compared to $4.2 billion for the year ended December 31, 2020. We originated $7.0 billion of mortgage loans held-for-investment during the year ended December 31, 2021, compared to $2.0 billion, during the year ended December 31, 2020.

Gain on sale of mortgage loans, net, was $87 million for the year ended December 31, 2021, compared to $93 million for the year ended December 31, 2020. The decrease was attributable to margin normalization for direct-to-consumer mortgage originations and the subsequent sale of these loans to our fulfillment provider. During the year ended December 31, 2021, we originated $3.4 billion of loans held-for-sale, compared to $2.7 billion during the year ended December 31, 2020.

The provision for credit losses decreased $8 million for the year ended December 31, 2021, compared to the year ended December 31, 2020. The decrease in provision for credit losses was primarily driven by a reserve increase during the year ended December 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to a reserve decline during the year ended December 31, 2021, as the macroeconomic environment continued to recover. Refer to the Risk Management section of this MD&A for further discussion on our provision for credit losses.

Total noninterest expense was $187 million for the year ended December 31, 2021, compared to $160 million for the year ended December 31, 2020. The increase was primarily driven by continued growth in direct-to-consumer mortgage originations.

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

FICO® Score	Volume *($ in millions)*	% Share of volume
Year ended December 31, 2021		
740 +	**$ 9,830**	**90**
720–739	**783**	**7**
700–719	**268**	**3**
680–699	**12**	**—**
Total consumer mortgage financing volume	**$ 10,893**	**100**
Year ended December 31, 2020		
740 +	$ 5,151	83
720–739	580	9
700–719	362	6
680–699	67	1
660–679	27	1
< 660	20	—
Total consumer mortgage financing volume	$ 6,207	100
Year ended December 31, 2019		
740 +	$ 4,462	83
720–739	520	10
700–719	397	7
680–699	27	—
Total consumer mortgage financing volume	$ 5,406	100

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

Product	Net UPB (a) *($ in millions)*	% of total net UPB	WAC	Net premium *($ in millions)*	Average refreshed LTV (b)	Average refreshed FICO® (c)
December 31, 2021						
Adjustable-rate	**$ 378**	**2**	**2.76 %**	**$ 3**	**50.37 %**	**763**
Fixed-rate	**17,158**	**98**	**3.15**	**106**	**57.09**	**776**
Total	**$ 17,536**	**100**	**3.14**	**$ 109**	**56.94**	**776**
December 31, 2020						
Adjustable-rate	$ 927	6	3.31 %	$ 11	49.24 %	773
Fixed-rate	13,516	94	3.85	178	60.89	776
Total	$ 14,443	100	3.81	$ 189	60.15	776

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

Corporate Finance

Results of Operations

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019	**Favorable/ (unfavorable) 2021–2020 % change**	Favorable/ (unfavorable) 2020–2019 % change
Net financing revenue and other interest income					
Interest and fees on finance receivables and loans	**$ 334**	$ 349	$ 363	**(4)**	(4)
Interest on loans held-for-sale	**11**	11	10	**—**	10
Interest expense	**37**	61	134	**39**	54
Net financing revenue and other interest income	**308**	299	239	**3**	25
Total other revenue	**128**	45	45	**184**	—
Total net revenue	**436**	344	284	**27**	21
Provision for credit losses	**38**	149	36	**74**	n/m
Noninterest expense					
Compensation and benefits expense	**70**	62	58	**(13)**	(7)
Other operating expenses	**46**	45	37	**(2)**	(22)
Total noninterest expense	**116**	107	95	**(8)**	(13)
Income from continuing operations before income tax expense	**$ 282**	$ 88	$ 153	**n/m**	(42)
Total assets	**$ 7,950**	$ 6,108	$ 5,787	**30**	6

n/m = not meaningful

2021 Compared to 2020

Our Corporate Finance operations earned income from continuing operations before income tax expense of $282 million for the year ended December 31, 2021, compared to income earned of $88 million for the year ended December 31, 2020. The increase for the year ended December 31, 2021, was primarily due to higher other revenue driven by significant investment gains and strong fee income generation as well as a lower provision for credit losses.

Net financing revenue and other interest income was $308 million for the year ended December 31, 2021, compared to $299 million for the year ended December 31, 2020. The increase for the year ended December 31, 2021, was primarily due to higher average assets from continued growth in the portfolio in 2021.

Other revenue increased $83 million for the year ended December 31, 2021, compared to the year ended December 31, 2020. The increase was driven by $63 million in investment income as compared to investment losses of $7 million for the year ended December 31, 2020. Investment income included both realized gains from sales of certain nonmarketable equity securities and unrealized gains on investments carried at fair market value as well as a $16 million gain on the sale of an investment in a non performing healthcare exposure that was acquired as part of a loan restructure in a prior period. The increase was also driven by higher fee income for the year ended December 31, 2021, compared to 2020.

The provision for credit losses decreased $111 million for the year ended December 31, 2021, compared to the year ended December 31, 2020. For the year ended December 31, 2021, the decrease in provision for credit losses was driven by a reserve increase during the year ended December 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to a partial release of this reserve during 2021, as the macroeconomic environment continued to recover. The decrease in provision for credit losses for the year ended December 31, 2021, was partially offset by increased provision driven by asset growth. Refer to the Risk Management section of this MD&A for further discussion on our provision for credit losses.

Credit Portfolio

The following table presents loans held for sale, the amortized cost of finance receivables and loans outstanding, unfunded commitments to lend, and total serviced loans of our Corporate Finance operations.

December 31, *($ in millions)*	**2021**	2020
Loans held-for-sale, net	**$ 305**	$ 205
Finance receivables and loans	**$ 7,770**	$ 6,006
Unfunded lending commitments (a)	**$ 4,967**	$ 4,193
Total serviced loans	**$ 11,180**	$ 8,455

(a) Includes unused revolving credit line commitments for loans held for sale and finance receivables and loans, signed commitment letters, and standby letter of credit facilities, which are issued on behalf of clients and may contingently require us to make payments to a third-party beneficiary in the event of a draw by the beneficiary thereunder. As many of these commitments are subject to borrowing base agreements and other restrictive covenants or may expire without being fully drawn, the stated amounts of these unfunded commitments are not necessarily indicative of future cash requirements.

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

December 31,	**2021**	2020
Industry		
Financial services	**38.1 %**	22.8 %
Health services	**16.4**	22.1
Services	**13.8**	19.6
Automotive and transportation	**8.9**	10.1
Chemicals and metals	**8.8**	5.9
Machinery, equipment, and electronics	**5.4**	5.8
Wholesale	**1.7**	2.3
Lumber and wood	**1.7**	2.4
Other manufactured products	**1.4**	3.1
Retail trade	**1.2**	1.1
Construction	**1.0**	1.1
Food and beverages	**0.8**	2.0
Other	**0.8**	1.7
Total finance receivables and loans	**100.0 %**	100.0 %

Corporate and Other

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019	**Favorable/ (unfavorable) 2021–2020 % change**	Favorable/ (unfavorable) 2020–2019 % change
Net financing revenue and other interest income					
Interest and fees on finance receivables and loans (a)	**$ 5**	$ (15)	$ 69	**133**	(122)
Interest on loans held-for-sale	**3**	4	2	**(25)**	100
Interest and dividends on investment securities and other earning assets	**498**	629	842	**(21)**	(25)
Interest on cash and cash equivalents	**14**	14	58	**—**	(76)
Other, net	**—**	(8)	(11)	**100**	27
Total financing revenue and other interest income	**520**	624	960	**(17)**	(35)
Interest expense					
Original issue discount amortization (b)	**49**	47	42	**(4)**	(12)
Other interest expense (c)	**4**	617	890	**99**	31
Total interest expense	**53**	664	932	**92**	29
Net financing revenue (loss) and other interest income	**467**	(40)	28	**n/m**	n/m
Other revenue					
Gain on mortgage and automotive loans, net	**—**	17	—	**(100)**	n/m
Loss on extinguishment of debt	**(136)**	(102)	(2)	**(33)**	n/m
Other gain on investments, net	**64**	88	63	**(27)**	40
Other income, net of losses	**293**	295	110	**(1)**	168
Total other revenue	**221**	298	171	**(26)**	74
Total net revenue	**688**	258	199	**167**	30
Provision for credit losses	**151**	47	(5)	**n/m**	n/m
Total noninterest expense (d)	**723**	507	363	**(43)**	(40)
Loss from continuing operations before income tax expense	**$ (186)**	$ (296)	$ (159)	**37**	(86)
Total assets	**$ 43,283**	$ 47,237	$ 36,168	**(8)**	31

n/m = not meaningful

(a) Primarily related to impacts associated with hedging activities within our automotive loan portfolio, consumer unsecured lending activity, and financing revenue from our legacy mortgage portfolio.

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

(c) Includes the residual impacts of our FTP methodology and impacts of hedging activities of certain debt obligations.

(d) Includes reductions of $1.1 billion, $986 million, and $899 million for the years ended December 31, 2021, 2020, and 2019, respectively, related to the allocation of corporate overhead expenses to other segments. The receiving segments record their allocation of corporate overhead expense within other operating expense.

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

Year ended December 31, *($ in millions)*	2022	2023	2024	2025	2026	2027 and thereafter (a)	Total
Original issue discount							
Outstanding balance at year end	$ 870	$ 812	$ 747	$ 676	$ 597	$ —	
Total amortization (b)	53	58	65	71	79	597	$ 923

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

2021 Compared to 2020

Corporate and Other incurred a loss from continuing operations before income tax expense of $186 million for the year ended December 31, 2021, compared to a loss of $296 million for the year ended December 31, 2020. The decrease in loss was primarily driven by a decrease in total interest expense resulting from a lower interest rate environment, as well as a continued shift to lower-cost deposit funding. This decrease was partially offset by an increase in noninterest expense, a decrease in total financing revenue, and an increase in the provision for credit losses during the year ended December 31, 2021.

Total financing revenue and other interest income was $520 million for the year ended December 31, 2021, compared to $624 million for the year ended December 31, 2020. The decrease was primarily driven by the impacts of a lower interest rate environment on the investment securities portfolio and on hedging activities.

Interest expense decreased $611 million for the year ended December 31, 2021, compared to the year ended December 31, 2020. The decrease was primarily driven by market and industry dynamics that drove a decrease in our deposit rates and other funding costs, and our continued shift to more cost-efficient deposit funding, as well as the residual impacts of our FTP methodology.

Total other revenue decreased $77 million for the year ended December 31, 2021, compared to the year ended December 31, 2020. The decrease for the year ended December 31, 2021, was primarily driven by lower upwards adjustments related to equity securities without a readily determinable fair value and a reduction in other gains on investments, net. Additionally, the decrease was impacted by $131 million of losses incurred for the full redemption of the Series 2 TRUPs during the year ended December 31, 2021, as compared to a $99 million loss on the early repayment of 13 FHLB advances we elected to prepay and early terminate during 2020. The decrease was partially offset by favorable hedging activity related to equity derivatives during the year ended December 31, 2020.

The provision for credit losses increased $104 million for the year ended December 31, 2021, compared to the year ended December 31, 2020. For the year ended December 31, 2021, the increase in provision for credit losses was primarily driven by the establishment of reserves upon the acquisition of Fair Square. Refer to the *Risk Management* section of this MD&A for further discussion on our provision for credit losses, and Note 2 to the Consolidated Financial Statements for further discussion on our acquisition of Fair Square.

Noninterest expense increased $216 million for the year ended December 31, 2021, as compared to the year ended December 31, 2020. The increase for the year ended December 31, 2021, was driven by increased compensation and benefits expense. We also incurred increased expenses to support the growth of our consumer product suite, as we continue to make investments in our technology and cybersecurity platforms to enhance the customer experience and expand our digital capabilities and portfolio of products, as well as $57 million of contributions to the Ally Charitable Foundation during the year ended December 31, 2021. The increase in noninterest expense was partially offset by a goodwill impairment charge of $50 million related to Ally Invest and $35 million of contributions to the Ally Charitable Foundation for the year ended December 31, 2020.

Total assets were $43.3 billion as of December 31, 2021, compared to $47.2 billion as of December 31, 2020. This decrease was primarily the result of a reduction in our total cash and cash equivalents portfolio. Additionally, as of December 31, 2021, the amortized cost of the legacy mortgage portfolio was $368 million, compared to $495 million at December 31, 2020, which also contributed to the decrease.

Cash and Securities

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

December 31, *($ in millions)*	**2021**	2020
Cash and cash equivalents		
Noninterest-bearing cash	**$ 306**	$ 512
Interest-bearing cash	**4,011**	14,318
Total cash and cash equivalents	**4,317**	14,830
Equity securities	**6**	—
Available-for-sale securities		
Debt securities		
U.S. Treasury and federal agencies	**1,900**	747
U.S. States and political subdivisions	**338**	415
Agency mortgage-backed residential	**18,336**	17,869
Mortgage-backed residential	**4,230**	2,596
Agency mortgage-backed commercial	**4,526**	4,189
Asset-backed	**534**	425
Total available-for-sale securities	**29,864**	26,241
Held-to-maturity securities		
Debt securities		
Agency mortgage-backed residential	**1,204**	1,331
Total held-to-maturity securities	**1,204**	1,331
Total cash, cash equivalents, and securities	**$ 35,391**	$ 42,402

Ally Invest

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

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Trading days (a)	**63.5**	64.0	63.0	61.0	63.0
Average customer trades per day, *(in thousands)*	**42.8**	40.8	48.5	80.9	60.1
Funded accounts (b) *(in thousands)*	**506**	503	495	484	457
Total net customer assets (b) *($ in millions)*	**$ 17,391**	$ 16,290	$ 16,444	$ 15,199	$ 14,017
Total customer cash balances (b) *($ in millions)*	**$ 2,195**	$ 2,175	$ 2,166	$ 2,149	$ 2,178

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

During the year ended December 31, 2021, higher customer engagement drove higher trade activity and funded accounts. Total funded accounts increased 11% from the fourth quarter of 2020. The fourth quarter of 2021 included a 6,000 account escheatment event reducing total funded accounts during the period. Average customer trades per day decreased 29% from the fourth quarter of 2020, driven primarily by changes in market volatility as overall trade activity approached pre-pandemic levels. Additionally, net customer assets increased 24% from the fourth quarter of 2020, as a result of equity market appreciation and increased customer account openings.

Ally Lending

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

	2021		2020	
Year ended December 31, *($ in millions)*	**Volume**	**Average FICO®**	Volume	Average FICO®
Total personal lending originations (a)	**$ 1,241**	**734**	$ 503	736

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

During the year ended December 31, 2021, personal lending originations increased $738 million to $1.2 billion, as compared to the year ended December 31, 2020. We continue to expand our relationships across all verticals, including the home improvement, retail, and medical segments.

The carrying value of our personal lending portfolio was $1.0 billion at December 31, 2021, compared to $407 million at December 31, 2020, while the associated yield was 13.8% for the year ended December 31, 2021, as compared to 15.8% for the year ended December 31, 2020.

Risk Management

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

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

Our risk-management framework is overseen by the RC of our Board. The RC sets the risk appetite across our company while risk-oriented management committees, the executive leadership team, and our associates identify and monitor current and emerging risks and manage those risks within our risk appetite. Our primary types of risks include the following:

- ***Credit risk*** — The risk of loss arising from an obligor not meeting its contractual obligations to us.
- ***Insurance/underwriting risk*** — The risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions.
- ***Liquidity risk*** — The risk that our financial condition or overall safety and soundness is adversely affected by the actual or perceived inability to liquidate assets or obtain adequate funding or to easily unwind or offset specific exposures without significantly lowering market prices because of inadequate market depth or market disruptions. Refer to discussion in the section titled *Liquidity Management, Funding, and Regulatory Capital* within this MD&A.
- ***Market risk*** — The risk that movements in market variables such as benchmark interest rates, investors' required risk premium, foreign-exchange rates, equity prices, and used car prices may adversely affect our earnings, capital, or economic value. Market risk includes interest rate risk, investment risk, and lease residual risk.
- ***Business/strategic risk*** — The risk resulting from the pursuit of business plans that turn out to be unsuccessful due to a variety of factors.
- ***Reputation risk*** — The risk arising from negative public opinion on our business practices, whether true or not, that could cause a decline in the customer base, litigation, or revenue reductions.
- ***Operational risk*** — Operational risk is the risk of loss or harm arising from inadequate or failed processes or systems, human factors, or external events and is inherent in all of our risk-generating activities.
- ***Information technology/cybersecurity risk*** — The risk resulting from the failure of, or insufficiency in, information technology (for example, a system outage) or intentional or accidental unauthorized access, sharing, removal, tampering, or disposal of company and customer data or records (for example, cybersecurity).
- ***Compliance risk*** — The risk of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of conduct and other standards of self-regulatory organizations applicable to the banking organization (applicable rules and standards).
- ***Conduct risk*** — The risk of customer harm, employee harm, reputational damage, regulatory sanction, or financial loss resulting from the behavior of our employees and contractors toward customers, counterparties, other employees and contractors, or the markets in which we operate.

Our risk-governance structure starts within each business line, including committees established to oversee risk in their respective areas. The business lines are responsible for their risk-based performance and compliance with risk-management policies and applicable law. The independent risk-management function is accountable for independently identifying, monitoring, measuring, and reporting on our various risks and for designing an effective risk-management framework and structure. The independent risk-management function is also responsible for developing, maintaining, and implementing enterprise risk-management. In addition, the ERMC is responsible for supporting the Chief Risk Officer's oversight of senior management's responsibility to execute on our strategy within our risk appetite set by the RC, and the Chief Risk Officer's implementation of our independent risk-management program. The Chief Risk Officer reports to the RC, as well as administratively to the Chief Executive Officer.

All business lines are subject to full and unrestricted audits by Audit Services. The Chief Audit Executive reports to the AC, as well as administratively to the Chief Executive Officer, and is primarily responsible for assisting the AC in fulfilling its governance and oversight

responsibilities. Audit Services is granted free and unrestricted access to any and all of our records, physical properties, technologies, management, and employees.

In addition, our Loan Review Group provides an independent assessment of the quality of our extensions of credit and credit-risk-management practices, and all business lines that create or influence credit risk are subject to full and unrestricted reviews by the Loan Review Group. This group is also granted free and unrestricted access to any and all of our records, physical properties, technologies, management and employees, and reports directly to the RC.

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

Loan and Operating Lease Exposure

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

December 31, *($ in millions)*	**2021**	2020
Finance receivables and loans		
Automotive Finance	**$ 94,326**	$ 96,809
Mortgage Finance	**17,644**	14,632
Corporate Finance	**7,770**	6,006
Corporate and Other (a)	**2,528**	1,087
Total finance receivables and loans	**122,268**	118,534
Loans held-for-sale		
Mortgage Finance (b)	**80**	91
Corporate Finance	**305**	205
Corporate and Other	**164**	110
Total loans held-for-sale	**549**	406
Total on-balance-sheet loans	**122,817**	118,940
Operating lease assets		
Automotive Finance	**10,862**	9,639
Total loan and operating lease exposure	**$ 133,679**	$ 128,579

(a) Includes $368 million and $495 million of consumer mortgage loans in our legacy mortgage portfolio at December 31, 2021, and December 31, 2020, respectively.
(b) Represents the current balance of conforming mortgages originated directly to the held-for-sale portfolio.

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

- ***Finance receivables and loans*** — Loans that we have the intent and ability to hold for the foreseeable future or until maturity, or loans associated with an on-balance-sheet securitization classified as a secured borrowing. Finance receivables and loans are reported at their amortized cost, which includes the principal amount outstanding, net of unamortized deferred fees and costs on originated loans, unamortized premiums and discounts on purchased loans, unamortized basis adjustments arising from the designation of finance receivables and loans as the hedged item in qualifying fair value hedge relationships, and cumulative principal charge-offs. We refer to the amortized cost basis less the allowance for loan losses as the net carrying value in finance receivables and loans. We manage the economic risks of these exposures, including credit risk, by adjusting underwriting standards and risk limits, augmenting our servicing and collection activities (including loan modifications and restructurings), and optimizing our product and geographic concentrations. Additionally, we may elect to account for certain loans at fair value. Changes in the fair value of these loans are recognized in a valuation allowance separate from the allowance for loan losses and are reflected in current period earnings. We may use market-based instruments, such as derivatives, to hedge changes in the fair value of these loans.

- ***Loans held-for-sale*** — Loans that we do not have the intent and ability to hold for the foreseeable future or until maturity. These loans are recorded on our balance sheet at the lower of their net carrying value or fair market value and are evaluated by portfolio and product type. We manage the economic risks of these exposures, including market and credit risks, in various ways including the use of market-based instruments, such as derivatives.

- ***Off-balance-sheet securitized loans*** — Loans that we transfer off-balance sheet to nonconsolidated VIEs. Our exposure is primarily limited to customary representation, warranty, and covenant provisions. Similar to finance receivables and loans, we manage the economic risks of these exposures through activities including servicing and collections.

- ***Whole-loan sales*** — Loans that we transfer off-balance sheet to third-party investors. Our exposure is primarily limited to customary representation, warranty and covenant provisions. Similar to finance receivables and loans, we manage the economic risks of these exposures through activities including servicing and collections.

- ***Operating lease assets*** — The net book value of the automotive assets we lease includes the expected residual values upon remarketing the vehicles at the end of the lease and is reported net of accumulated depreciation. We are exposed to fluctuations in the expected residual value upon remarketing the vehicle at the end of the lease, and accordingly at contract inception, we determine pricing based on the projected residual value of the leased vehicle. This evaluation is primarily based on a proprietary model, which includes variables such as age, expected mileage, seasonality, segment factors, vehicle type, economic indicators, production cycle, automotive manufacturer incentives, and shifts in used vehicle supply. This internally generated data is compared against third-party, independent data for reasonableness. Periodically, we revise the projected value of the leased vehicle at termination based on current market conditions and adjust depreciation expense appropriately over the remaining life of the contract. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense. The balance sheet reflects both the operating lease asset as well as any associated rent receivables. The operating lease rent receivable is accrued when collection is reasonably assured and presented as a component of other assets. The operating lease asset is reviewed for impairment in accordance with applicable accounting standards.

  Refer to the section titled *Critical Accounting Estimat*es within this MD&A and Note 1 to the Consolidated Financial Statements for further information.

Credit Risk

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

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

To mitigate risk, we have implemented specific policies and practices across business lines, utilizing both qualitative and quantitative analyses. This reflects our commitment to maintaining an independent and ongoing assessment of credit risk and credit quality. Our policies require an objective and timely assessment of the overall quality of the consumer and commercial loan and operating lease portfolios. This includes the identification of relevant trends that affect the collectability of the portfolios, segments of the portfolios that are potential problem areas, loans and operating leases with potential credit weaknesses, and the assessment of the adequacy of internal credit risk policies and procedures. Our consumer and commercial loan and operating lease portfolios are subject to regular stress tests that are based on economic scenarios developed and distributed by the FRB to assess how the portfolios may perform in a severe economic downturn. In addition, we establish and maintain underwriting policies and limits across our portfolios and higher risk segments (for example, nonprime) based on our risk appetite.

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

We manage credit risk based on the risk profile of the borrower, the source of repayment, the underlying collateral, and current market conditions. We monitor the credit risk profile of individual borrowers, various segmentations (for example, geographic region, product type, industry segment), as well as the aggregate portfolio. We perform quarterly analyses of the consumer automotive, consumer mortgage, consumer other, and commercial portfolios to assess the adequacy of the allowance for loan losses based on historical and anticipated trends. Refer to Note 9 to the Consolidated Financial Statements for additional information.

Additionally, we utilize numerous collection strategies to mitigate loss and provide ongoing support to customers in financial distress. For consumer automotive loans, we work with customers when they become delinquent on their monthly payment. In lieu of repossessing their vehicle, we may offer several types of assistance to aid our customers based on their willingness and ability to repay their loan. Loss mitigation may include payment extensions and rewrites of the loan terms. For mortgage loans, as part of certain programs, we offer mortgage

loan modifications to qualified borrowers. These programs are in place to provide support to our mortgage customers in financial distress, including maturity extensions, delinquent interest capitalization, changes to contractual interest rates, and principal forgiveness.

Furthermore, we manage our credit exposure to financial counterparties based on the risk profile of the counterparty. Within our policies we have established standards and requirements for managing counterparty risk exposures in a safe and sound manner. Counterparty credit risk is derived from multiple exposure types including derivatives, securities trading, securities financing transactions, and certain cash balances. For more information on derivative counterparty credit risk, refer to Note 21 to the Consolidated Financial Statements.

We employ an internal team of economists to enhance our planning and forecasting capabilities. This team conducts industry and market research, monitors economic risks, and helps support various forms of scenario planning. This group closely monitors macroeconomic trends given the nature of our business and the potential impacts on our exposure to credit risk. During 2021, the U.S. economy has continued to recover from shutdowns that resulted from the COVID-19 pandemic. After peaking at 14.7%, as adjusted, in April 2020, the unemployment rate declined to 3.9% as of December 31, 2021. As a result of the economic disruption from COVID-19, sales of light motor vehicles fell to an annual pace of 8.6 million, as adjusted, in April 2020, a 49-year low, before recovering to an average 15.0 million annual pace during the year ended December 31, 2021. Sales of new light motor vehicles remain below the pre-pandemic annual pace of 17.0 million during the year ended December 31, 2019, driving an increase in used vehicle values, as further described in the section below titled *Operating Lease Vehicle Terminations and Remarketing*. Additionally, used vehicle values may also be impacted by availability or changes in customer preferences, including alternative transportation methods such as public transportation, vehicle sharing, and ride hailing.

Consumer Credit Portfolio

Our consumer loan portfolio primarily consists of automotive loans, first-lien mortgages, home equity loans, personal loans, and credit card loans. Loan losses in our consumer loan portfolio are influenced by general business and economic conditions including unemployment rates, bankruptcy filings, and home and used vehicle prices. Additionally, our consumer credit exposure is significantly concentrated in automotive lending.

Credit risk management for the consumer loan portfolio begins with the initial underwriting and continues throughout a borrower's credit life cycle. We manage consumer credit risk through our loan origination and underwriting policies and the credit approval process. We use proprietary credit-scoring models to differentiate the expected default rates of credit applicants enabling us to better evaluate credit applications for approval and to tailor the pricing and financing structure according to this assessment of credit risk. We continuously monitor and routinely update the inputs of the credit scoring models. These and other actions mitigate but do not eliminate credit risk. Ineffective evaluations of a borrower's creditworthiness, fraud, or changes in the applicant's financial condition after approval could negatively affect the quality of our portfolio, resulting in loan losses.

Our servicing activities are another important factor in managing consumer credit risk. Servicing activities consist of collecting and processing customer payments, responding to customer concerns and inquiries, processing customer requests (including those for payoff quotes, total-loss handling, and payment modifications), maintaining a perfected security interest in the financed vehicle, engaging in collections activity, and disposing of off-lease and repossessed vehicles. Servicing activities are generally consistent across our Automotive Finance operations; however, certain practices may be influenced by state laws.

During the year ended December 31, 2021, the credit performance of the consumer loan portfolio reflected our underwriting strategy to originate a diversified portfolio of consumer automotive loan assets, including new, used, prime and nonprime finance receivables and loans, high-quality jumbo and LMI mortgage loans that are acquired through bulk loan purchases and direct-to-consumer mortgage originations, as well as point-of-sale personal lending through Ally Lending. Additionally, beginning in December 2021 with the acquisition of Fair Square, financial information related to our credit card business is included within Corporate and Other. Credit performance of the consumer loan portfolio was impacted by fiscal and monetary stimulus deployed by governmental authorities to partially mitigate the adverse effects from the COVID-19 pandemic on households and businesses. The carrying value of our nonprime consumer automotive loans before allowance for loan losses represented approximately 11.3% and 11.7% of our total consumer automotive loans at December 31, 2021, and December 31, 2020, respectively. For information on our consumer credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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

	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
December 31, *($ in millions)*	**2021**	2020	**2021**	2020	**2021**	2020
Consumer automotive (c) (d)	**$ 78,252**	$ 73,668	**$ 1,078**	$ 1,256	**$ —**	$ —
Consumer mortgage						
Mortgage Finance	**17,644**	14,632	**59**	67	**—**	—
Mortgage — Legacy	**368**	495	**26**	35	**—**	—
Total consumer mortgage	**18,012**	15,127	**85**	102	**—**	—
Consumer other						
Personal Lending (e)	**1,002**	399	**5**	3	**—**	—
Credit Card	**953**	—	**11**	—	**—**	—
Total consumer other	**1,955**	399	**16**	3	**—**	—
Total consumer finance receivables and loans	**$ 98,219**	$ 89,194	**$ 1,179**	$ 1,361	**$ —**	$ —

(a) Includes nonaccrual TDR loans of $714 million and $745 million at December 31, 2021, and December 31, 2020, respectively.
(b) Loans are generally in nonaccrual status when principal or interest has been delinquent for 90 days or more, or when full collection is not expected. Refer to Note 1 to the Consolidated Financial Statements for a description of our accounting policies for finance receivables and loans.
(c) Certain finance receivables and loans are included in fair value hedging relationships. Refer to Note 21 to the Consolidated Financial Statements for additional information.
(d) Includes outstanding CSG loans of $8.6 billion and $8.2 billion at December 31, 2021, and December 31, 2020, respectively, and RV loans of $763 million and $1.1 billion at December 31, 2021, and December 31, 2020, respectively.
(e) Excludes finance receivables of $7 million and $8 million at December 31, 2021, and December 31, 2020, respectively, for which we have elected the fair value option.

Total consumer finance receivables and loans increased $9.0 billion at December 31, 2021, compared with December 31, 2020. The increase consists of $4.6 billion of consumer automotive finance receivables and loans, $2.9 billion of consumer mortgage finance receivables and loans and $1.6 billion of consumer other finance receivables and loans. The increase was primarily due to an increase in consumer automotive finance receivables and loans, primarily related to continued momentum in our used vehicle lending, as well as an increase in consumer mortgage finance receivables and loans as a result of bulk loan purchases and direct-to-consumer origination volume, which exceeded loan pay-offs. Growth in consumer other finance receivables and loans was related to the acquisition of Fair Square, as well as Ally Lending loan originations, which outpaced portfolio runoff.

Total consumer nonperforming finance receivables and loans at December 31, 2021, decreased $182 million to $1.2 billion from December 31, 2020. The decrease in our consumer automotive loan portfolio was driven by strong credit performance, while the decrease in our consumer mortgage portfolio was driven by strong consumer payment activity due to favorable macroeconomic conditions. These decreases were partially offset by an increase in our consumer other portfolio related to the acquisition of Fair Square. Refer to Note 9 to the Consolidated Financial Statements for additional information. Nonperforming consumer finance receivables and loans as a percentage of total outstanding consumer finance receivables and loans were 1.2% and 1.5% at December 31, 2021, and December 31, 2020, respectively.

Total consumer TDRs outstanding at December 31, 2021, increased $239 million since December 31, 2020, to $2.2 billion. Results primarily reflect a $239 million increase in our consumer automotive loan portfolio. This increase was driven by an increase in deferrals offered through our established risk management policies and practices to customers subsequent to a COVID-19 deferral, where the loan modification in connection with other factors resulted in a TDR classification. Refer to Note 9 to the Consolidated Financial Statements for additional information.

Consumer automotive loans accruing and past due 30 days or more decreased $157 million to $1.7 billion at December 31, 2021, compared to December 31, 2020, which was driven by strong credit performance.

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

	Net charge-offs (recoveries)		Net charge-off ratios (a)	
Year ended December 31, *($ in millions)*	**2021**	2020	**2021**	2020
Consumer automotive	**$ 237**	$ 702	**0.3 %**	1.0 %
Consumer mortgage				
Mortgage Finance	**2**	3	**—**	—
Mortgage — Legacy	**(9)**	(6)	**(2.0)**	(0.6)
Total consumer mortgage	**(7)**	(3)	**—**	—
Consumer other				
Personal Lending	**26**	14	**4.0**	5.3
Credit Card	**2**	—	**2.8**	—
Total consumer other	**28**	14	**3.3**	5.3
Total consumer finance receivables and loans	**$ 258**	$ 713	**0.3**	0.8

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

Our net charge-offs from total consumer finance receivables and loans were $258 million for the year ended December 31, 2021, compared to $713 million for the year ended December 31, 2020. Net charge-offs for our consumer automotive portfolio decreased by $465 million for the year ended December 31, 2021, driven by strong payment performance, elevated recoveries, and lower loss severity as a result of elevated used vehicle values. While economic conditions have improved since the beginning of the pandemic, and we have taken a number of actions including the utilization of loan modification programs to support our customers and manage credit risk, we may incur higher net charge-offs in future periods as a result of continued economic dislocation resulting from the impacts of COVID-19.

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

Year ended December 31, *($ in millions)*	**2021**	2020
Consumer automotive	**$ 40,884**	$ 30,497
Consumer mortgage (a)	**10,433**	4,688
Consumer other (b) (c)	**1,241**	503
Total consumer loan originations	**$ 52,558**	$ 35,688

(a) Excludes bulk loan purchases associated with our Mortgage Finance operations, and includes $3.4 billion of loans originated as held for sale for the year ended December 31, 2021, and $2.7 billion for the year ended December 31, 2020.
(b) Includes acquired loans related to our Ally Lending business, for which we have elected the fair value option measurement.
(c) Excludes credit card loans which are revolving in nature.

Total consumer loan originations increased $16.9 billion for the year ended December 31, 2021, compared to the year ended December 31, 2020. The increase for the year ended December 31, 2021, as compared to 2020, was driven by increased consumer demand, higher financed transaction amounts, and increased application flow and decisioning speeds in the consumer automotive portfolio. The increase for the year ended December 31, 2021, was also impacted by growth in the direct-to-consumer mortgage business driven by the lower interest rate environment in 2021. Additionally, originations for the year ended December 31, 2020, were impacted by the COVID-19 pandemic that temporarily shut down or restricted operations at automotive dealers. These restrictions, along with the industry-wide halt of new vehicle production, drove a significant decrease in industry automotive light vehicle sales.

The following table shows the percentage of consumer automotive and consumer mortgage finance receivables and loans by state concentration based on amortized cost. Total consumer automotive loans were $78.3 billion and $73.7 billion at December 31, 2021, and December 31, 2020, respectively. Total consumer mortgage loans were $18.0 billion and $15.1 billion at December 31, 2021, and December 31, 2020, respectively.

	2021 (a)		2020	
December 31,	**Consumer automotive**	**Consumer mortgage**	Consumer automotive	Consumer mortgage
California	**8.7 %**	**39.6 %**	8.6 %	34.3 %
Texas	**13.0**	**7.3**	12.5	8.0
Florida	**9.3**	**6.3**	8.8	5.5
Pennsylvania	**4.4**	**2.3**	4.5	2.0
Georgia	**4.0**	**3.0**	3.9	3.1
North Carolina	**4.1**	**1.6**	4.1	2.3
Illinois	**3.7**	**3.1**	4.0	3.0
New York	**3.3**	**2.1**	3.2	3.4
New Jersey	**3.0**	**2.5**	2.9	2.2
Ohio	**3.4**	**0.5**	3.5	0.5
Other United States	**43.1**	**31.7**	44.0	35.7
Total consumer loans	**100.0 %**	**100.0 %**	100.0 %	100.0 %

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2021.

We monitor our consumer loan portfolio for concentration risk across the states in which we lend. The highest concentrations of consumer loans are in California and Texas, which represented an aggregate of 26.4% and 24.7% of our total outstanding consumer finance receivables and loans at December 31, 2021, and December 31, 2020, respectively. Our consumer mortgage loan portfolio concentration within California, which is primarily composed of high-quality jumbo mortgage loans, generally aligns to the California share of jumbo mortgages nationally.

Repossessed and Foreclosed Assets

We classify an asset as repossessed or foreclosed, which is included in other assets on our 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.

Repossessed consumer automotive loan assets in our Automotive Finance operations were $120 million and $186 million at December 31, 2021, and December 31, 2020, respectively, and foreclosed mortgage assets were $1 million and $2 million at December 31, 2021, and December 31, 2020, respectively.

Commercial Credit Portfolio

Our commercial portfolio consists primarily of automotive loans through the extension of wholesale floorplan financing, automotive dealer term real estate loans, and automotive fleet financing, as well as other commercial loans from our Corporate Finance operations. Wholesale floorplan loans are secured by the vehicles financed (and all other vehicle inventory), which provides strong collateral protection in the event of dealership default. Additional collateral (for example, a blanket lien over all dealership assets) or other credit enhancements (for example, personal guarantees from dealership owners) are typically obtained to further mitigate credit risk. Furthermore, in some cases, we may benefit from situations where an automotive manufacturer repurchases vehicles. These repurchases may serve as an additional layer of protection in the event of repossession of new-vehicle dealership inventory or dealership franchise termination.

Within our commercial portfolio, we utilize proprietary risk rating models that are fundamental to managing credit risk exposure consistently across various types of commercial borrowers and captures critical risk factors for each borrower. The ratings are used for many areas of credit risk management, including loan origination, portfolio risk monitoring, management reporting, and loan loss reserves analyses. Therefore, the rating systems are critical to an effective and consistent credit-risk-management framework.

During the year ended December 31, 2021, the credit performance of the commercial portfolio remained strong. While nonperforming finance receivables and loans increased as a result of specific exposures within our Corporate Finance operations, our net charge-offs remained low. For information on our commercial credit risk practices and policies regarding delinquencies, nonperforming status, and charge-offs, refer to Note 1 to the Consolidated Financial Statements.

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

December 31, *($ in millions)*	Outstanding		Nonperforming (a)		Accruing past due 90 days or more (b)	
	2021	2020	**2021**	2020	**2021**	2020
Commercial and industrial						
Automotive	**$ 12,229**	$ 19,082	**$ 33**	$ 40	**$ —**	$ —
Other (c)	**6,874**	5,242	**221**	116	**—**	—
Commercial real estate	**4,939**	5,008	**3**	5	**—**	—
Total commercial finance receivables and loans	**$ 24,042**	$ 29,332	**$ 257**	$ 161	**$ —**	$ —

(a) Includes nonaccrual TDR loans of $117 million and $125 million at December 31, 2021, and December 31, 2020, respectively.
(b) Loans are generally in nonaccrual status when principal or interest has been delinquent for 90 days or more, or when full collection is not expected. Refer to Note 1 to the Consolidated Financial Statements for a description of our accounting policies for finance receivables and loans.
(c) Other commercial and industrial primarily includes senior secured commercial lending largely associated with our Corporate Finance operations.

Total commercial finance receivables and loans outstanding decreased $5.3 billion from December 31, 2020, to $24.0 billion at December 31, 2021. Results primarily reflect a $6.9 billion decrease in our commercial automotive loan portfolio within the commercial and industrial receivables class due to lower dealer inventory levels, driven by strong consumer demand for vehicles that outpaced lower automotive production levels due to the global semiconductor chip shortage. This decrease was partially offset by a $1.6 billion increase to commercial other loans within the commercial and industrial portfolio class, driven primarily by asset-based lending, mostly through our Corporate Finance lender finance vertical, which provides asset managers with partial funding for their direct lending activities.

Total commercial nonperforming finance receivables and loans were $257 million at December 31, 2021, reflecting an increase of $96 million compared to December 31, 2020. The increase was primarily due to the downgrade of four exposures to nonaccrual status within commercial other in our Commercial and Industrial portfolio class. This increase was partially offset by a decrease due to lower dealer inventory levels in our commercial automotive portfolio driven by lower production levels due to the global semiconductor chip shortage. Nonperforming commercial finance receivables and loans as a percentage of outstanding commercial finance receivables and loans increased to 1.1% at December 31, 2021, compared to 0.5% at December 31, 2020.

Total commercial TDRs outstanding at December 31, 2021, decreased $32 million since December 31, 2020, to $171 million. The decrease was primarily driven by a reduction in the outstanding balances of several existing TDRs, partially offset by the restructuring of one exposure within commercial other in our Commercial and Industrial portfolio class. The decrease was also impacted by the restructuring of three exposures within our commercial automotive portfolio during the year ended December 31, 2020. Refer to Note 9 to the Consolidated Financial Statements for additional information.

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

Year ended December 31, *($ in millions)*	Net charge-offs		Net charge-off ratios (a)	
	2021	2020	**2021**	2020
Commercial and industrial				
Automotive	**$ —**	$ 13	**— %**	0.1 %
Other	**11**	37	**0.2**	0.7
Commercial real estate	**—**	1	**—**	—
Total commercial finance receivables and loans	**$ 11**	$ 51	**—**	0.2

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

Our net charge-offs from total commercial finance receivables and loans were $11 million for the year ended December 31, 2021, compared to net charge-offs of $51 million for the year ended December 31, 2020. The decrease for the year ended December 31, 2021, was primarily driven by our Corporate Finance portfolio and included the partial net charge-off of two exposures in 2021. These charge-offs were lower than the total charge-offs related to two exposures, including the full charge-off of one exposure during the year ended December 31, 2020. This decrease was also impacted by the charge-offs of four exposures in our commercial automotive portfolio during the year ended December 31, 2020.

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 $4.9 billion and $5.0 billion at December 31, 2021, and December 31, 2020, respectively.

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

December 31,	**2021**	2020
Florida	**16.4 %**	13.3 %
Texas	**13.9**	13.0
California	**8.3**	7.9
Michigan	**5.8**	7.7
North Carolina	**5.8**	5.5
New York	**3.8**	5.6
Ohio	**3.4**	1.3
Georgia	**3.3**	3.6
Utah	**3.0**	3.0
Illinois	**2.9**	2.8
Other United States	**33.4**	36.3
Total commercial real estate finance receivables and loans	**100.0 %**	100.0 %

Commercial Criticized Exposure

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

Total criticized exposures decreased $2.2 billion from December 31, 2020, to $1.8 billion at December 31, 2021, and represented 7.3% and 13.6% of total commercial finance receivables and loans at December 31, 2021, and December 31, 2020, respectively. The decrease was primarily due to lower dealer inventory levels in our commercial automotive portfolio driven by continued lower production levels as automotive manufacturers work to return to pre-pandemic levels along with improved portfolio performance. This decrease was also driven by a lower number of special mention accounts within commercial other in our Commercial and Industrial receivables class.

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

December 31,	**2021**	2020
Industry		
Automotive	**50.8 %**	67.7 %
Chemicals	**14.4**	4.4
Services	**11.0**	5.8
Other	**23.8**	22.1
Total commercial criticized finance receivables and loans	**100.0 %**	100.0 %

Allowance for Loan Losses

We adopted CECL on January 1, 2020. The CECL standard introduced a new accounting model to measure credit losses for financial assets measured at amortized costs. In contrast to the previous incurred loss model, CECL requires credit losses for financial assets measured at amortized cost to be determined based on the total current expected credit losses over the life of the financial asset or group of assets.

Under CECL, our modeling processes incorporate the following considerations:

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

Our quantitatively determined allowance under CECL is impacted by certain forecasted economic factors as further described in Note 1 to the Consolidated Financial Statements. For example, our consumer automotive allowance for loan losses is most sensitive to state-level unemployment rates. Our process for determining the allowance for loan losses considers a borrower's willingness and ability to pay and considers other factors, including loan modification programs. In addition to our quantitative allowance for loan losses, we also incorporate

qualitative adjustments that may relate to idiosyncratic risks, changes in current economic conditions that may not be reflected in quantitatively derived results such as the impacts associated with COVID-19. We also monitor model performance, using model error and related assessments, and we may incorporate qualitative reserves to adjust our quantitatively determined allowance if we observe deterioration in model performance.

Through December 2021, forecasted economic variables utilized in our quantitative allowance processes were updated to reflect the current macroeconomic environment and our future expectations, which included (but were not limited to) the following: the unemployment rate declining to approximately 4% in the fourth quarter of 2022, before reverting to the historical mean of approximately 7% by November 2024, deceleration of GDP growth as measured on a quarter-over-quarter seasonally adjusted annualized rate basis, and new light vehicle sales on a seasonally adjusted annualized rate basis nearing approximately 17 million units in late-2022. Given the stabilization in the macroeconomic environment during the year ended December 31, 2021, changes in the macroeconomic variables did not have a significant impact on the allowance for loan losses through our quantitative reserving process. We continue to utilize our qualitative allowance framework to reassess and adjust management reserve levels to account for ongoing uncertainty and volatility in the macroeconomic environment, including the global supply chain and manufacturing challenges, workforce participation, inflation, and other complexities stemming from the COVID-19 pandemic. Our overall allowance for loan losses decreased $16 million from the prior year to $3.3 billion at December 31, 2021, representing 2.7% as a percentage of total finance receivables as of December 31, 2021, compared to 2.8% as of December 31, 2020.

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

($ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
Allowance at January 1, 2021	$ 2,902	$ 33	$ 73	$ 3,008	$ 275	$ 3,283
Charge-offs (a)	(923)	(6)	(30)	(959)	(22)	(981)
Recoveries	686	13	2	701	11	712
Net charge-offs	(237)	7	(28)	(258)	(11)	(269)
Provision due to change in portfolio size	182	4	181	367	11	378
Provision due to incremental charge-offs	237	(7)	28	258	11	269
Provision due to all other factors	(315)	(11)	(46)	(372)	(34)	(406)
Total provision for credit losses (b)	104	(14)	163	253	(12)	241
Other (c)	—	1	13	14	(2)	12
Allowance at December 31, 2021	$ 2,769	$ 27	$ 221	$ 3,017	$ 250	$ 3,267
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2021 (d)	3.5 %	0.1 %	11.3 %	3.1 %	1.0 %	2.7 %
Net charge-offs to average finance receivables and loans outstanding for the year ended December 31, 2021	0.3 %	— %	3.3 %	0.3 %	— %	0.2 %
Allowance for loan losses to total nonperforming finance receivables and loans at December 31, 2021 (d)	256.8 %	30.9 %	n/m	255.7 %	97.8 %	227.4 %
Nonaccrual loans to finance receivables and loans outstanding at December 31, 2021	1.4 %	0.5 %	0.8 %	1.2 %	1.1 %	1.2 %
Ratio of allowance for loan losses to annualized net charge-offs at December 31, 2021	11.6	(3.7)	4.1	11.6	24.3	12.1

n/m = not meaningful

(a) Refer to Note 1 to the Consolidated Financial Statements for information regarding our charge-off policies.

(b) Consumer mortgage provision benefit includes $1 million related to Mortgage Finance and $13 million related to our legacy mortgage portfolio. Consumer other provision expense includes $55 million related to personal lending and $108 million related to our credit card portfolio. Commercial provision benefit includes a provision benefit of $30 million related to commercial automotive and $21 million related to commercial real estate, and a provision expense of $39 million related to commercial other within the commercial and industrial portfolio class.

(c) Includes $12 million of allowance for credit losses recognized on PCD loans acquired in the Fair Square acquisition. Refer to Note 2 to the Consolidated Financial Statements for additional details.

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

($ in millions)	Consumer automotive	Consumer mortgage	Consumer other	Total consumer	Commercial	Total
Allowance at December 31, 2019	$ 1,075	$ 46	$ 9	$ 1,130	$ 133	$ 1,263
Cumulative effect of the adoption of Accounting Standards Update 2016-13	1,334	(6)	16	1,344	2	1,346
Allowance at January 1, 2020	2,409	40	25	2,474	135	2,609
Charge-offs (a)	(1,244)	(13)	(15)	(1,272)	(54)	(1,326)
Recoveries	542	16	1	559	3	562
Net charge-offs	(702)	3	(14)	(713)	(51)	(764)
Provision due to change in portfolio size	47	(6)	39	80	(9)	71
Provision due to incremental charge-offs	702	(3)	14	713	51	764
Provision due to all other factors	445	(1)	9	453	151	604
Total provision for credit losses (b)	1,194	(10)	62	1,246	193	1,439
Other	1	—	—	1	(2)	(1)
Allowance at December 31, 2020	$ 2,902	$ 33	$ 73	$ 3,008	$ 275	$ 3,283
Allowance for loan losses to finance receivables and loans outstanding at December 31, 2020 (c)	3.9 %	0.2 %	18.4 %	3.4 %	0.9 %	2.8 %
Net charge-offs to average finance receivables and loans outstanding for the year ended December 31, 2020	1.0 %	— %	5.3 %	0.8 %	0.2 %	0.6 %
Allowance for loan losses to total nonperforming finance receivables and loans at December 31 2020 (c)	231.1 %	32.7 %	n/m	221.1 %	171.0 %	215.8 %
Ratio of allowance for loan losses to annualized net charge-offs at December 31, 2020	4.1	(13.1)	5.2	4.2	5.4	4.3

n/m = not meaningful

(a) Refer to Note 1 to the Consolidated Financial Statements for information regarding our charge-off policies.

(b) Consumer mortgage provision expense includes $7 million related to Mortgage Finance and a provision benefit of $17 million related to our legacy mortgage portfolio. Commercial provision expense includes $28 million related to commercial automotive and $150 million related to commercial other within the Commercial and Industrial portfolio class, and $15 million related to Commercial Real Estate.

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

The allowance for consumer loan losses as of December 31, 2021, increased $9 million compared to December 31, 2020, reflecting decreases of $133 million in the consumer automotive allowance and $6 million in the consumer mortgage allowance, offset by an increase of $148 million in the consumer other allowance. The decreases in both our consumer automotive and consumer mortgage allowance were primarily driven by reserve declines associated with improvement in the macroeconomic environment as the economy has continued to recover, partially offset by higher reserves resulting from continued portfolio growth. The increase in the consumer other allowance was primarily driven by the establishment of reserves related to the Fair Square acquisition, as well as continued growth in Ally Lending, partially offset by reserve declines associated with improvement in the macroeconomic environment.

The allowance for commercial loan losses as of December 31, 2021, decreased $25 million compared to December 31, 2020. The decrease was primarily driven by reserve declines within our commercial automotive portfolio associated with improvement in the macroeconomic environment as the economy has continued to recover, as well as reserve decreases due to lower commercial automotive portfolio balances for the year ended December 31, 2021.

The provision for consumer credit losses decreased $993 million for the year ended December 31, 2021, compared to the year ended December 31, 2020. For the year ended December 31, 2021, the decrease in provision for consumer credit losses was primarily driven by a reserve increase within the consumer automotive portfolio during the year ended December 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to a reserve decline during the year ended December 31, 2021, as the macroeconomic environment continued to recover. Additionally, the provision decrease during the year ended December 31, 2021, was driven by lower net charge-offs in our consumer automotive portfolio as we continue to experience strong credit performance driven by favorable economic and operating conditions.

The provision for commercial credit losses decreased $205 million for the year ended December 31, 2021, compared to the year ended December 31, 2020. For the year ended December 31, 2021, the decrease in provision for commercial credit losses was primarily driven by a reserve increase within the commercial automotive and other commercial and industrial portfolios during the year ended December 31, 2020, associated with deterioration in the macroeconomic environment resulting from the COVID-19 pandemic, compared to a reserve decline during 2021, as the macroeconomic environment continued to recover.

Allowance for Loan Losses by Type

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

	2021			2020		
December 31, *($ in millions)*	**Allowance for loan losses**	**Allowance as a % of loans outstanding**	**Allowance as a % of total allowance for loan losses**	Allowance for loan losses	Allowance as a % of loans outstanding	Allowance as a % of total allowance for loan losses
Consumer						
Consumer automotive	**$ 2,769**	**3.5 %**	**84.8 %**	$ 2,902	3.9 %	88.4 %
Consumer mortgage						
Mortgage Finance	**19**	**0.1**	**0.6**	21	0.1	0.6
Mortgage — Legacy	**8**	**2.1**	**0.2**	12	2.4	0.4
Total consumer mortgage	**27**	**0.1**	**0.8**	33	0.2	1.0
Consumer other	**221**	**11.3**	**6.7**	73	18.4	2.2
Total consumer loans	**3,017**	**3.1**	**92.3**	3,008	3.4	91.6
Commercial						
Commercial and industrial						
Automotive	**12**	**0.1**	**0.4**	42	0.2	1.3
Other	**198**	**2.9**	**6.1**	190	3.6	5.8
Commercial real estate	**40**	**0.8**	**1.2**	43	0.9	1.3
Total commercial loans	**250**	**1.0**	**7.7**	275	0.9	8.4
Total allowance for loan losses	**$ 3,267**	**2.7**	**100 %**	$ 3,283	2.8	100 %

Insurance/Underwriting Risk

The underwriting of our products includes an assessment of the risk to determine acceptability and categorization for appropriate pricing. The acceptability of a particular risk is based on expected losses, expenses and other factors specific to the product in question. With respect to VSCs, considerations include the quality of the vehicles produced, the price of replacement parts, repair labor rates, and new model introductions. Insurance risk also includes event risk, which is synonymous with pure risk, or hazard risk, and presents no chance of gain, only of loss.

We mitigate losses by the active management of claim settlement activities using experienced claims personnel and the evaluation of current period reported claims. Losses for these events may be compared to prior claims experience, expected claims, or loss expenses from similar incidents to assess the reasonableness of incurred losses.

In some instances, reinsurance is used to reduce the risk associated with volatile business lines, such as catastrophe risk in vehicle inventory insurance. Our vehicle inventory insurance product is covered by excess-of-loss protection, including catastrophe coverage for weather-related events. In addition, loss control techniques such as storm path monitoring to assist dealers in preparing for severe weather help to mitigate loss potential.

In accordance with industry and accounting practices and applicable insurance laws and regulatory requirements, we maintain reserves for reported losses, losses incurred but not reported, losses expected to be incurred in the future for contracts in force and loss adjustment expenses. The estimated values of our prior reported loss reserves and changes to the estimated values are routinely monitored by credentialed actuaries. Our reserve estimates are regularly reviewed by management; however, since the reserves are based on estimates and numerous assumptions, the ultimate liability may differ from the amount estimated.

Market Risk

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

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

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

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

We also have exposure to changes in the value of equity securities. We have exposure to equity securities with readily determinable fair values primarily related to our Insurance operations. For such equity securities, we use equity derivatives to manage our exposure to equity price fluctuations. In addition, we are exposed to changes in the value of other equity investments without readily determinable fair market values. Refer to Note 13 to the Consolidated Financial Statements for additional information. We may experience changes in the valuation of these investments, which may cause volatility in our earnings.

The composition of our balance sheet, including shorter-duration consumer automotive loans and variable-rate commercial loans, coupled with the continued funding shift toward retail deposits, partially mitigates market risk. Additionally, we maintain risk-management controls that measure and monitor market risk using a variety of analytical techniques including market value and sensitivity analysis. Refer to Note 21 to the Consolidated Financial Statements for additional information.

LIBOR Transition

We continue to monitor regulatory, legislative, and industry developments surrounding the LIBOR transition and the impact of those developments to us. In March 2021, the United Kingdom Financial Conduct Authority and the administrator of LIBOR announced that U.S. dollar LIBOR settings will cease to be provided or cease to be representative after June 30, 2023. The publication of all other LIBOR settings ceased to be provided or ceased to be representative as of December 31, 2021. In November 2020, U.S. banking agencies issued guidance encouraging banks to stop entering new contracts that use U.S. dollar LIBOR as a reference rate as soon as practicable but no later than December 31, 2021. Additionally, in October 2021, U.S. banking agencies emphasized their expectation that supervised institutions with LIBOR exposure continue to progress toward an orderly transition away from LIBOR, including clarification on the meaning of new LIBOR contracts, considerations when assessing appropriateness of alternative reference rates, and expectations for fallback language in new or updated contracts. U.S. banking regulators have stated that safe-and-sound practices include conducting the due diligence necessary to ensure that alternative rate selections are appropriate for the supervised institution's products, risk profile, risk management capabilities, customer and funding needs, and operational capabilities. This due diligence includes understanding how the chosen reference rate is constructed and being aware of any fragilities associated with that rate and the markets that underlie it.

The discontinuation of LIBOR or LIBOR-based rates presents risks to our business, as further described in the section titled *Risk Factors* in Part I, Item 1A of this report. In recognition of the significance of LIBOR cessation, in July 2018, Ally formed an enterprise-wide LIBOR transition program that devotes numerous resources throughout all levels of the organization to facilitate the transition to alternative reference rates. Our program spans impacted business lines and functions to evaluate risks associated with the transition, while taking into account specific considerations related to our customers, products and instruments, and counterparty exposures. Through this program, we continue to plan for and guide the transition away from LIBOR to alternative reference rates, and evaluate the impacts and potential impacts to our existing and future contracts with customers and counterparties, financial forecasts, operational processes, technology, modeling, and vendor relationships. Our program is also subject to the governance and oversight of our Board through the RC and certain executive committees, including the ALCO and the ERMC.

We continue to make progress on our transition efforts, including the development of new products and agreements that utilize alternative reference rates, such as Prime and SOFR. We continue to engage our commercial automotive dealer customers with transitioning their existing wholesale floorplan financing agreements from LIBOR to Prime as appropriate. Additionally, we continue to reduce our LIBOR exposure through other strategic actions. For example, during 2021, we executed the sale of a portion of our adjustable-rate mortgage loans that were tied to LIBOR, and redeemed our Series 2 TRUPS with an interest rate linked to LIBOR and replaced these regulatory capital instruments with new preferred stock referencing treasury rates. We also advanced our efforts of transitioning existing bilateral commercial automotive lending arrangements from LIBOR to alternative rates, commenced direct-to-consumer mortgage lending in our held-for-investment channel using SOFR, and commenced originating corporate-finance loans using SOFR. In alignment with the November 2020 guidance and subsequent clarifications from U.S. banking regulators, we also updated our policies and procedures and established enhanced governance to adhere to safe-and-sound practices with regard to new LIBOR contracts and existing LIBOR exposures beyond December 31, 2021, and are planning to transition our remaining exposure to alternative rates prior to the cessation of the remaining U.S. dollar LIBOR tenors, which will no longer be published after June 30, 2023.

Our ongoing LIBOR transition program includes monitoring of our operations and the progress of our broader transition efforts. As part of this, we collect and analyze business-line level data about our LIBOR exposure on a monthly basis. Our exposure to LIBOR-based contracts is significantly concentrated within certain of our finance receivables and loans, primarily related to commercial automotive loans and corporate-finance loans, among other arrangements. Our commercial automotive loan portfolio is primarily composed of wholesale floorplan financing to automotive dealers. A significant portion of our wholesale floorplan finance receivables are invoiced utilizing a LIBOR-based reference rate and, as such, represents our largest exposure to LIBOR based on notional dollar amount. Smaller loan portfolios that utilize contracts containing LIBOR-based reference rates include our corporate-finance loans and lending commitments, and our adjustable-rate mortgage loans. As of December 31, 2021, we had a notional amount of $35.6 billion of loan exposure that references LIBOR, which includes approximately $13.2 billion of associated LIBOR-based loans outstanding.

Fair Value Sensitivity Analysis

The following table presents a fair value sensitivity analysis of our assets and liabilities using isolated hypothetical movements in specific market rates. The analysis assumes adverse instantaneous, parallel shifts in market-exchange rates, interest rate yield curves, and equity prices. Additionally, since only adverse fair value impacts are included, the natural offset between asset and liability rate sensitivities that arise within a diversified balance sheet, such as ours, may not be considered.

December 31, *($ in millions)*	**2021**	2020
Financial instruments exposed to changes in:		
Interest rates		
Estimated fair value	**(a)**	(a)
Effect of 10% adverse change in rates	**(a)**	(a)
Foreign-currency exchange rates		
Estimated fair value	**$ 437**	$ 452
Effect of 10% adverse change in rates	**(11)**	(14)
Equity prices		
Estimated fair value	**$ 1,408 (b)**	$ 1,112
Effect of 10% decrease in prices	**(126)**	(108)

(a) Refer to the section below titled *Net Financing Revenue Sensitivity Analysis* for information on the interest rate sensitivity of our financial instruments.
(b) Includes $1.1 billion of equity securities and $260 million of equity securities without a readily determinable fair value at December 31, 2021. For additional information on equity securities without a readily determinable fair value, refer to Note 13 to the Consolidated Financial Statements.

Net Financing Revenue Sensitivity Analysis

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

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

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

The net financing revenue sensitivity tests measure the potential change in our pretax net financing revenue over the following 12 months. We test a number of alternative rate scenarios, including immediate and gradual parallel shocks to the implied market forward curve. Management also evaluates nonparallel shocks to interest rates and stresses to certain term points on the yield curve in isolation to capture and monitor a number of risk types. Relative to our baseline forecast, our net financing revenue over the next 12 months is expected to increase by $15 million if interest rates remain unchanged.

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

	December 31, 2021		December 31, 2020	
	Gradual (a)	**Instantaneous**	**Gradual (a)**	**Instantaneous**
Change in interest rates	*($ in millions)*		*($ in millions)*	
+200 basis points	**$ 2**	**$ (169)**	$ 70	$ 64
+100 basis points	**16**	**(37)**	32	68
-25 basis points (b)	**(9)**	**(23)**	(3)	(40)

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

The implied forward rate curve was steeper at December 31, 2021, as interest rates were at or near historical lows across the curve on December 31, 2020. The impact of this change is reflected in our baseline net financing revenue projections. As of December 31, 2021, we

expect upward interest rate shock scenarios to have a modest impact to the baseline forecast as the repricing of our asset base, combined with the benefit of our pay fixed swap position, is expected to largely offset assumed repricing of our liabilities, primarily deposits.

The exposure in the downward interest rate shock scenarios is largely driven by floating-rate assets and prepayment risk, largely offset by assumed repricing of liquid deposits.

Our risk position is influenced by the impact of hedging activity, which primarily consists of interest rate swaps designated as fair value hedges of certain fixed-rate assets and fixed-rate debt instruments, and pay-fixed interest rate swaps designated as cash flow hedges of certain floating-rate debt instruments. The size, maturity, and mix of our hedging activities are adjusted as our balance sheet, ALM objectives, and interest rate environment evolve over time.

Operating Lease Residual Risk Management

We are exposed to residual risk on vehicles in the consumer operating lease portfolio. This operating lease residual risk represents the possibility that the actual proceeds realized upon the sale of returned vehicles will be lower than the projection of these values used in establishing the pricing at lease inception. However in certain instances, some automotive manufacturers have provided their guarantee for portions of our residual exposure, as further described in Note 10 to the Consolidated Financial Statements. Our operating lease portfolio, net of accumulated depreciation was $10.9 billion and $9.6 billion as of December 31, 2021, and December 31, 2020, respectively. The expected lease residual value of our operating lease portfolio at scheduled termination was $8.6 billion and $7.9 billion as of December 31, 2021, and December 31, 2020, respectively. For information on our valuation of automotive operating lease residuals including periodic revisions through adjustments to depreciation expense based on current and forecasted market conditions, refer to the section titled *Critical Accounting Estimates—Valuation of Automotive Operating Lease Assets and Residuals* within this MD&A.

- ***Priced residual value projections*** — At contract inception, we determine pricing based on the projected residual value of the leased vehicle. This evaluation uses a proprietary model, which includes variables such as age, expected mileage, seasonality, segment factors, vehicle type, economic indicators, production cycle, automotive manufacturer incentives, and unanticipated shifts in used vehicle supply, as well as expert judgment. This internally generated data is compared against third-party, independent data for reasonableness. Periodically, we revise the projected value of the leased vehicle at termination based on current market conditions and adjust depreciation expense over the remaining life of the contract as necessary. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense.
- ***Remarketing abilities*** — Our ability to efficiently process and effectively market off-lease vehicles affects the disposal costs and the proceeds realized from vehicle sales. Vehicles can be remarketed through auction (internet and physical), sale to dealer, sale to lessee, and other methods. The results within these channels vary, with physical auction typically resulting in the lowest-priced outcome.
- ***Manufacturer vehicle and marketing programs*** — Automotive manufacturers influence operating lease residual results in the following ways:
  - The brand image of automotive manufacturers and consumer demand for their products affects residual risk.
  - The discontinuation of, or stylistic changes to, a certain make or model may affect the value of existing vehicles.
  - Automotive manufacturer marketing programs may influence the used vehicle market for those vehicles through programs such as incentives on new vehicles, programs designed to encourage lessees to terminate their operating leases early in conjunction with the acquisition of a new vehicle (referred to as pull-ahead programs), and special rate used vehicle programs.
- ***Used vehicle market*** — We have exposure to changes in used vehicle prices. General economic conditions, used vehicle supply and demand, and new vehicle availability and market prices heavily influence used vehicle prices.

Operating Lease Vehicle Terminations and Remarketing

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

Year ended December 31,	**2021**	2020	2019
Off-lease vehicles terminated *(in units)*	**127,708**	106,601	113,114
Average gain per vehicle *($ per unit)*	**$ 2,693**	$ 1,193	$ 607
Method of vehicle sales			
Auction			
Internet	**29 %**	53 %	53 %
Physical	**7**	10	15
Sale to dealer, lessee, and other	**64**	37	32

We recognized an average gain per vehicle of $2,693 for the year ended December 31, 2021, compared to an average gain per vehicle of $1,193 for 2020. The increase in remarketing performance was primarily due to continued new vehicle supply constraints coupled with increased demand for used vehicles, despite downward adjustments to the rate of depreciation expense in recent periods. The number of off-lease vehicles remarketed during the year ended December 31, 2021, increased 20%, compared to 2020, primarily due to impacts of the COVID-19 pandemic, which reduced vehicle remarketing activity at auction sites and lowered dealer demand in the first two quarters of 2020, as well as increases in demand for used vehicles in recent periods. The remarketing channel mix for dealer and lessee buyouts increased during the year ended December 31, 2021, primarily due to supply constraints increasing dealer demand for off-lease vehicles, as well as increases in new vehicle prices that are causing a shift in consumer preference. The shift in off-lease vehicle disposition mix is expected to continue in the near term and may limit our ability to optimize remarketing proceeds.

Operating Lease Portfolio Mix

We monitor the concentration of our outstanding operating leases. Our exposure to Stellantis vehicles represented approximately 81% and 89% of our operating lease units as of December 31, 2021, and 2020, respectively.

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

December 31,	**2021**	2020	2019
Sport utility vehicle	**59 %**	57 %	58 %
Truck	**34**	34	32
Car	**7**	9	10

Business/Strategic Risk

Business/strategic risk is embedded in every facet of our organization and is one of our primary risk types. It is the risk resulting from the pursuit of business activities that turn out to be unsuccessful due to a variety of both controllable and non-controllable factors. We aim to mitigate this risk within our business lines through portfolio diversification, product innovations, close monitoring of the execution of our strategic and capital plan, and ensuring flexibility of the cost base.

Our strategic plan is reviewed and approved annually by our Board, as are the capital plan and financial business plan. With oversight by our Board, executive management seeks to consistently apply core operating principles while executing our strategic plan within the risk appetite approved by the RC. The executive management team continuously monitors business performance throughout the year to assess strategic risk and find early warning signals so that risks can be proactively managed. Executive management regularly reviews actual performance versus the plan, updates our Board via reporting routines, and implements changes as deemed appropriate.

Significant strategic actions, such as capital actions, material acquisitions or divestitures, and recovery and resolution plans are reviewed and approved by our Board as required. At the business level, as we introduce new products, we monitor their performance relative to expectations. With oversight by our Board, executive management evaluates changes to the financial forecast and risk, capital, and liquidity positions throughout the year.

Reputation Risk

Reputation risk is the risk arising from negative public opinion on Ally's business practices, whether true or not, that could cause a decline in customer satisfaction, brand sentiment, our customer base, revenue, or result in litigation towards Ally. Reputation risk may result from many of our activities, including those related to the management of our business/strategic, operational, and credit risks. We manage reputation risk through established policies and controls in our businesses and risk-management processes to mitigate reputation risks in a timely manner through proactive monitoring and identification of potential reputation risk events. We have established processes and procedures to respond to events that give rise to reputation risk, including educating individuals and organizations that influence public opinion, external communication strategies to mitigate the risk, and informing key stakeholders of potential reputation risks. Primary responsibility for the identification, escalation, and resolution of reputation risk issues resides with our business lines. Our "LEAD" core values and "Do it Right" philosophy further strengthen our efforts to mitigate reputational risks by promoting a transparent culture so that any associate, at any time, can and should call attention to risks that need to be addressed and taken into account. Our organization and governance structures provide oversight of reputation risks, and key risk indicators are reported regularly and directly to management and the RC, which provide primary oversight of reputation risk.

Operational Risk

Operational risk is the risk of loss or harm arising from inadequate or failed processes or systems, human factors, or external events and is inherent in all of our risk-generating activities. Such risk can manifest in various ways, including errors, business interruptions, and inappropriate behavior of employees, and can potentially result in financial losses and other damage to us. Operational risk includes business disruption risk, fraud risk, human capital risk, legal risk, model risk, process execution and management risk, and supplier (third party) risk.

- ***Business disruption risk*** — The risk of significant disruption to our operations resulting from natural disasters, pandemics, external technology outages, or other external events.

- ***Fraud risk*** — The risk from deliberate misrepresentation or concealment of information material to a transaction with the intent to deceive another and that is reasonably relied on or used in decision making. Fraud can occur internally (for example, employees) or externally (for example, criminal activity, third-party suppliers).
- ***Human capital risk*** — The risk caused by high turnover, inadequate or improper staffing levels, departure/unavailability of key personnel, or inadequate training and includes our exposure to worker's compensation and employment litigation.
- ***Legal risk*** — The risk arising from the potential that unenforceable contracts, lawsuits, or adverse judgments can disrupt or otherwise negatively affect our operations or condition.
- ***Model risk*** — The potential for adverse consequences from decisions based on incorrect or misused model assumptions, inputs, outputs, and reports. This risk may include fundamental errors within the model that produce inaccurate outputs or that the model is used incorrectly or inappropriately.
- ***Process execution and management risk*** — The risk caused by failure to execute or adhere to policies, standards, procedures, processes, controls, and activities as designed and documented.
- ***Supplier (third party) risk*** — The risk associated with third-party suppliers and their delivery of products or services and effect on overall business performance. This includes a supplier's failure to comply with information technology requirements, information and physical security, laws, rules, regulations, and legal agreements.

To monitor and mitigate such risk, we maintain a system of policies and a control framework designed to provide a sound and well-controlled operational environment. This framework employs practices and tools designed to maintain risk identification, risk governance, risk and control assessment, risk testing and monitoring, and transparency through risk reporting mechanisms. The goal is to maintain operational risk at appropriate levels based on our financial strength, the characteristics of the businesses and the markets in which we operate, and the related competitive and regulatory environment.

Information Technology/Cybersecurity Risk

Information technology/cybersecurity risk includes risk resulting from the failure of, or insufficiency in, information technology (for example, a system outage) or intentional or accidental unauthorized access, sharing, removal, tampering, or disposal of company and customer data or records.

We and our service providers rely extensively on communications, data-management, and other operating systems and infrastructure to conduct our business and operations. Failures or disruptions to these systems, including cloud-based services, or infrastructure from cyberattacks or other events may impede our ability to conduct business and operations and may result in business, reputational, financial, regulatory, or other harm.

We and other financial institutions continue to be the target of various cyberattacks, including through the introduction of malware, phishing attacks, denial-of-service, or other security breaches, as part of an effort to disrupt the operations of financial institutions or obtain confidential, proprietary, or other information or assets of Ally, our customers, employees, or other third parties with whom we transact.

Cybersecurity and the continued development of our controls, processes, and systems to protect our technology infrastructure, customer information, and other proprietary information or assets remain a critical and ongoing priority. We recognize that cyber-related risks continue to evolve and have become increasingly sophisticated, and as a result we continuously evaluate the adequacy of our preventive and detective measures.

In order to help mitigate cybersecurity risks, we devote substantial resources to protect us from cyber-related incidents. We regularly assess vulnerabilities and threats to our environment utilizing various resources including independent third-party assessments to evaluate whether our layered system of controls effectively mitigates risk. Additionally, we engage external expertise to perform comprehensive institutional-wide simulations for senior management, which evaluates our preparedness to respond to crisis events, including cybersecurity threats.

We also invest in new technologies and infrastructure in order to respond to evolving risks within our environment. We continue to partner with other industry peers in order to share knowledge and information to further our security environment and invest in training and employee awareness to cyber-related risks. Additionally, as a further protective measure, we maintain insurance coverage that, subject to terms and conditions, may cover certain aspects of cybersecurity and information risks; however, such insurance may not be sufficient to cover all losses. Management monitors operational metrics and data surrounding cybersecurity operations, and the organization monitors compliance with established limits in connection with our risk appetite. Senior leadership regularly reviews, questions, and challenges such information.

The Technology Committee assists the Board in overseeing information-technology and information-security risks (including cybersecurity risk) and our management of them commensurate with our structure, risk profile, complexity, activities, and size. Our RC reviews reports and other information from the Technology Committee in approving our information-technology and information-security risk appetite and otherwise exercising oversight of our independent risk-management program. Our Board and the AC also undertake reviews as appropriate. The Information Technology Risk Committee is responsible for supporting the Chief Risk Officer's oversight of our

management of cybersecurity and other risks involving our communications, data-management, and other operating systems and infrastructure. Additionally, our cybersecurity program is regularly assessed by Audit Services, which reports directly to the AC. The business lines are also actively engaged in overseeing the service providers that supply or support the operating systems and infrastructure on which we depend and, with effective challenge from the independent risk-management function, managing related operational and other risks.

Notwithstanding these risk and control initiatives, we may incur losses attributable to information technology/cybersecurity risk from time to time, and there can be no assurance these losses will not be incurred in the future or will not be substantial. For further information on cybersecurity, technology, systems, and infrastructure, refer to the section titled *Risk Factors* in Part I, Item 1A of this report.

Compliance Risk

Compliance risk is the risk of legal or regulatory sanctions, financial loss, or damage to reputation resulting from failure to comply with laws, regulations, rules, other regulatory requirements, or codes of conduct and other standards of self-regulatory organizations applicable to the banking organization (applicable rules and standards). Examples of such risks include compliance with regulations set forth by banking agencies including fair and responsible banking, anti-money laundering, or community reinvestment act, risks associated with offering our products or services, or risks associated with deviating from internal policies and procedures including those that are established to promote sound risk-management and internal-control practices. Compliance risk also includes fiduciary risk, which includes risks arising from our duty to exercise loyalty, act in the best interest of our clients, and care for assets according to an appropriate standard of care. This risk generally exists to the extent that we exercise discretion in managing assets on behalf of a customer.

We recognize that an effective compliance program, including driving a culture of compliance, plays a key role in managing and overseeing compliance risk, and that a proactive compliance environment and program are essential to help meet various legal, regulatory, or other requirements or expectations. To manage compliance risk, we maintain a system of policies, change-management protocols, control frameworks, and other formal governance structures designed to provide a holistic enterprise approach to managing such risks, which includes consideration of identifying, assessing, monitoring, and communicating compliance risks throughout Ally. Our compliance function provides independent, enterprise-wide oversight of compliance-risk exposures and related risk-management practices and is led by the Chief Compliance Officer who reports to our Chief Executive Officer. The Chief Compliance Officer has the authority and responsibility for the oversight and administration of our Enterprise Compliance Program, which includes ongoing reporting of significant compliance-related matters to our Board, the RC, and various management committees established to govern compliance-related risks. The Compliance Risk Management Committee, established by the Chief Compliance Officer, serves to facilitate compliance risk management and to oversee the implementation of our compliance risk-management strategies and covers compliance matters across the enterprise including matters impacting customers, products, geographies, and services.

Conduct Risk

Conduct risk is the risk of customer harm, employee harm, reputational damage, regulatory sanction, or financial loss resulting from the behavior of our employees and contractors toward customers, counterparties, other employees and contractors, or the markets in which we operate.

Management is responsible for driving a culture consistent with our "LEAD" core values and "Do it Right" philosophy. We maintain an enterprise-wide Conduct Risk Management program that establishes the requirements for managing conduct risk.

Under our governance framework, incentive compensation is subject to review and recoupment so as to appropriately consider and not encourage imprudent risk-taking. All incentive pay, whether paid or unpaid, vested or not vested, is subject to recoupment if based on, without limitation, material misstatements, misrepresentations, or fraud, or if the employee recipient failed to identify, raise, or assess issues with respect to financial loss or reputational risk to us or otherwise engaged in or contributed to other conduct adverse to us.

We manage conduct risk through a variety of enterprise programs, policies, and procedures. Associates complete required training at on-boarding, and annually thereafter, to affirm their compliance with our Code of Conduct and Ethics. Training programs and other resources set expectations surrounding appropriate conduct, ethical behavior, and a culture of compliance with applicable laws, regulations, policies, and standards. Officers and employees are expected to take personal responsibility for maintaining the highest standards of honesty, trustworthiness, and ethical behavior; to understand and manage the risks associated with their positions; and to escalate concerns about risk management (including reporting of potential violations of the Code of Conduct and Ethics, our policies, or other laws and regulations). Employee conduct is considered through various human resources and management activities including associate recruiting, on-boarding, performance management, incentive programs and compensation, conflicts of interest, and corrective action. Oversight of conduct risk is performed by Enterprise Risk Management.

Employee engagement surveys provide valuable insight into employee views and opinions about the company's culture and conduct. The Ethics Hotline (independently managed, available to associates 24 hours a day, 7 days a week) and Open-Door Process provide avenues for employees to report concerns or incidents of potential misconduct. Human Resources, Employee Relations, and Enterprise Fraud, Security, and Investigations have established processes and procedures for investigating and addressing cases of potential fraud or employee misconduct.

Climate-Related Risk

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

Climate-related risk is generally categorized into two major categories: (1) risk related to the transition to a lower-carbon economy (transition risk) and (2) risk related to the physical impacts of climate change. Transition risk considers how changes in policy, technology, and market preference could pose operational, financial and reputational risk to companies. Physical risk from climate change can be acute or chronic. Acute physical risk refers to risks that are event-driven such as increased severity of extreme weather events, including tornadoes, hurricanes, or floods. Chronic physical risks refer to long-term shifts in climate patterns, such as sustained higher temperatures, that may, for example, cause sea levels to rise.

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

- Defined climate-related risk as an emerging risk within our risk-management framework.
- Appointed an Environmental Sustainability Risk Executive reporting to our Chief Risk Officer and established a sustainability office staffed with employees focused on adopting sustainability measures and developing and executing a comprehensive enterprise strategy on climate-related risks and opportunities.
- Included sustainability and climate-related matters in executive level forums and Board education.
- Performed our first assessment and calculation of our greenhouse gas emissions including Scope 1 emissions (direct emissions from owned or controlled sources), Scope 2 emissions (indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the company), and relevant Scope 3 emissions (all other indirect emissions that occur in the company's value chain) for fiscal year 2020.
- Submitted our inaugural CDP (formally the Carbon Disclosure Project) climate change questionnaire in July 2021.
- Completed a formal ESG Stakeholder Assessment that includes customers, investors, community partners, local governments and employees to gain perspective on ESG priorities and their importance to Ally.
- Executed Ally's carbon neutrality strategy for 2020 Scope I and II emissions through a combined purchase of carbon offsets and Green-e Energy Certified renewable energy credits.
- Committed to developing a comprehensive enterprise environmental sustainability strategy focusing on greater data collection, aggregation and analysis, with the goal of aligning with the recommendations from the Task Force on Climate-related Financial Disclosures in assessing and reporting on our exposures to climate-related risks and opportunities consistent with the financial industry.
- Prioritized sustainable facilities by purchasing or leasing LEED certified buildings that accounted for approximately 29% of the total square footage in Ally facilities as of December 31, 2021.
- Announced the "Green Teams" initiative to engage Ally employees in support of environmental volunteer opportunities within local communities where Ally operates.

Refer to the section titled *Risk Factors* in Part I, Item 1A of this report for information on climate-related risks.

Liquidity Management, Funding, and Regulatory Capital

Overview

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

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

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

The monthly liquidity forecasts demonstrate our ability to generate and obtain adequate amounts of cash to meet loan and operating lease demand, debt maturities, deposit withdrawals, and other cash commitments under normal operating conditions throughout the forecast horizon (currently through December 2024). Refer to Note 15 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt as of December 31, 2021. In recent years, we have become less reliant on market-based funding, reducing our exposure to disruptions in wholesale funding markets.

Funding Strategy

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

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

Essentially all asset originations are directed to Ally Bank to reduce parent company exposures and funding requirements, and to utilize our growing consumer deposit-taking capabilities. This allows us to use bank funding for an increasing proportion of our automotive finance and other assets and to provide a sustainable long-term funding channel for the business, while also improving the cost of funds for the enterprise.

Liquidity Risk Management

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

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

The following table summarizes our total available liquidity.

December 31, *($ in millions)*	**2021**	2020
Unencumbered highly liquid securities (a)	**$ 26,767**	$ 24,763
Liquid cash and equivalents	**4,426**	14,945
Committed secured credit facilities		
Total capacity (b)	**—**	560
Outstanding	**—**	—
Unused capacity (c)	**—**	560
Total available liquidity	**$ 31,193**	$ 40,268

(a) Includes unencumbered U.S. federal government, U.S. agency and corporate debt securities.
(b) Includes committed secured credit facilities for which we had sufficient assets available to be pledged as collateral as of the reporting date.
(c) Funding from committed secured credit facilities is available on request in the event excess collateral resides in certain facilities or the extent incremental collateral is available and contributed to the facilities. All remaining committed secured facilities were terminated during the year ended December 31, 2021.

Recent Funding Developments

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

- We terminated our demand note offering and as of March 1, 2021, we repaid all outstanding balances under this program.
- On April 22, 2021, we issued $1.35 billion of preferred stock, Series B, and used the proceeds to redeem $1.4 billion, or 56,000,000 shares of the Series 2 TRUPS outstanding, effective May 24, 2021.
- On June 2, 2021, we issued $1.0 billion of preferred stock, Series C, and used the proceeds to redeem an additional $1.04 billion, or 41,600,000 shares of the Series 2 TRUPS outstanding, effective July 2, 2021. On September 15, 2021, we announced our intent to redeem the remaining $191 million or 7,650,000 shares of the Series 2 TRUPS outstanding. The redemption was effectuated on October 15, 2021. At December 31, 2021, we had no Series 2 TRUPS outstanding.
- On November 2, 2021, we issued $750 million of senior unsecured notes maturing November 2028, which provided additional liquidity at Ally Financial.
- We prepaid $176 million of unsecured retail term notes during the year ended December 31, 2021, as we continue to shift our overall funding toward more cost-effective funding.
- All remaining committed secured facilities were terminated during the year ended December 31, 2021, as we continue to shift our overall funding toward a greater mix of cost-effective deposit funding.

Funding Sources

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

	On-balance-sheet funding		**% Share of funding**	
December 31, *($ in millions)*	**2021**	2020	**2021**	2020
Deposits	**$ 141,558**	$ 137,036	**89**	85
Debt				
Secured financings	**7,619**	9,992	**5**	6
Institutional term debt	**9,194**	11,654	**6**	7
Retail debt programs (a)	**216**	2,496	**—**	2
Total debt (b)	**17,029**	24,142	**11**	15
Total on-balance-sheet funding	**$ 158,587**	$ 161,178	**100**	100

(a) Includes $216 million and $360 million of retail term notes at December 31, 2021, and December 31, 2020, respectively.
(b) Includes hedge basis adjustment as described in Note 21 to the Consolidated Financial Statements.

Refer to Note 15 to the Consolidated Financial Statements for a summary of the scheduled maturity of long-term debt at December 31, 2021.

Deposits

Ally Bank is a digital direct bank with no branch network that obtains retail deposits directly from customers. We offer competitive rates and fees on a full spectrum of retail deposit products, including online savings accounts, money-market demand accounts, CDs, interest-

bearing checking accounts, trust accounts, and IRAs. Our primary funding source is retail deposits, which provide us with stable, low-cost funding. We believe retail deposits are less sensitive to interest rate changes, market volatility, or changes in credit ratings when compared to other funding sources. Retail deposits constituted 85% of our total funding sources at December 31, 2021. In addition, we utilize brokered deposits, which are obtained through third-party intermediaries.

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

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Total primary retail deposit customers *(in thousands)*	**2,476**	2,448	2,394	2,334	2,250
Deposits *($ in millions)*					
Retail	**$ 134,672**	$ 131,590	$ 129,222	$ 128,370	$ 124,357
Brokered (a)	**4,669**	5,667	7,787	11,060	12,551
Other (b)	**2,217**	2,187	2,095	155	128
Total deposits	**$ 141,558**	$ 139,444	$ 139,104	$ 139,585	$ 137,036

(a) Brokered deposit balances include a deposit related to Ally Invest customer cash balances deposited at Ally Bank by a third party of $1.9 billion as of both March 31, 2021, and December 31, 2020.

(b) Other deposits include mortgage escrow and other deposits. Additionally, beginning on June 30, 2021, other deposits also include a deposit related to Ally Invest customer cash balances deposited at Ally Bank by a third party of $2.1 billion as of December 31, 2021, $2.0 billion as of September 30, 2021, and $1.9 billion as of June 30, 2021, driven by revisions to brokered-deposit regulations by the FDIC.

During the year ended December 31, 2021, our total deposit base grew $4.5 billion and we added approximately 226,000 retail deposit customers, ending with 2.5 million retail deposit customers as of December 31, 2021. The growth in total deposits has been driven by strong growth in retail deposits, partially offset by a reduction in brokered deposits. Total retail deposits increased $10.3 billion during the year ended December 31, 2021, primarily within our online savings product, bringing the total retail deposits portfolio to $134.7 billion as of December 31, 2021. Strong customer acquisition and retention rates, reflecting the strength of the brand, continue to drive the growth in retail deposits.

We continue to advance our digital capabilities and deliver incremental value to our retail deposit customers beyond competitive rates. In early 2020, we launched our smart savings tools and have continued to deliver enhancements, improving our customer's digital banking experience and providing unique opportunities to organize and build their savings. In addition, on June 2, 2021, we announced the elimination of all overdraft fees across our retail deposit products for all customers. This change is the latest example of our "Do It Right" commitment for our customers.

We continue to be recognized for the experience and value we provide our customers. In 2021, Ally Bank's checking account earned national Bank On certification from the Cities for Financial Empowerment Fund (CFE). The organization recognized Ally's existing checking account, which goes above and beyond CFE criteria, for providing lower- and moderate-income consumers with a safe, affordable path to join the financial mainstream and achieve financial stability. In October 2021, MONEY® Magazine named Ally to its "Best Online Bank" list for the fourth consecutive year, as well as the ninth time in the past eleven years, and in June 2021, Kiplinger named Ally Bank the "Best Internet Bank" for the fifth consecutive year. For additional information on our deposit funding by type, refer to Note 14 to the Consolidated Financial Statements.

Securitizations and Secured Financings

In addition to building a larger deposit base, we maintain a presence in the securitization markets to finance our automotive loan portfolios. Securitizations and secured funding transactions, collectively referred to as securitization transactions due to their similarities, allow us to convert our automotive-finance receivables into cash earlier than what would have occurred in the normal course of business.

As part of these securitization transactions, we sell assets to various SPEs in exchange for the proceeds from the issuance of debt and other beneficial interests in the assets. The activities of the SPEs are generally limited to acquiring the assets, issuing and making payments on the debt, paying related expenses, and periodically reporting to investors.

These SPEs are separate legal entities that assume the risks and rewards of ownership of the receivables they hold. The assets of the SPEs are not available to satisfy our claims or those of our creditors. In addition, the SPEs do not invest in our equity or in the equity of any of our affiliates. Our economic exposure related to the SPEs is generally limited to cash reserves, retained interests, and customary representation, warranty, and covenant provisions. We manage securitization execution risk by maintaining a diverse domestic and foreign investor base.

We typically agree to service the assets transferred in our securitization transactions for a fee, and we may be entitled to other related fees. The total amount of servicing fees earned is disclosed in Note 5 to the Consolidated Financial Statements. We may also retain a portion of senior and subordinated interests issued by the SPEs. Subordinate interests typically provide credit support to the more highly rated senior interest in a securitization transaction and may be subject to all or a portion of the first-loss position related to the sold assets.

These securitization transactions may meet the criteria to be accounted for as off-balance-sheet securitization transactions if we do not hold a potentially significant economic interest or do not provide servicing or asset management functions for the financial assets held by the securitization entity. Certain of our securitization transactions may meet the required criteria to be accounted for as off-balance-sheet securitization transactions; therefore, they are accounted for as secured borrowings. We did not have any off-balance sheet securitization exposures at December 31, 2021. For information regarding our securitization activities, refer to Note 1 and Note 11 to the Consolidated Financial Statements.

We also have access to funding through advances with the FHLB. These advances are primarily secured by consumer mortgage finance receivables and loans and investment securities. As of December 31, 2021, we had pledged $18.0 billion of assets to the FHLB resulting in $14.0 billion in total funding capacity with $6.3 billion of debt outstanding.

At December 31, 2021, $27.4 billion of our total assets were restricted as collateral for the payment of debt obligations accounted for as secured borrowings. Refer to Note 15 to the Consolidated Financial Statements for further discussion.

Unsecured Financings

We have short-term and long-term unsecured debt outstanding from retail term note programs. These programs are composed of callable fixed-rate instruments with fixed maturity dates. There were $216 million of retail term notes outstanding at December 31, 2021. In November 2021, we issued $750 million of senior unsecured notes maturing November 2028. In 2020, we accessed the unsecured debt capital markets four times, and collectively raised $2.8 billion through the issuance of senior notes composed of institutional term debt. We have also historically obtained unsecured funding from the sale of floating-rate demand notes under our demand notes program. However, on March 1, 2021, we terminated the offering of our demand notes program, and redeemed in full all outstanding demand notes. Refer to Note 15 to the Consolidated Financial Statements for additional information about our outstanding short-term borrowings and long-term unsecured debt.

Other Secured and Unsecured Short-term Borrowings

We have access to repurchase agreements. A repurchase agreement is a transaction in which the firm sells financial instruments to a buyer, typically in exchange for cash, and simultaneously enters into an agreement to repurchase the same or substantially the same financial instruments from the buyer at a stated price plus accrued interest at a future date. The securities sold in repurchase agreements include U.S. government and federal agency obligations. As of December 31, 2021, we had no debt outstanding under repurchase agreements.

Additionally, we have access to the FRB Discount Window and can borrow funds to meet short-term liquidity demands. However, the FRB is not a primary source of funding for day-to-day business. Instead, it is a liquidity source that can be accessed in stressed environments or periods of market disruption. We had assets pledged and restricted as collateral to the FRB totaling $2.4 billion as of December 31, 2021. We had no debt outstanding with the FRB as of December 31, 2021.

Guaranteed Securities

Certain senior notes (collectively, the Guaranteed Notes) issued by Ally Financial Inc. (referred to within this section as the Parent) are unconditionally guaranteed on a joint and several basis by IB Finance, a subsidiary of the Parent and the direct parent of Ally Bank, and Ally US LLC, a subsidiary of the Parent (together, the Guarantors, and the guarantee provided by each such Guarantor, the Note Guarantees). The Guarantors are primary obligors with respect to payment when due, whether at maturity, by acceleration or otherwise, of all payment obligations of the Parent in respect of the Guaranteed Notes pursuant to the terms of the applicable indenture. At both December 31, 2021, and December 31, 2020, the outstanding principal balance of the Guaranteed Notes was $2.0 billion, with the last scheduled maturity to take place in 2031.

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

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

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Net financing loss and other interest income	**$ (1,070)**	$ (1,049)	$ (1,116)
Dividends from bank subsidiaries	**3,450**	1,150	1,950
Dividends from nonbank subsidiaries	**27**	66	436
Total other revenue	**243**	367	343
Total net revenue	**2,650**	534	1,613
Provision for credit losses	**(106)**	(68)	35
Total noninterest expense	**650**	693	626
Income (loss) from continuing operations before income tax benefit	**2,106**	(91)	952
Income tax benefit from continuing operations (a)	**(412)**	(300)	(566)
Net income from continuing operations	**2,518**	209	1,518
Loss from discontinued operations, net of tax	**(5)**	(1)	(6)
Net income (b)	**$ 2,513**	$ 208	$ 1,512

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

December 31, *($ in millions)*	**2021**	2020
Total assets (a)	**$ 5,737**	$ 7,600
Total liabilities	**$ 11,304**	$ 16,133

(a) Excludes investments in all nonguarantor subsidiaries.

Cash Flows

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

Net cash provided by operating activities was $4.0 billion and $3.7 billion for the years ended December 31, 2021, and 2020, respectively. Operating cash inflows were higher as compared to the prior year as our operating environment and results are returning to pre-COVID-19 pandemic levels.

Net cash used in investing activities was $11.1 billion for the year ended December 31, 2021, compared to net cash provided by investing activities of $8.4 billion for 2020. The increase was primarily due to an increase of $6.2 billion in net cash outflows related to purchases of available for sale securities and a decrease in net cash inflows of $12.5 billion related to higher originations of loans held-for-investment.

Net cash used in financing activities for the year ended December 31, 2021, was $3.8 billion, compared to net cash provided by financing activities of $25 million for 2020. The change was primarily attributable to a decrease of $11.8 billion in net cash inflows related to deposits and a $1.9 billion increase in repurchases of common stock. This activity was offset by a $9.4 billion decrease in net cash outflows related to long term debt issuance and repayments and a $2.3 billion increase in net cash inflows from preferred shares issuances.

Capital Planning and Stress Tests

Under the tailoring framework described in the section titled *Basel Capital Framework* of Note 20 to the Consolidated Financial Statements, we are generally subject to supervisory stress testing on a two-year cycle and exempted from mandated company-run capital stress testing requirements. We are also required to submit an annual capital plan to the FRB. Our annual capital plan must include an assessment of our expected uses and sources of capital and a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any dividend or other capital distribution, and any similar action that the FRB determines could have an impact on our capital. The plan must also include a detailed description of our process for assessing capital adequacy, including a discussion of how we, under expected and stressful conditions, will maintain capital commensurate with our risks and above the minimum regulatory capital ratios, will serve as a source of strength to Ally Bank, and will maintain sufficient capital to continue our operations by maintaining ready access to funding, meeting our obligations to creditors and other counterparties, and continuing to serve as a credit intermediary.

We submitted our 2020 capital plan in April 2020, which included planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon. In June 2020, the FRB provided us with the results of the supervisory stress test, additional industry-wide sensitivity analyses conducted in light of the COVID-19 pandemic, and our preliminary stress capital buffer requirement. As described earlier in the section titled *Basel Capital Framework*, we updated our capital plan in light of revised stress scenarios from the FRB and submitted our updated plan to the FRB in November 2020. In December 2020, the FRB publicly disclosed summary results of its second round of supervisory stress testing and extended its deadline for notifying firms about whether their stress capital buffer requirements will be recalculated to March 31, 2021. On March 25, 2021, the FRB further extended this deadline to June 30, 2021. On June 24, 2021, we received notification from the FRB that our stress capital buffer requirement would not be recalculated in connection with the second round of 2020 supervisory stress testing.

In June 2020, the FRB announced several actions to ensure that large firms, such as Ally, would remain resilient despite the economic uncertainty from the COVID-19 pandemic, including for the third quarter of 2020 (1) the suspension of repurchases by any firm of its common stock, except repurchases relating to issuances of common stock related to employee stock ownership plans, and (2) the disallowance of any increase by a firm in the amount of its common-stock dividends and the imposition of a common-stock dividend limit equal to the average of the firm's net income for the four preceding calendar quarters. These restrictions were extended by the FRB for the fourth quarter of 2020. In December 2020, the FRB extended and modified these restrictions for the first quarter of 2021 to limit aggregate common-stock dividends and share repurchases to an amount equal to the average of the firm's net income for the four preceding calendar quarters subject to specified exceptions. On March 25, 2021, the FRB extended these modified restrictions for the second quarter of 2021 and announced that, for a firm such as Ally that is not subject to the 2021 supervisory stress test and on a two-year cycle, the additional restrictions will end after June 30, 2021, and the firm's stress capital buffer requirement based on the June 2020 supervisory stress test results will remain in place. On January 11, 2021, our Board authorized a stock-repurchase program, permitting us to repurchase up to $1.6 billion of our common stock from time to time from the first quarter of 2021 through the fourth quarter of 2021 subject to restrictions imposed by the FRB. On July 12, 2021, our Board authorized an increase in the maximum amount of this stock-repurchase program, from $1.6 billion to $2.0 billion. On January 10, 2022, our Board authorized a stock-repurchase program, permitting us to repurchase up to $2.0 billion of our common stock from time to time from the first quarter of 2022 through the fourth quarter of 2022, and an increase in our cash dividend on common stock from $0.25 per share for the fourth quarter of 2021 to $0.30 per share for the first quarter of 2022.

In January 2021, the FRB issued a final rule effective April 5, 2021, to align its capital planning and stress capital buffer requirements with the tailoring framework. Under the final rule, unless otherwise directed by the FRB in specified circumstances, Ally and other Category IV firms are generally no longer required to calculate forward-looking projections of revenues, losses, reserves, and pro forma capital levels under scenarios provided by the FRB. Each firm continues to be required, however, to provide a forward-looking analysis of income and capital levels under expected and stressful conditions that are designed by the firm. In addition, for Category IV firms, the final rule updated the frequency of calculating the portion of the stress capital buffer derived from the supervisory stress test to every other year. These firms have the ability to elect to participate in the supervisory stress test—and receive a correspondingly updated stress capital buffer requirement—in a year in which they would not generally be subject to the supervisory stress test. During a year in which a Category IV firm does not undergo a supervisory stress test, the firm would receive an updated stress capital buffer requirement that reflects its updated planned common-stock dividends. The final rule also includes reporting and other changes consistent with the tailoring framework. Ally did not opt into the 2021 supervisory stress test but will be subject to the 2022 supervisory stress test, with submissions due by April 5, 2022.

We submitted our 2021 capital plan on April 5, 2021, which includes planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon and other capital actions. During the second quarter of 2021, we issued $1.35 billion of Series B Preferred Stock and $1.0 billion of Series C Preferred Stock, both of which qualify as additional Tier 1 capital under U.S. Basel III. The proceeds from these issuances were used to redeem a portion of the Series 2 TRUPS then outstanding. Refer to Note 15 and Note 17 to the Consolidated Financial Statements for additional details about these instruments and capital actions. In June 2021, we submitted an updated capital plan to the FRB reflecting these capital actions and the increases in our stock-repurchase program and common-stock dividend described above. This updated capital plan was used by the FRB to recalculate Ally's final stress capital buffer requirement, which was announced in August 2021 and remained unchanged at 3.5%. Our ability to make capital distributions, including our ability to pay dividends or repurchase shares of our common stock, will continue to be subject to the FRB's review and our internal governance requirements, including approval by our Board. The amount and size of any future dividends and share repurchases also will be subject to various factors, including Ally's capital and liquidity positions, accounting and regulatory considerations (including any restrictions that may be imposed by the FRB), impacts related to the COVID-19 pandemic, financial and operational performance, alternative uses of capital, common-stock price, and general market conditions, and may be extended, modified, or discontinued at any time.

Regulatory Capital

We became subject to U.S. Basel III on January 1, 2015, although a number of its provisions—including capital buffers and certain regulatory capital deductions—were subject to phase-in periods. For further information on U.S. Basel III, refer to the section titled *Regulation and Supervision* in Part I, Item 1 of this report, and Note 20 to the Consolidated Financial Statements. The following table presents selected regulatory capital data under U.S Basel III.

December 31, *($ in millions)*	**2021**	2020
Common Equity Tier 1 capital ratio	**10.34 %**	10.64 %
Tier 1 capital ratio	**11.89 %**	12.37 %
Total capital ratio	**13.47 %**	14.15 %
Tier 1 leverage ratio (to adjusted quarterly average assets) (a)	**9.67 %**	9.41 %
Total equity	**$ 17,050**	$ 14,703
CECL phase-in adjustment (b)	**1,183**	1,188
Preferred stock (c)	**(2,324)**	—
Goodwill and certain other intangibles	**(941)**	(382)
Deferred tax assets arising from net operating loss and tax credit carryforwards (d)	**(2)**	(20)
Other adjustments (e)	**177**	(611)
Common Equity Tier 1 capital	**15,143**	14,878
Preferred stock (c)	**2,324**	—
Trust preferred securities (c)	**—**	2,499
Other adjustments	**(64)**	(88)
Tier 1 capital	**17,403**	17,289
Qualifying subordinated debt and other instruments qualifying as Tier 2	**623**	829
Qualifying allowance for loan losses and other adjustments	**1,698**	1,660
Total capital	**$ 19,724**	$ 19,778
Risk-weighted assets (f)	**$ 146,399**	$ 139,787

(a) Tier 1 leverage ratio equals Tier 1 capital divided by adjusted quarterly average total assets, which both reflect adjustments for disallowed goodwill, certain intangible assets, and disallowed deferred tax assets.
(b) We have elected to delay recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extended through December 31, 2021. Beginning on January 1, 2022, we are required to phase in 25% of the previously deferred estimated capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025. Refer to Note 20 to the Consolidated Financial Statements for further information.
(c) In connection with our issuances of non-cumulative perpetual preferred stock in the second and third quarter of 2021, we redeemed a portion of the Series 2 TRUPS outstanding. In September 2021, we announced our intent to redeem the remaining shares of the Series 2 TRUPS outstanding without issuing a replacement capital instrument. The redemption was effectuated on October 15, 2021. Refer to Note 15 to the Consolidated Financial Statements for additional details about our redemptions of Series 2 TRUPS, and Note 17 to the Consolidated Financial Statements for additional details about our issuances of non-cumulative perpetual preferred stock.
(d) Contains deferred tax assets required to be deducted from capital under U.S. Basel III.
(e) Primarily comprises adjustments related to our accumulated other comprehensive income opt-out election, which allows us to exclude most elements of accumulated other comprehensive income from regulatory capital.
(f) Risk-weighted assets are defined by regulation and are generally determined by allocating assets and specified off-balance sheet exposures to various risk categories.

Credit Ratings

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

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

Rating agency	Short-term	Senior unsecured debt	Outlook	Date of last action
Fitch	F3	BBB-	Stable	March 30, 2021 (a)
Moody's	P-3	Baa3	Stable	August 27, 2021 (b)
S&P	A-3	BBB-	Stable	March 25, 2021 (c)
DBRS	R-2 (high)	BBB	Stable	February 18, 2022 (d)

(a) Fitch affirmed our senior unsecured debt rating of BBB- and short-term rating of F3, and changed the outlook to Stable from Negative on March 30, 2021.
(b) Moody's upgraded our senior unsecured rating to Baa3 from Ba1, upgraded our short-term rating to P-3 from Non-Prime and changed the outlook to Stable from Rating Under Review on August 27, 2021.
(c) Standard & Poor's affirmed our senior unsecured debt rating of BBB-, affirmed our short-term rating of A-3, and changed the outlook to Stable from Negative on March 25, 2021.
(d) DBRS upgraded our senior unsecured debt rating from BBB (low) to BBB and upgraded our short-term rating to R-2 (high) on February 18, 2022.

As illustrated by the issuer ratings above, as of December 31, 2021, Ally holds an investment-grade rating from all the respective nationally recognized rating agencies.

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

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

Insurance Financial Strength Ratings

Substantially all of our Insurance operations have an FSR and an Issuer Credit Rating (ICR) from A.M. Best. The FSR is intended to be an indicator of the ability of the insurance company to meet its senior most obligations to policyholders. Lower ratings generally result in fewer opportunities to write business, as insureds, particularly large commercial insureds, and insurance companies purchasing reinsurance have guidelines requiring high FSR ratings. On October 13, 2021, A.M. Best affirmed the FSR for Ally Insurance Group of A- (excellent), affirmed the ICR of a-, and maintained a Stable outlook.

Critical Accounting Estimates

Accounting policies are integral to understanding our Management's Discussion and Analysis of Financial Condition and Results of Operations. The preparation of financial statements in accordance with U.S. GAAP requires management to make certain judgments and assumptions, on the basis of information available at the time of the financial statements, in determining accounting estimates used in the preparation of these statements. Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements. Certain of our critical accounting policies requiring significant management assumptions and judgment are described in this section. An accounting estimate is considered critical if the estimate requires management to make assumptions about matters that were highly uncertain at the time the accounting estimate was made. If actual results differ from our judgments and assumptions, then it may have an adverse impact on the results of operations and cash flows. Our management has discussed the development, selection, and disclosure of these critical accounting estimates with the Audit Committee of our Board, and the Audit Committee has reviewed our disclosure relating to these estimates.

Allowance for Loan Losses

We maintain an allowance for loan losses (the allowance) to reflect the net amount expected to be collected from our lending portfolios. The allowance is maintained at a level that management considers to be adequate based upon ongoing quarterly assessments and evaluations using relevant available information, which includes both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts of future economic conditions. Additions and reductions to the allowance are charged to current period earnings through the provision for credit losses; amounts determined to be uncollectible are charged directly against the allowance, net of amounts recovered on previously charged-off accounts. Expected recoveries do not exceed the total of amounts charged-off or expected to be charged-off. The allowance is measured using statistically-estimated models that are designed to correlate customer and collateral quality, as well as certain macroeconomic variables to expected future credit losses. The macroeconomic data used in the models is based on forecasted variables for the next 12 months. Beyond this forecast period, we revert to a historical average for each of the variables on a straight-line basis over 24 months. Our baseline macroeconomic forecast is consistent with the 50th percentile in a distribution of possible economic outcomes.

The consumer portfolio segments consist of loans that generally share similar risk characteristics within our Automotive Finance operations, Mortgage Finance operations, and our personal lending and credit card operations, both of which are included within Corporate and Other. The allowance model for each consumer portfolio segment is calculated using either internal or third-party proprietary statistical models and other risk indicators applied to pools of loans that share similar risk characteristics. Loans that do not share similar risk

characteristics are evaluated individually. For additional information regarding the allowance calculation for the consumer portfolio segments, refer to Note 1 to the Consolidated Financial Statements.

The commercial portfolio segment is composed of loans that may or may not share similar risk characteristics within our Automotive Finance operations and Corporate Finance operations. Loans that have similar risk characteristics are pooled and evaluated collectively for loan losses using proprietary risk rating models. Loans that do not share similar risk characteristics are evaluated individually. Credit losses for loans evaluated individually within this segment are measured based on the present value of expected future cash flows, discounted at the loans' effective interest rate, or the observable market price or the fair value of collateral, whichever is determined to be the most appropriate. Estimated costs to sell the collateral on an undiscounted basis are included in the measurement if we intend to sell the underlying collateral as opposed to operating it. For additional information regarding the allowance calculation for the commercial portfolio segment, refer to Note 1 to the Consolidated Financial Statements.

The determination of the allowance is influenced by numerous assumptions and factors that may materially affect estimates of loss. The critical assumptions underlying the allowance include: (i) segmentation of each portfolio based on common risk characteristics; (ii) the development of reasonable and supportable forecasts of future macroeconomic conditions; and (iii) evaluation by management of borrower, collateral, and geographic information. Management monitors the adequacy of the allowance and makes adjustments as the assumptions in the underlying analyses change to reflect an estimate of expected lifetime loan losses at the reporting date, based on the best information available at that time.

The allowance reflects management's estimate of expected credit losses over the contractual term of our lending portfolio and involves significant judgment, which could materially affect the provision for credit losses and, therefore, net income. For additional information regarding our portfolio segments and classes, allowance for loan losses, and other credit quality indicators, refer to Note 9 to the Consolidated Financial Statements.

Macroeconomic Sensitivity Analysis

We perform a sensitivity analysis using scenarios derived from widely published macroeconomic forecasts to quantify the sensitivity of our baseline forecast to both favorable and unfavorable changes in macroeconomic conditions. These scenarios are based on fixed probabilities of occurrence.

- The favorable (or upside) scenario is consistent with the 10th percentile in a distribution of possible economic outcomes and implies that there is a 10% chance that the realized economy will be better than the defined path and a 90% chance that the realized economy will be worse than the defined path.
- The unfavorable (or downside) scenario is consistent with the 90th percentile in a distribution of possible economic outcomes and implies that there is a 90% chance that the realized economy will be better than the defined path and a 10% chance that the realized economy will be worse than the defined path.

As of December 31, 2021, results of this sensitivity analysis indicate that the favorable scenario would reduce our allowance for loan losses by 2% and the unfavorable scenario would increase our allowance for loan losses by 9%. These results are estimates that are directly tied to the timing, severity, and duration of changes in the independently and instantaneously shocked macroeconomic scenario. Actual loss sensitivities and resulting estimates of consolidated allowance for loan losses may be influenced by numerous other factors including, but not limited to, the actual evaluation of macroeconomic conditions, future government and management actions, and other quantitative and qualitative information and adjustments. Therefore, this sensitivity analysis is hypothetical and is not intended to represent our expectation of changes in our estimate of expected credit losses due to a change in the macroeconomic environment.

Valuation of Automotive Operating Lease Assets and Residuals

We have significant investments in vehicles in our operating lease portfolio. In accounting for operating leases, management must make a determination at the beginning of the operating lease contract of the estimated realizable value (i.e., residual value) of the vehicle at the end of the lease. Residual value represents an estimate of the market value of the vehicle at the end of the lease term. At contract inception, we determine pricing based on the projected residual value of the vehicle. This evaluation is primarily based on a proprietary model, which includes variables such as age of the vehicle, expected mileage, seasonality, segment factors, vehicle type, economic indicators, production cycle, automotive manufacturer incentives, and shifts in used vehicle supply. This internally generated data is compared against third-party, independent data for reasonableness. The customer is obligated to make payments during the term of the lease for the difference between the purchase price and the contract residual value plus rental charges. However, since the customer is not obligated to purchase the vehicle at the end of the contract, we are exposed to a risk of loss to the extent the value of the vehicle is below the residual value estimated at contract inception.

To account for residual risk, we depreciate automotive operating lease assets to expected realizable value on a straight-line basis over the lease term. The estimated realizable value is initially based on the expected residual value established at contract inception. Periodically, we review the projected value of the leased vehicle at termination based on current market conditions, and other relevant data points, and adjust depreciation expense as necessary over the remaining term of the lease. Management periodically performs a detailed review of the estimated realizable value of vehicles to assess the appropriateness of the carrying value of operating lease assets. Impairment of operating lease assets is assessed upon the occurrence of a triggering event. Triggering events are systemic, observed events impacting the used vehicle market such as shocks to oil and gas prices that may indicate impairment of the operating lease asset. Impairment is determined to exist if the expected

undiscounted cash flows generated from the operating lease assets are less than the carrying value of the operating lease assets. If the operating lease assets are impaired, they are written down to their fair value as estimated by discounted cash flows. There were no such impairment charges in 2021, 2020, or 2019.

Our depreciation methodology for operating lease assets considers management's expectation of the value of the vehicles upon lease termination, which is based on numerous assumptions and factors influencing used vehicle values. The critical assumptions underlying the estimated carrying value of automotive operating lease assets include: (i) estimated market value information obtained and used by management in estimating residual values, (ii) proper identification and estimation of business conditions, (iii) our remarketing abilities, and (iv) automotive manufacturer vehicle and marketing programs. Changes in these assumptions could have a significant impact on the operating lease residual value. Expected residual values include estimates of payments from automotive manufacturers related to residual support and risk-sharing agreements, if any. To the extent an automotive manufacturer is not able to fully honor its obligation relative to these agreements, our depreciation expense would be negatively impacted.

Fair Value of Financial Instruments

We use fair value measurements to record fair value adjustments to certain instruments and to determine fair value disclosures. Refer to Note 24 to the Consolidated Financial Statements for a description of valuation methodologies used to measure material assets and liabilities at fair value and details of the valuation models, key inputs to those models, and significant assumptions utilized. We follow the fair value hierarchy set forth in Note 24 to the Consolidated Financial Statements in order to prioritize the inputs utilized to measure fair value. We review and modify, as necessary, our fair value hierarchy classifications on a quarterly basis, which can result in reclassifications between hierarchy levels.

We have numerous internal controls in place to address risks inherent in estimating fair value measurements. Significant fair value measurements are subject to detailed analytics and management review and approval. We have an established risk management policy and model validation program. This model validation program establishes a controlled environment for the development, implementation, and operation of models used to generate fair value measurements and change procedures. Further, this program uses a risk-based approach to determine the frequency at which models are to be independently reviewed and validated. Additionally, a wide array of operational controls governs fair value measurements, including controls over the inputs into and the outputs from the fair value measurement models. For example, we backtest the internal assumptions used within models against actual performance. We also monitor the market for recent trades, market surveys, or other market information that may be used to benchmark model inputs or outputs. Certain valuations will also be benchmarked to market indices when appropriate and available. We have scheduled model or input recalibrations that occur on a periodic basis but will recalibrate earlier if significant variances are observed as part of the backtesting or benchmarking noted above.

Considerable judgment is used in forming conclusions from market observable data used to estimate our Level 2 fair value measurements and in estimating inputs to our internal valuation models used to estimate our Level 3 fair value measurements. Level 3 inputs such as interest rate movements, prepayment speeds, credit losses, and discount rates are inherently difficult to estimate. Changes to these inputs can have a significant effect on fair value measurements and amounts that could be realized. Refer to the section titled *Fair Value Sensitivity Analysis* within this MD&A for a sensitivity analysis of changes in interest rates, foreign-currency exchange rates, and equity prices.

Determination of Provision for Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated current and future taxes to be paid. We are subject to income taxes predominantly in the United States. We file income tax returns in approximately 50 jurisdictions: federal, state, and local. The laws and regulations of each jurisdiction are complex and may be subject to different interpretations. Significant judgments and estimates are required in determining consolidated income tax expense for each jurisdiction. Our interpretations of tax laws are subject to audits by various jurisdictions. Potential difference in the interpretation or changes in the tax laws may result in additional accrual of income tax expense or benefit, which could be material to our reported results. We consistently monitor new and reassess existing tax laws for changes and adjust our tax estimates accordingly.

Our provision for income taxes is comprised of current and deferred income taxes. Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise, we consider all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies, and recent results of operations. In projecting future taxable income, we begin with historical results and incorporate assumptions about the amount of future state, federal, and foreign pretax operating income. These assumptions about future taxable income require significant judgment and are consistent with the plans and estimates we are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, we consider three years of cumulative operating income (loss).

As of each reporting date, we consider existing evidence, both positive and negative, that could impact our view with regard to future realization of deferred tax assets. We currently hold deferred tax asset attributes related to net operating tax loss and foreign tax credit carryforwards. We perform regular assessments to determine whether our tax attributes are realizable. As of December 31, 2021, we continue to believe it is more likely than not that the benefit for certain foreign tax credit carryforwards and state net operating loss carryforwards will not be realized. In recognition of this risk, we continue to provide a partial valuation allowance on these deferred tax assets relating to these carryforwards and it is reasonably possible that the valuation allowance may change in the next 12 months.

For additional information regarding our provision for income taxes, refer to Note 22 to the Consolidated Financial Statements.

Recently Issued Accounting Standards

Refer to Note 1 to the Consolidated Financial Statements for further information related to recently adopted accounting standards.

Statistical Tables

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

Net Interest Margin Table

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

	2021			2020			2019		
Year ended December 31, *($ in millions)*	**Average balance (a)**	**Interest income/ interest expense**	**Yield/ rate**	Average balance (a)	Interest income/ interest expense	Yield/ rate	Average balance (a)	Interest income/ interest expense	Yield/ rate
Assets									
Interest-bearing cash and cash equivalents	**$ 12,855**	**$ 15**	**0.12 %**	$ 13,985	$ 28	0.20 %	$ 3,837	$ 78	2.02 %
Investment securities (b)	**35,100**	**579**	**1.65**	31,539	692	2.20	31,176	887	2.85
Loans held-for-sale, net	**487**	**18**	**3.77**	399	17	4.33	375	17	4.60
Finance receivables and loans, net (b) (c)	**114,420**	**6,468**	**5.65**	120,991	6,581	5.44	128,654	7,337	5.70
Investment in operating leases, net (d)	**10,518**	**980**	**9.32**	9,264	584	6.30	8,509	489	5.74
Other earning assets	**693**	**21**	**2.92**	977	44	4.43	1,181	68	5.68
Total interest-earning assets	**174,073**	**8,081**	**4.64**	177,155	7,946	4.49	173,732	8,876	5.11
Noninterest-bearing cash and cash equivalents	**514**			473			418		
Other assets	**9,098**			8,021			6,864		
Allowance for loan losses	**(3,193)**			(3,149)			(1,274)		
Total assets	**$ 180,492**			$ 182,500			$ 179,740		
Liabilities and equity									
Interest-bearing deposit liabilities (b)	**$ 138,947**	**$ 1,045**	**0.75 %**	$ 129,092	$ 1,952	1.51 %	$ 115,244	$ 2,538	2.20 %
Short-term borrowings	**201**	**1**	**0.31**	3,721	42	1.12	5,686	135	2.38
Long-term debt (b)	**17,620**	**860**	**4.88**	29,058	1,249	4.30	38,466	1,570	4.08
Total interest-bearing liabilities	**156,768**	**1,906**	**1.22**	161,871	3,243	2.00	159,396	4,243	2.66
Noninterest-bearing deposit liabilities	**157**			146			141		
Total funding sources	**156,925**	**1,906**	**1.22**	162,017	3,243	2.00	159,537	4,243	2.66
Other liabilities (e)	**6,855**	**8**	**n/m**	6,195			6,215		
Total liabilities	**163,780**			168,212			165,752		
Total equity	**16,712**			14,288			13,988		
Total liabilities and equity	**$ 180,492**			$ 182,500			$ 179,740		
Net financing revenue and other interest income		**$ 6,167**			$ 4,703			$ 4,633	
Net interest spread (f)			**3.42 %**			2.49 %			2.45 %
Net yield on interest-earning assets (g)			**3.54 %**			2.65 %			2.67 %

n/m = not meaningful

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

(b) Includes the effects of derivative financial instruments designated as hedges. Refer to Note 21 to the Consolidated Financial Statements for further information about the effects of our hedging activities.

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

(d) Yield includes gains on the sale of off-lease vehicles of $344 million, and $127 million, for the years ended December 31, 2021, and 2020, respectively. Excluding the loss or gain on sale, the annualized yield would be 6.05%, and 4.93%, for the years ended December 31, 2021, and 2020, respectively.

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

(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 net financing revenue and other interest income as a percentage of total interest-earning assets.

The following table presents an analysis of the changes in net financing revenue and other interest income, volume, and rate.

Year ended December 31, *($ in millions)*	**2021 vs. 2020 Increase (decrease) due to (a)**			2020 vs. 2019 Increase (decrease) due to (a)		
	Volume	**Yield/rate**	**Total**	Volume	Yield/rate	Total
Assets						
Interest-bearing cash and cash equivalents	**$ (2)**	**$ (11)**	**$ (13)**	$ 206	$ (256)	$ (50)
Investment securities	**78**	**(191)**	**(113)**	10	(205)	(195)
Loans held-for-sale, net	**4**	**(3)**	**1**	1	(1)	—
Finance receivables and loans, net	**(357)**	**244**	**(113)**	(437)	(319)	(756)
Investment in operating leases, net	**79**	**317**	**396**	43	52	95
Other earning assets	**(13)**	**(10)**	**(23)**	(12)	(12)	(24)
Total interest-earning assets			**$ 135**			$ (930)
Liabilities						
Interest-bearing deposit liabilities	**$ 149**	**$ (1,056)**	**$ (907)**	$ 305	$ (891)	$ (586)
Short-term borrowings	**(40)**	**(1)**	**(41)**	(47)	(46)	(93)
Long-term debt	**(492)**	**103**	**(389)**	(384)	63	(321)
Total interest-bearing liabilities			**$ (1,337)**			$ (1,000)
Other liabilities	**n/m**	**n/m**	**8**	—	—	—
Net financing revenue and other interest income			**$ 1,464**			$ 70

n/m = not meaningful

(a) Changes in interest not solely due to volume or yield/rate are allocated in proportion to the absolute dollar amount of change in volume and yield/rate.

Finance Receivables and Loans

The table below shows the maturity of the finance receivables and loans portfolio and the distribution between fixed and floating interest rates based on the stated terms of the loan agreements. This portfolio is reported based on amortized cost.

December 31, 2021 *($ in millions)*	**Due in one year or less (a)**	**Due after one year through five years**	**Due after five years through fifteen years**	**Due after fifteen years**	**Total (b)**
Consumer automotive (c)	**$ 950**	**$ 39,989**	**$ 37,156**	**$ 157**	**$ 78,252**
Consumer mortgage					
Mortgage Finance	**—**	**3**	**655**	**16,986**	**17,644**
Mortgage — Legacy	**9**	**4**	**91**	**264**	**368**
Total consumer mortgage	**9**	**7**	**746**	**17,250**	**18,012**
Consumer other					
Personal Lending (d)	**19**	**620**	**370**	**—**	**1,009**
Credit Card	**953**	**—**	**—**	**—**	**953**
Total consumer other	**972**	**620**	**370**	**—**	**1,962**
Total consumer	**1,931**	**40,616**	**38,272**	**17,407**	**98,226**
Commercial					
Commercial and industrial					
Automotive	**11,376**	**432**	**421**	**—**	**12,229**
Other	**475**	**5,967**	**424**	**8**	**6,874**
Commercial real estate	**416**	**2,264**	**2,250**	**9**	**4,939**
Total commercial	**12,267**	**8,663**	**3,095**	**17**	**24,042**
Total finance receivables and loans	**$ 14,198**	**$ 49,279**	**$ 41,367**	**$ 17,424**	**$ 122,268**
Loans at fixed interest rates		**$ 42,305**	**$ 40,707**	**$ 16,836**	
Loans at variable interest rates		**6,974**	**660**	**588**	
Total finance receivables and loans		**$ 49,279**	**$ 41,367**	**$ 17,424**	

(a) Includes loans with revolving terms (for example, wholesale floorplan loans, which are included within Commercial and Industrial, and credit cards).
(b) Loan maturities are based on the remaining maturities under contractual terms.
(c) Includes RV loans. RV lending was discontinued in 2018.
(d) Includes $7 million of finance receivables for which we have elected the fair value option.

Deposit Liabilities

The following table presents the average balances and interest rates paid for types of domestic deposits.

	2021		2020	
Year ended December 31, *($ in millions)*	**Average balance (a)**	**Average deposit rate**	Average balance (a)	Average deposit rate
Domestic deposits				
Noninterest-bearing deposits	**$ 157**	**— %**	$ 146	— %
Interest-bearing deposits				
Savings and money market checking accounts	**93,651**	**0.48**	71,973	0.99
Certificates of deposit (b)	**45,296**	**1.32**	57,119	2.16
Total domestic deposit liabilities	**$ 139,104**	**0.75**	$ 129,238	1.51

(a) Average balances are calculated using an average daily balance methodology.
(b) Includes brokered certificates of deposit average balance of $5.5 billion and $11.4 billion as of December 31, 2021, and December 31, 2020, respectively.

The following table presents the amounts of uninsured certificates of deposit, segregated by time remaining until maturity.

December 31, 2021 *($ in millions)*	**Three months or less**	**Over three months through six months**	**Over six months through twelve months**	**Over twelve months**	**Total**
Uninsured certificates of deposit	**$ 1,019**	**$ 947**	**$ 2,114**	**$ 1,018**	**$ 5,098**

As of December 31, 2021, we had $16.3 billion of deposits that are estimated to be uninsured. In some instances, deposits in excess of federal insurance limits may be insured based upon the number of account owners, beneficiaries, and accounts held.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Refer to the Market Risk section of Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 8. Financial Statements and Supplementary Data

Ally management is responsible for establishing and maintaining effective internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Consolidated Financial Statements in conformity with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the Consolidated Financial Statements.

Because of its inherent limitations, internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, commonly referred to as the "COSO" criteria.

Based on the assessment performed, management concluded that as of December 31, 2021, Ally's internal control over financial reporting was effective based on the COSO criteria.

The effectiveness of our internal controls over financial reporting as of December 31, 2021, has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included herein.

/S/ JEFFREY J. BROWN	/S/ JENNIFER A. LACLAIR
Jeffrey J. Brown	Jennifer A. LaClair
Chief Executive Officer	*Chief Financial Officer*
February 25, 2022	February 25, 2022

Report of Independent Registered Public Accounting Firm

To the stockholders and the Board of Directors of Ally Financial Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Ally Financial Inc. and subsidiaries (the "Company") as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for credit losses on financial assets measured at amortized cost in 2020 due to adoption of ASU 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for Loan Losses - Consumer Automotive Portfolio - Refer to Notes 1 and 9 to the financial statements

Critical Audit Matter Description

The allowance for loan losses ("allowance") is management's estimate of expected credit losses in the lending portfolio. The consumer automotive portfolio represents 64% of the total finance receivables and loans balance and the amount of the allowance required for the consumer automotive portfolio is based on its relevant risk characteristics and represents 85% of the total allowance of the Company. The determination of the appropriate level of the allowance for the consumer automotive portfolio inherently involves a high degree of subjectivity and requires significant estimates of current credit risks using both quantitative and qualitative analyses.

The allowance is maintained at a level that management considers to be adequate based upon ongoing quarterly assessments and evaluations using relevant available information, which includes both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts of future economic conditions. The Company uses a proprietary statistical model to estimate the quantitative component of the consumer automotive allowance. In addition, management takes into consideration relevant qualitative factors that have occurred but are not yet reflected in the model estimate.

Auditing certain aspects of the allowance, including the (1) model methodology, (2) model accuracy, (3) model assumptions, (4) selection of relevant risk characteristics, (5) interpretation of the results, and (6) use of qualitative adjustments, involves especially subjective and complex judgment. Given the calculation of the allowance requires significant judgment in determining the estimate, performing audit procedures to evaluate the reasonableness of management's estimate of the allowance requires a high degree of auditor judgment and an increased extent of effort, including the need to involve our credit specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the specific aspects of the consumer automotive allowance described above included the following, among others:

- We tested the effectiveness of controls over the Company's (1) model methodology, (2) model accuracy, (3) model assumptions, (4) selection of relevant risk characteristics, (5) interpretation of the results, and (6) use of qualitative adjustments.
- With the assistance of our credit specialists we evaluated the reasonableness of the (1) model methodology, (2) model accuracy, (3) model assumptions, (4) selection of relevant risk characteristics, (5) interpretation of the results, and (6) use of qualitative adjustments.
- We tested the Company's model performance evaluation methods and computational accuracy of the model with the assistance of our credit specialists.
- We tested the accuracy and completeness of key risk characteristics input into the model by agreeing to source information.
- We evaluated the Company's method for determining qualitative adjustments to the model estimate by testing on a sample basis (and, where applicable, recalculating) the (1) key assumptions, (2) input data, and (3) the reasonableness of any changes in assumptions compared to prior periods.

/S/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Detroit, Michigan

February 25, 2022

We have served as the Company's auditor since at least 1936; however, an earlier year could not be reliably determined.

Report of Independent Registered Public Accounting Firm

To the stockholders and the Board of Directors of Ally Financial Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Ally Financial Inc. and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated February 25, 2022, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/S/ DELOITTE & TOUCHE LLP

Deloitte & Touche LLP

Detroit, Michigan

February 25, 2022

Consolidated Statement of Income

Year ended December 31, *($ in millions)*	2021	2020	2019
Financing revenue and other interest income			
Interest and fees on finance receivables and loans	**$ 6,468**	$ 6,581	$ 7,337
Interest on loans held-for-sale	**18**	17	17
Interest and dividends on investment securities and other earning assets	**600**	736	955
Interest on cash and cash equivalents	**15**	28	78
Operating leases	**1,550**	1,435	1,470
Total financing revenue and other interest income	**8,651**	8,797	9,857
Interest expense			
Interest on deposits	**1,045**	1,952	2,538
Interest on short-term borrowings	**1**	42	135
Interest on long-term debt	**860**	1,249	1,570
Interest on other	**8**	—	—
Total interest expense	**1,914**	3,243	4,243
Net depreciation expense on operating lease assets	**570**	851	981
Net financing revenue and other interest income	**6,167**	4,703	4,633
Other revenue			
Insurance premiums and service revenue earned	**1,117**	1,103	1,087
Gain on mortgage and automotive loans, net	**87**	110	28
Loss on extinguishment of debt	**(136)**	(102)	(2)
Other gain on investments, net	**285**	307	243
Other income, net of losses	**686**	565	405
Total other revenue	**2,039**	1,983	1,761
Total net revenue	**8,206**	6,686	6,394
Provision for credit losses	**241**	1,439	998
Noninterest expense			
Compensation and benefits expense	**1,643**	1,376	1,222
Insurance losses and loss adjustment expenses	**261**	363	321
Goodwill impairment	**—**	50	—
Other operating expenses	**2,206**	2,044	1,886
Total noninterest expense	**4,110**	3,833	3,429
Income from continuing operations before income tax expense	**3,855**	1,414	1,967
Income tax expense from continuing operations	**790**	328	246
Net income from continuing operations	**3,065**	1,086	1,721
Loss from discontinued operations, net of tax	**(5)**	(1)	(6)
Net income	**$ 3,060**	$ 1,085	$ 1,715

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Income

Year ended December 31, *($ in millions, except per share data; shares in thousands)* (a)	**2021**	2020	2019
Net income from continuing operations attributable to common stockholders	**$ 3,008**	$ 1,086	$ 1,721
Loss from discontinued operations, net of tax	**(5)**	(1)	(6)
Net income attributable to common stockholders	**$ 3,003**	$ 1,085	$ 1,715
Basic weighted-average common shares outstanding (b)	**362,583**	375,629	393,234
Diluted weighted-average common shares outstanding (b) (c)	**365,180**	377,101	395,395
Basic earnings per common share			
Net income from continuing operations	**$ 8.30**	$ 2.89	$ 4.38
Loss from discontinued operations, net of tax	**(0.01)**	—	(0.02)
Net income	**$ 8.28**	$ 2.89	$ 4.36
Diluted earnings per common share			
Net income from continuing operations	**$ 8.24**	$ 2.88	$ 4.35
Loss from discontinued operations, net of tax	**(0.01)**	—	(0.02)
Net income	**$ 8.22**	$ 2.88	$ 4.34
Cash dividends declared per common share	**$ 0.88**	$ 0.76	$ 0.68

(a) Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers.
(b) Includes shares related to share-based compensation that vested but were not yet issued.
(c) During the year ended December 31, 2020, there were 0.8 million in shares underlying share-based awards excluded because their inclusion would have been antidilutive. There were no antidilutive shares during the years ended December 31, 2021, and 2019.

Refer to Note 19 for additional earnings per share information. The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Net income	**$ 3,060**	$ 1,085	$ 1,715
Other comprehensive (loss) income, net of tax			
Investment securities			
Net unrealized (losses) gains arising during the period	**(656)**	564	741
Less: Net realized gains reclassified to net income	**79**	132	60
Net change	**(735)**	432	681
Translation adjustments			
Net unrealized gains arising during the period	**—**	3	5
Net investment hedges			
Net unrealized losses arising during the period	**—**	(3)	(4)
Translation adjustments and net investment hedges, net change	**—**	—	1
Cash flow hedges			
Net unrealized gains (losses) arising during the period	**—**	129	(7)
Less: Net realized gains reclassified to net income	**47**	49	10
Net change	**(47)**	80	(17)
Defined benefit pension plans			
Net unrealized losses arising during the period	**(8)**	(4)	(11)
Less: Net realized losses reclassified to net income	**(1)**	—	—
Net change	**(7)**	(4)	(11)
Other comprehensive (loss) income, net of tax	**(789)**	508	654
Comprehensive income	**$ 2,271**	$ 1,593	$ 2,369

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Balance Sheet

December 31, *($ in millions, except share data)*	2021	2020
Assets		
Cash and cash equivalents		
Noninterest-bearing	**$ 502**	$ 724
Interest-bearing	**4,560**	14,897
Total cash and cash equivalents	**5,062**	15,621
Equity securities	**1,102**	1,071
Available-for-sale securities (amortized cost of $33,650 and $28,936) (a)	**33,587**	29,830
Held-to-maturity securities (fair value of $1,204 and $1,331)	**1,170**	1,253
Loans held-for-sale, net	**549**	406
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	**122,268**	118,534
Allowance for loan losses	**(3,267)**	(3,283)
Total finance receivables and loans, net	**119,001**	115,251
Investment in operating leases, net	**10,862**	9,639
Premiums receivable and other insurance assets	**2,724**	2,679
Other assets	**8,057**	6,415
Total assets	**$ 182,114**	$ 182,165
Liabilities		
Deposit liabilities		
Noninterest-bearing	**$ 150**	$ 128
Interest-bearing	**141,408**	136,908
Total deposit liabilities	**141,558**	137,036
Short-term borrowings	**—**	2,136
Long-term debt	**17,029**	22,006
Interest payable	**210**	412
Unearned insurance premiums and service revenue	**3,514**	3,438
Accrued expenses and other liabilities	**2,753**	2,434
Total liabilities	**165,064**	167,462
Commitments and contingencies (refer to Note 28 and Note 29)		
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 504,521,535 and 501,237,055; and outstanding 337,940,636 and 374,674,415)	**21,671**	21,544
Preferred stock	**2,324**	—
Accumulated deficit	**(1,599)**	(4,278)
Accumulated other comprehensive (loss) income	**(158)**	631
Treasury stock, at cost (166,580,899 and 126,562,640 shares)	**(5,188)**	(3,194)
Total equity	**17,050**	14,703
Total liabilities and equity	**$ 182,114**	$ 182,165

(a) Refer to Note 8 for discussion of investment securities pledged as collateral.

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

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

December 31, *($ in millions)*	**2021**	2020
Assets		
Finance receivables and loans, net		
Consumer automotive	**$ 6,871**	$ 7,630
Consumer other (a)	**353**	—
Commercial	**—**	5,868
Allowance for loan losses	**(278)**	(285)
Total finance receivables and loans, net	**6,946**	13,213
Other assets	**563**	983
Total assets	**$ 7,509**	$ 14,196
Liabilities		
Long-term debt	**$ 1,337**	$ 4,158
Accrued expenses and other liabilities	**2**	3
Total liabilities	**$ 1,339**	$ 4,161

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

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Changes in Equity

($ in millions)	Common stock and paid-in capital	Preferred stock	Accumulated deficit	Accumulated other comprehensive (loss) income	Treasury stock	Total equity
Balance at December 31, 2018	$ 21,345	$ —	$ (5,489)	$ (539)	$ (2,049)	$ 13,268
Cumulative effect of changes in accounting principles, net of tax						
Adoption of Accounting Standards Update 2017-08			(10)	8		(2)
Balance at January 1, 2019	21,345	—	(5,499)	(531)	(2,049)	13,266
Net income			1,715			1,715
Share-based compensation	93					93
Other comprehensive income				654		654
Common stock repurchases					(1,039)	(1,039)
Common stock dividends ($0.68 per share)			(273)			(273)
Balance at December 31, 2019	$ 21,438	$ —	$ (4,057)	$ 123	$ (3,088)	$ 14,416
Cumulative effect of changes in accounting principles, net of tax						
Adoption of Accounting Standards Update 2016-13			(1,017)			(1,017)
Balance at January 1, 2020	21,438	—	(5,074)	123	(3,088)	13,399
Net income			1,085			1,085
Share-based compensation	106					106
Other comprehensive income				508		508
Common stock repurchases					(106)	(106)
Common stock dividends ($0.76 per share)			(289)			(289)
Balance at December 31, 2020	$ 21,544	$ —	$ (4,278)	$ 631	$ (3,194)	$ 14,703
Net income			**3,060**			**3,060**
Net proceeds from issuance of Series B preferred stock		**1,335**				**1,335**
Net proceeds from issuance of Series C preferred stock		**989**				**989**
Preferred stock dividends — Series B			**(36)**			**(36)**
Preferred stock dividends — Series C			**(21)**			**(21)**
Share-based compensation	**127**					**127**
Other comprehensive loss				**(789)**		**(789)**
Common stock repurchases					**(1,994)**	**(1,994)**
Common stock dividends ($0.88 per share)			**(324)**			**(324)**
Balance at December 31, 2021	**$ 21,671**	**$ 2,324**	**$ (1,599)**	**$ (158)**	**$ (5,188)**	**$ 17,050**

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Cash Flows

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Operating activities			
Net income	**$ 3,060**	$ 1,085	$ 1,715
Reconciliation of net income to net cash provided by operating activities			
Depreciation and amortization	**1,261**	1,550	1,555
Goodwill impairment	**—**	50	—
Provision for credit losses	**241**	1,439	998
Gain on mortgage and automotive loans, net	**(87)**	(110)	(28)
Other gain on investments, net	**(285)**	(307)	(243)
Loss on extinguishment of debt	**136**	102	2
Originations and purchases of loans held-for-sale	**(4,255)**	(3,199)	(1,276)
Proceeds from sales and repayments of loans held-for-sale	**4,107**	3,161	1,288
Net change in			
Deferred income taxes	**120**	242	179
Interest payable	**(204)**	(229)	118
Other assets	**(302)**	15	(28)
Other liabilities	**356**	33	(177)
Other, net	**(106)**	(93)	(53)
Net cash provided by operating activities	**4,042**	3,739	4,050
Investing activities			
Purchases of equity securities	**(1,346)**	(1,219)	(498)
Proceeds from sales of equity securities	**1,508**	1,087	814
Purchases of available-for-sale securities	**(21,557)**	(17,377)	(15,199)
Proceeds from sales of available-for-sale securities	**5,745**	6,563	7,079
Proceeds from repayments of available-for-sale securities	**10,724**	11,903	5,154
Purchases of held-to-maturity securities	**(292)**	(154)	(514)
Proceeds from repayments of held-to-maturity securities	**372**	457	302
Purchases of finance receivables and loans held-for-investment	**(6,756)**	(7,020)	(4,439)
Proceeds from sales of finance receivables and loans initially held-for-investment	**376**	506	1,038
Originations and repayments of finance receivables and loans held-for-investment and other, net	**2,896**	15,353	4,252
Purchases of operating lease assets	**(5,120)**	(4,320)	(4,023)
Disposals of operating lease assets	**3,438**	2,681	2,625
Acquisitions, net of cash acquired	**(699)**	—	(171)
Net change in nonmarketable equity investments	**56**	417	190
Other, net	**(443)**	(450)	(379)
Net cash (used in) provided by investing activities	**(11,098)**	8,427	(3,769)

Statement continues on the next page.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement of Cash Flows

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Financing activities			
Net change in short-term borrowings	**(2,136)**	(3,395)	(4,456)
Net increase in deposits	**4,511**	16,262	14,547
Proceeds from issuance of long-term debt	**2,997**	3,660	6,915
Repayments of long-term debt	**(6,068)**	(16,107)	(17,224)
Purchases of land and buildings in satisfaction of finance lease liabilities	**(391)**	—	—
Repurchases of common stock	**(1,994)**	(106)	(1,039)
Preferred stock issuance	**2,324**	—	—
Trust preferred securities redemption	**(2,710)**	—	—
Common stock dividends paid	**(324)**	(289)	(273)
Preferred stock dividends paid	**(57)**	—	—
Net cash (used in) provided by financing activities	**(3,848)**	25	(1,530)
Effect of exchange-rate changes on cash and cash equivalents and restricted cash	**—**	3	3
Net (decrease) increase in cash and cash equivalents and restricted cash	**(10,904)**	12,194	(1,246)
Cash and cash equivalents and restricted cash at beginning of year	**16,574**	4,380	5,626
Cash and cash equivalents and restricted cash at December 31,	**$ 5,670**	$ 16,574	$ 4,380
Supplemental disclosures			
Cash paid for			
Interest	**$ 2,033**	$ 3,366	$ 4,034
Income taxes	**1,292**	53	64
Noncash items			
Loans held-for-sale transferred to finance receivables and loans held-for-investment	**136**	75	242
Additions of property and equipment	**46**	—	—
Finance receivables and loans held-for-investment transferred to loans held-for-sale	**414**	495	960
Held-to-maturity securities transferred to available-for-sale	**—**	—	943
In-kind distribution from equity-method investee	**1**	226	—
Equity consideration received in exchange for restructured loans	**—**	5	—
Decrease in held-to-maturity securities due to the consolidation of a VIE	**—**	10	—
Increase in held-for-investment loans and other, net, due to the consolidation of a VIE	**—**	224	—
Increase in collateralized borrowings, net, due to the consolidation of a VIE	**—**	214	—

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

December 31, *($ in millions)*	**2021**	2020
Cash and cash equivalents on the Consolidated Balance Sheet	**$ 5,062**	$ 15,621
Restricted cash included in other assets on the Consolidated Balance Sheet (a)	**608**	953
Total cash and cash equivalents and restricted cash in the Consolidated Statement of Cash Flows	**$ 5,670**	$ 16,574

(a) Restricted cash balances relate primarily to Ally securitization arrangements. Refer to Note 13 for additional details describing the nature of restricted cash balances.

The Notes to the Consolidated Financial Statements are an integral part of these statements.

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

Ally Financial Inc. (together with its consolidated subsidiaries unless the context otherwise requires, Ally, the Company, we, us, or our) is a digital financial-services company committed to its promise to "Do It Right" for its consumer, commercial, and corporate customers. Ally is composed of an industry-leading independent automotive finance and insurance operation, an award-winning digital direct bank (Ally Bank, Member FDIC and Equal Housing Lender, which offers mortgage lending, point-of-sale personal lending, and a variety of deposit and other banking products), a consumer credit card business, a corporate finance business for equity sponsors and middle-market companies, and securities brokerage and investment advisory services. A relentless ally for all things money, Ally helps people save well and earn well, so they can spend for what matters. We are a Delaware corporation and are registered as a BHC under the BHC Act, and an FHC under the GLB Act.

Consolidation and Basis of Presentation

The Consolidated Financial Statements include the accounts of the parent and its consolidated subsidiaries, of which it is deemed to possess control, after eliminating intercompany balances and transactions, and include all VIEs in which we are the primary beneficiary. Refer to Note 11 for further details on our VIEs. Other entities in which we have invested and have the ability to exercise significant influence over operating and financial policies of the investee, but upon which we do not possess control, are accounted for using the equity method of accounting within the financial statements and are therefore not consolidated. Our accounting and reporting policies conform to U.S. GAAP. Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. Certain reclassifications may have been made to the prior periods' financial statements and notes to conform to the current period's presentation, which did not have a material impact on our Consolidated Financial Statements.

In the past, we have operated our international subsidiaries in a similar manner as we operate in the United States of America (U.S. or United States), subject to local laws or other circumstances that may cause us to modify our procedures accordingly. The financial statements of subsidiaries that operate outside of the United States generally are measured using the local currency as the functional currency. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates. The resulting translation adjustments are recorded in accumulated other comprehensive income until the foreign subsidiaries are sold or substantially liquidated at which point the accumulated translation adjustments are recognized directly in earnings as part of the gain or loss on sale or liquidation. Income and expense items are translated at average exchange rates prevailing during the reporting period. Other than our Canadian Insurance operations, the majority of our international operations have ceased and are included in discontinued operations.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period and related disclosures. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes. Our most significant estimates pertain to the allowance for loan losses, valuations of automotive operating lease assets and residuals, fair value of financial instruments, and the determination of the provision for income taxes.

Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash on deposit at other financial institutions, cash items in process of collection, and certain highly liquid investments with original maturities of three months or less from the date of purchase. The book value of cash equivalents approximates fair value because of the short maturities of these instruments and the insignificant risk they present to changes in value with respect to changes in interest rates. Certain securities with original maturities of three months or less from the date of purchase that are held as a portion of longer-term investment portfolios, primarily held by our Insurance operations, are classified as investment securities. Cash and cash equivalents with legal restrictions limiting our ability to withdraw and use the funds are considered restricted cash and restricted cash equivalents and are presented as other assets on our Consolidated Balance Sheet.

Investments

Our investment portfolio includes various debt and equity securities. Our debt securities include government securities, corporate bonds, ABS, and MBS. Debt securities are classified based on management's intent to sell or hold the security. We classify debt securities as held-to-maturity only when we have both the intent and ability to hold the securities to maturity. We classify debt securities as trading when the securities are acquired for the purpose of selling or holding them for a short period of time. Debt securities not classified as either held-to-maturity or trading are classified as available-for-sale.

Our portfolio includes debt securities classified as available-for-sale and held-to-maturity. Our available-for-sale securities are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income, while our held-to-maturity securities are carried at amortized cost.

We establish an allowance for credit losses for lifetime expected credit losses on our held-to-maturity securities. The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Accrued interest receivable on held-to-maturity securities is excluded from the estimate of credit losses. Our held-to-maturity securities portfolio is mostly composed of residential mortgage-backed debt securities that are issued by U.S. government entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major ratings agencies, and have a long history of zero credit losses.

We regularly assess our available-for-sale securities for impairment. When the cost of an available-for-sale security exceeds its fair value, the security is impaired. If we determine that we intend to sell, or it is more likely than not that we will be required to sell the security before recovery of the amortized cost basis, any allowance for credit losses, if previously recorded, is written off and the security's amortized cost basis is written down to fair value at the reporting date, with any incremental impairment recorded through earnings.

Alternatively, if we do not intend to sell, or it is not more likely than not that we will be required to sell the security before anticipated recovery of the amortized cost basis, we evaluate, among other factors, the magnitude of the decline in fair value, the financial health of and business outlook for the issuer, and the performance of the underlying assets for interests in securitized assets to determine if a credit loss has occurred.

The present value of expected future cash flows are compared to the security's amortized cost basis to measure the credit loss component of the impairment after determining a credit loss has occurred. If the present value of expected cash flows is less than the amortized cost basis, we record an allowance for credit losses for that difference. The amount of credit loss is limited to the difference between the security's amortized cost basis and its fair value. Any remaining impairment is considered a noncredit loss and is recorded in other comprehensive income. Changes in the allowance for credit losses are recorded as provision for, or reversal of, provision for credit losses.

Accrued interest receivable on available-for-sale securities is excluded from the estimate of credit losses.

Premiums and discounts on debt securities are generally amortized over the stated maturity of the security as an adjustment to investment yield. Premiums on debt securities that have non-contingent call features that are callable at fixed prices on preset dates are amortized to the earliest call date as an adjustment to investment yield.

A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days past due. The receivable for interest income that is accrued but not collected is reversed against interest income when the debt security is placed on nonaccrual status.

Our investments in equity securities include securities that are recognized at fair value with changes in the fair value recorded in earnings, and equity securities that are recognized using other measurement principles.

Equity securities that have a readily determinable fair value are recorded at fair value with changes in fair value recorded in earnings and reported in other gain on investments, net in our Consolidated Statement of Income. These investments, which are primarily attributable to the investment portfolio of our Insurance operations, are included in equity securities on our Consolidated Balance Sheet. Refer to Note 24 for further information on equity securities that are held at fair value.

Realized gains and losses on the sale of debt securities and equity securities with a readily determinable fair value are determined using the specific identification method and are reported in other gain on investments, net in our Consolidated Statement of Income.

Our equity securities recognized using other measurement principles include investments in FHLB and FRB stock held to meet regulatory requirements, equity investments related to LIHTCs and the CRA, which do not have a readily determinable fair value, and other equity investments that do not have a readily determinable fair value. Our LIHTC investments are accounted for using the proportional amortization method of accounting for qualified affordable housing investments. Our obligations related to unfunded commitments for our LIHTC investments are included in other liabilities. The majority of our other CRA investments are accounted for using the equity method of accounting. Our investments in LIHTCs and other CRA investments are included in investments in qualified affordable housing projects and equity-method investments, respectively, in other assets on our Consolidated Balance Sheet. Our investments in FHLB and FRB stock are carried at cost, less impairment, if any. Our remaining investments in equity securities are recorded at cost, less impairment and adjusted for observable price changes under the measurement alternative provided under U.S. GAAP. These investments, along with our investments in FHLB and FRB stock, are included in nonmarketable equity investments in other assets on our Consolidated Balance Sheet. Investments recorded under the measurement alternative are also reviewed at each reporting period to determine if any adjustments are required for observable price changes in identical or similar securities of the same issuer. As conditions warrant, we review these investments, as well as investments in FHLB and FRB stock, for impairment and adjust the carrying value of the investment if it is deemed to be impaired. Adjustments related to observable price changes or impairment on securities using the measurement alternative and FHLB and FRB stock are recorded in earnings and reported in other income, net in our Consolidated Statement of Income.

Finance Receivables and Loans

We initially classify finance receivables and loans as either loans held-for-sale or loans held-for-investment based on management's assessment of our intent and ability to hold the loans for the foreseeable future or until maturity. Management's view of the foreseeable future is based on the longest reasonably reliable net income, liquidity, and capital forecast period. Management's intent and ability with respect to certain loans may change from time to time depending on a number of factors, for example economic, liquidity, and capital conditions. In order to reclassify loans to held-for-sale, management must have both the intent to sell the loans and must reasonably identify the specific loans to be sold.

Loans classified as held-for-sale are presented as loans held-for-sale, net on our Consolidated Balance Sheet and are carried at the lower of their net carrying value or fair value, unless the fair value option was elected, in which case those loans are carried at fair value. Loan origination fees and costs are included in the initial carrying value of loans originated as held-for-sale for which we have not elected the fair value option. Loan origination fees and costs are recognized in earnings when earned or incurred, respectively, for loans classified as held-for-sale for which we have elected the fair value option. We have elected the fair value option for conforming mortgage direct-to-consumer originations for which we have a commitment to sell. The interest rate lock commitment that we enter into for a mortgage loan originated as held-for-sale and certain forward commitments are considered derivatives, which are carried at fair value on our Consolidated Balance Sheet. We have elected the fair value option to measure our nonderivative forward commitments. Changes in the fair value of our interest rate lock commitments, derivative forward commitments, and nonderivative forward commitments related to mortgage loans originated as held-for-sale, as well as changes in the carrying value of loans classified as held-for-sale, are reported through gain on mortgage and automotive loans, net in our Consolidated Statement of Income. Interest income on our loans classified as held-for-sale is recognized based upon the contractual rate of interest on the loan and the unpaid principal balance. We report accrued interest receivable on our loans classified as held-for-sale in other assets on our Consolidated Balance Sheet.

We have also elected the fair value option for certain loans acquired within our consumer other portfolio segment. Changes in fair value related to these loans are reported through other income, net of losses in our Consolidated Statement of Income.

Loans classified as held-for-investment are presented as finance receivables and loans, net on our Consolidated Balance Sheet. Finance receivables and loans are reported at their amortized cost basis, which includes the principal amount outstanding, net of unamortized deferred fees and costs on originated loans, unamortized premiums and discounts on purchased loans, unamortized basis adjustments arising from the designation of finance receivables and loans as the hedged item in qualifying fair value hedge relationships, and cumulative principal charge-offs. We refer to the amortized cost basis less the allowance for loan losses as the net carrying value in finance receivables and loans. Unearned rate support received from an automotive manufacturer on certain automotive loans, deferred origination fees and costs, and premiums and discounts on purchased loans, are amortized over the contractual life of the related finance receivable or loan using the effective interest method. We make various incentive payments for consumer automotive loan originations to automotive dealers and account for these payments as direct loan origination costs. Additionally, we make incentive payments to certain commercial automobile wholesale borrowers and account for these payments as a reduction to interest income in the period they are earned. Interest income on our finance receivables and loans is recognized based on the contractual rate of interest plus the amortization of deferred amounts using the effective interest method, except for origination fees and costs on our credit card loans, which amortize straight line over a twelve-month period. In addition, annual fees on credit cards are amortized into other income, net of losses over a twelve-month period. We report accrued interest receivable on our finance receivables and loans in other assets on our Consolidated Balance Sheet, except for billed interest on our credit card loans which is included in finance receivables and loans, net. Loan commitment fees are generally deferred and amortized over the commitment period. For information on finance receivables and loans, refer to Note 9.

We have elected to exclude accrued interest receivable from the measurement of our allowance for loan losses for each class of financing receivables, except for billed interest on our credit card loans which is included within finance receivables and loans, net. We have also elected to write-off accrued interest receivable by reversing interest income when loans are placed on nonaccrual status for each class of finance receivable. This includes the reversal of the billed interest that occurs at the time of charge-off, which is initially included in the measurement of our allowance for loan losses.

Our portfolio segments are based on the level at which we develop and document our methodology for determining the allowance for loan losses. Additionally, the classes of finance receivables are based on several factors including the method for monitoring and assessing credit risk, the method of measuring carrying value, and the risk characteristics of the finance receivable. Based on an evaluation of our process for developing the allowance for loan losses including the nature and extent of exposure to credit risk arising from finance receivables, we have determined our portfolio segments to be consumer automotive, consumer mortgage, consumer other, and commercial.

- ***Consumer automotive*** — Consists of retail automotive financing for new and used vehicles.
- ***Consumer mortgage*** — Consists of the following classes of finance receivables.
    - *Mortgage Finance* — Consists of consumer first-lien mortgages from our ongoing mortgage operations including direct-to-consumer originations, refinancing of high-quality jumbo mortgages and LMI mortgages, and bulk acquisitions.
    - *Mortgage — Legacy* — Consists of consumer mortgage assets originated prior to January 1, 2009, including first-lien mortgages, subordinate-lien mortgages, and home equity mortgages.
- ***Consumer other*** — Consists of the following classes of finance receivables.
    - *Personal Lending* — Consists of unsecured consumer lending from point-of-sale financing.
    - *Credit Card* — Consists of consumer credit card loans.
- ***Commercial*** — Consists of the following classes of finance receivables.
    - *Commercial and Industrial*
        - *Automotive* — Consists of financing operations to fund dealer purchases of new and used vehicles through wholesale floorplan financing. Additional commercial offerings include automotive dealer term loans, revolving lines, and dealer fleet financing.
        - *Other* — Consists primarily of senior secured leveraged cash flow and asset-based loans related to our corporate-finance business.
    - *Commercial Real Estate* — Consists of term loans primarily secured by dealership land and buildings, and other commercial lending secured by real estate.

Nonaccrual Loans

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

Nonperforming loans on nonaccrual status are reported in Note 9. For all of our portfolio segments, the receivable for interest income that is accrued, but not collected, at the date finance receivables and loans are placed on nonaccrual status is reversed against interest income and subsequently recognized only to the extent it is received in cash or until it qualifies for return to accrual status. However, for credit card loans, billed interest is included in the receivables balance and therefore is not reversed against interest income until the loan is charged-off. Where there is doubt regarding the ultimate collectability of loan principal, all cash received is applied to reduce the carrying value of such loans. Generally, finance receivables and loans are restored to accrual status only when contractually current and the collection of future payments is reasonably assured.

Troubled Debt Restructurings

When the terms of finance receivables or loans are modified, consideration must be given as to whether or not the modification results in a TDR. A modification is considered to be a TDR when both the borrower is experiencing financial difficulty and we grant a concession to the borrower. These considerations require significant judgment and vary by portfolio segment. In all cases, the cumulative impacts of all modifications are considered at the time of the most recent modification.

For consumer loans of all classes, various qualitative factors are utilized for assessing the financial difficulty of the borrower. These include, but are not limited to, the borrower's default status on any of its debts, bankruptcy, and recent changes in financial circumstances (for instance, loss of employment). A concession has been granted when as a result of the modification we do not expect to collect all amounts due under the original loan terms, including interest accrued at the original contract rate. Types of modifications that may be considered concessions include, but are not limited to, extensions of terms at a rate that does not constitute a market rate, a reduction, deferral or

forgiveness of principal or interest owed and loans that have been discharged in a Chapter 7 Bankruptcy and have not been reaffirmed by the borrower.

In addition to the modifications noted above, in our consumer automotive portfolio segment of loans we also provide extensions or deferrals of payments to borrowers whom we deem to be experiencing only temporary financial difficulty. In these cases, there are limits within our operational policies to minimize the number of times a loan can be extended, as well as limits to the length of each extension, including a cumulative cap over the life of the loan. If these limits are breached, the modification is considered a TDR as noted in the following paragraph. Before offering an extension or deferral, we evaluate the capacity of the customer to make the scheduled payments after the deferral period. During the deferral period, we continue to accrue interest on the loan as part of the deferral agreement. We grant these extensions or deferrals when we expect to collect all amounts due including interest accrued at the original contract rate. However, in response to the COVID-19 pandemic, we offered broad-based deferral programs during the year ended December 31, 2020, to all of our customers who requested assistance with their loans.

A restructuring that results in only a delay in payment that is deemed to be insignificant is not a concession and the modification is not considered to be a TDR. In order to assess whether a restructuring that results in a delay in payment is insignificant, we consider the amount of the restructured payments subject to delay in conjunction with the unpaid principal balance or the collateral value of the loan, whether or not the delay is significant with respect to the frequency of payments under the original contract, or the loan's original expected duration. In the cases where payment extensions on our automotive loan portfolio cumulatively extend beyond 90 days and are more than 10% of the original contractual term or where the cumulative payment extension is beyond 180 days, we deem the delay in payment to be more than insignificant, and as such, classify these types of modifications as TDRs. Otherwise, the modifications do not represent a concessionary modification and accordingly, they are not classified as TDRs. Additionally, based on guidance issued by federal and state regulatory agencies, payment extensions made in response to the COVID-19 pandemic are not considered TDRs if accounts were considered current at the date the modification program was implemented. Refer to Note 9 for additional information.

For commercial loans of all classes, similar qualitative factors are considered when assessing the financial difficulty of the borrower. In addition to the factors noted above, consideration is also given to the borrower's forecasted ability to service the debt in accordance with the contractual terms, possible regulatory actions, and other potential business disruptions (for example, the loss of a significant customer or other revenue stream). Consideration of a concession is also similar for commercial loans. In addition to the factors noted above, consideration is also given to whether additional guarantees or collateral have been provided.

For all loans, TDR classification typically results from our loss mitigation activities. For loans held-for-investment that are not carried at fair value and are TDRs, impairment is typically measured based on the difference between the amortized cost basis of the loan and the present value of the expected future cash flows of the loan. The present value is calculated using the loan's original interest rate, as opposed to the interest rate specified within the restructuring. The loan may also be measured for impairment based on the fair value of the underlying collateral less costs to sell for loans that are collateral dependent. We recognize impairment by either establishing a valuation allowance or recording a charge-off.

The financial impacts of modifications that meet the definition of a TDR are reported in the period in which they are identified as TDRs. Additionally, if a loan that is classified as a TDR redefaults within 12 months of the modification, we are required to disclose the instances of redefault. For the purpose of this disclosure, we have determined that a loan is considered to have redefaulted when the loan meets the requirements for evaluation under our charge-off policy except for commercial loans where redefault is defined as 90 days past due. Nonaccrual loans may return to accrual status as discussed in the preceding nonaccrual loan section at which time, the normal accrual of interest income resumes.

Net Charge-offs

We disclose the measurement of net charge-offs as the amount of gross charge-offs recognized less recoveries received. Gross charge-offs reflect the amount of the amortized cost basis directly written-off. Generally, we recognize recoveries when they are received and record them as an increase to the allowance for loan losses. As a general rule, consumer automotive loans are fully charged off once a loan becomes 120 days past due. In instances where upon becoming 120 days past due repossession is assured and in process, consumer automotive loans are written down to estimated collateral value, less costs to sell. In our consumer mortgage portfolio segment, first-lien mortgages and a subset of our home equity portfolio that are secured by real estate in a first-lien position are written down to the estimated fair value of the collateral, less costs to sell, once a mortgage loan becomes 180 days past due. Consumer mortgage loans that represent second-lien positions are charged off at 180 days past due. In our consumer other segment, loans within our personal lending class of receivables are charged off at 120 days past due and loans in our credit card class of receivables are charged off at 180 days past due. Within 60 days of receipt of notification of filing from the bankruptcy court, or within the time frames noted above, consumer automotive and first-lien consumer mortgage loans in bankruptcy are written down to their expected future cash flows, which is generally fair value of the collateral, less costs to sell, and second-lien consumer mortgage loans and consumer other loans are fully charged-off, unless it can be clearly demonstrated that repayment is likely to occur. Regardless of other timelines noted within this policy, loans are considered collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is expected to only be through sale or operation of the collateral. Collateral dependent loans are charged-off to the estimated fair value of the underlying collateral, less costs to sell when foreclosure or repossession proceedings begin.

Commercial loans are individually evaluated and are written down to the estimated fair value of the collateral less costs to sell when collectability of the recorded balance is in doubt. Generally, all commercial loans are charged-off when it becomes unlikely that the borrower

is willing or able to repay the remaining balance of the loan and any underlying collateral is not sufficient to recover the outstanding principal. Collateral dependent loans are charged-off to the fair market value of collateral less costs to sell when appropriate. Noncollateral dependent loans are fully charged-off.

Allowance for Loan Losses

The allowance for loan losses (the allowance) is deducted from, or added to, the loan's amortized cost basis to present the net amount expected to be collected from our lending portfolios. We estimate the allowance using relevant available information, which includes both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Additions to the allowance are charged to current period earnings through the provision for credit losses; amounts determined to be uncollectible are charged directly against the allowance, net of amounts recovered on previously charged-off accounts. Expected recoveries do not exceed the total of amounts previously charged-off and amounts expected to be charged-off.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions or renewals, unless the extension or renewal option is included in the original or modified contract at the reporting date and we are not able to unconditionally cancel the option. Expected loan modifications are also not included in the contractual term, unless we have a reasonable expectation at period end that a TDR will be executed with a borrower.

For the purpose of calculating portfolio-level reserves, we have grouped our loans into four portfolio segments: consumer automotive, consumer mortgage, consumer other, and commercial. The allowance for loan losses is measured on a collective basis using statistical models when loans have similar risk characteristics. These statistical models are designed to correlate certain macroeconomic variables to expected future credit losses. The macroeconomic data used in the models are based on forecasted factors for the next 12-months. These forecasted variables are derived from both internal and external sources. Beyond this forecast period, we revert each variable to a historical average. This reversion to the mean is performed on a straight-line basis over 24 months. The historical average is calculated using historical data beginning in January 2008 through the current period.

Loans that do not share similar risk characteristics are evaluated on an individual basis. In addition, loans evaluated individually are not also included in the collective evaluation.

The allowance calculation is supplemented with qualitative reserves that take into consideration current portfolio and asset-level factors, such as the impacts of changes in underwriting standards, collections and account management effectiveness, geographic concentrations, and economic events that have occurred but are not yet reflected in the quantitative model component. Qualitative adjustments are documented, reviewed, and approved through our established risk governance processes and follow regulatory guidance.

Management also considers the need for a reserve on unfunded nonderivative loan commitments across our portfolio segments, including lines of credit and standby letters of credit. We estimate expected credit losses over the contractual period in which we are exposed to credit risk, unless we have the option to unconditionally cancel the obligation. Expected credit losses on the commitments include consideration of the likelihood that funding will occur under the commitment and an estimate of expected credit losses on amounts expected to be funded over the estimated life. The reserve for unfunded loan commitments is recorded within other liabilities on our Consolidated Balance Sheet. Refer to Note 28 for information on our unfunded loan commitments.

Consumer Automotive

The allowance for loan losses within the consumer automotive portfolio segment is calculated using proprietary statistical models and other risk indicators applied to pools of loans with similar risk characteristics, including credit bureau score and LTV ratios.

The model generates projections of default rates, prepayment rates, loss severity rates, and recovery rates using macroeconomic and historical loan data. These projections are used to develop transition scenarios to predict the portfolio's migration from the current or past-due status to various future states over the life of the loan. While the macroeconomic data that is used to calculate expected credit losses includes light vehicle sales and state-level real personal income, state-level unemployment rates are the most impactful macroeconomic factors in calculating expected lifetime credit losses. The loss severity within the consumer automotive portfolio segment is impacted by the market values of vehicles that are repossessed. Vehicle market values are affected by numerous factors including vehicle supply, the condition of the vehicle upon repossession, the overall price and volatility of fuel, consumer preference related to specific vehicle segments, and other factors. The model output is aggregated to calculate expected lifetime credit losses.

Consumer Mortgage

The allowance for loan losses within the consumer mortgage portfolio segment is calculated by using statistical models based on pools of loans with similar risk characteristics, including credit score, LTV, loan age, documentation type, product type, and loan purpose.

Expected losses are statistically derived based on a suite of behavioral based transition models. This transition framework predicts various stages of delinquency, default, and voluntary prepayment over the course of the life of the loan. The transition probability is a function of certain loan and borrower characteristics, including factors, such as loan balance and term, the borrower's credit score, and loan-to-value ratios, and economic variables, as well as consideration of historical factors such as loss frequency and severity. When a default event is predicted, a severity model is applied to estimate future loan losses. Loss severity within the consumer mortgage portfolio segment is impacted by the market values of foreclosed properties, which is affected by numerous factors, including geographic considerations and the

condition of the foreclosed property. Macroeconomic data that is used to calculate expected credit losses includes certain interest rates and home price indices. The model output is aggregated to calculate expected lifetime credit losses.

Consumer Other

The allowance for loan losses within the personal lending receivables class is calculated by using a vintage analysis that analyzes historical performance for groups of loans with similar risk characteristics, including vintage level historical balance paydown rates and delinquency and roll rate behaviors by risk tier and product type, to arrive at an estimate of expected lifetime credit losses. The risk tier segmentation is based upon borrower risk characteristics, including credit score and past performance history, as well as certain loan specific characteristics, such as loan type and origination year.

The allowance for loan losses within our credit card receivables class is calculated by using a statistical model that considers loan-specific and economy-wide factors to project default events, positive closure, EAD, and LGD events across all active loans in the portfolio. Macroeconomic data that is used to calculate expected credit losses include state and national-level unemployment rate, revolving consumer credit, and retail sales. Estimated expected lifetime credit losses are the summation of the simulated losses and recoveries for all credit card loans in the portfolio.

Commercial Loans

The allowance for loan losses within the commercial loan portfolio segment is calculated using an expected loss framework that uses historical loss experience, concentrations, macroeconomic factors, and performance trends. The determination of the allowance is influenced by numerous assumptions and factors that may materially affect estimates of loss, including changes to the PD, LGD, and EAD. PD factors are determined based on our historical performance data, which considers ongoing reviews of the financial performance of borrowers within our portfolio, including cash flow, debt-service coverage ratio, and an assessment of borrowers' industry and future prospects. The determination of PD also incorporates historical loss experience and, when necessary, macroeconomic information obtained from external sources. LGD factors consider the type of collateral, relative loan-to-value ratios, and historical loss information. In addition, LGD factors may be influenced by macroeconomic information and situations in which automotive manufacturers repurchase vehicles used as collateral to secure the loans in default situations. EAD factors are derived from outstanding balance levels, including estimated prepayment assumptions based on historical experience.

Refer to Note 9 for information on the allowance for loan losses.

Variable Interest Entities and Securitizations

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

For all VIEs in which we are involved, we assess whether we are the primary beneficiary of the VIE on an ongoing basis. In circumstances where we have both the power to direct the activities that most significantly impact the VIEs performance and the obligation to absorb losses or the right to receive the benefits of the VIE that could be significant, we would conclude that we are the primary beneficiary of the VIE, and would consolidate the VIE (also referred to as on-balance sheet). In situations where we are not deemed to be the primary beneficiary of the VIE, we do not consolidate the VIE and only recognize our interests in the VIE (also referred to as off-balance sheet).

We are involved in securitizations that typically involve the use of VIEs. For information regarding our securitization activities, refer to Note 11.

In the case of a consolidated on-balance-sheet VIE used for a securitization, the underlying assets remain on our Consolidated Balance Sheet with the corresponding obligations to third-party beneficial interest holders reflected as debt. We recognize income on the assets, interest expense on the debt issued by the VIE, and losses on the assets as incurred. Consolidation of the VIE precludes us from recording an accounting sale on the transaction.

In securitizations where we are not determined to be the primary beneficiary of the VIE, we must determine whether we achieve a sale for accounting purposes. To achieve a sale for accounting purposes, the financial assets being transferred must be legally isolated, not be constrained by restrictions from further transfer, and be deemed to be beyond our control. We would deem the transaction to be an off-balance-sheet securitization if the preceding three criteria for sale accounting are met. If we were to fail any of these three criteria for sale accounting, the transfer would be accounted for as a secured borrowing consistent with the preceding paragraph regarding on-balance sheet VIEs.

The gain or loss recognized on off-balance-sheet securitizations take into consideration any assets received or liabilities assumed, including any retained interests, and servicing assets or liabilities (if applicable), which are initially recorded at fair value at the date of sale. Upon the sale of the financial assets, we recognize a gain or loss on sale for the difference between the assets and liabilities recognized, and the assets derecognized. The financial assets obtained from off-balance-sheet securitizations are primarily reported as cash or if applicable, retained interests. Retained interests are classified as securities or as other assets depending on their form and structure. The estimate of the fair value of the retained interests and servicing requires us to exercise significant judgment about the timing and amount of future cash flows from the interests. For a discussion on fair value estimates, refer to Note 24.

Gains or losses on off-balance-sheet securitizations are reported in gain on mortgage and automotive loans, net, in our Consolidated Statement of Income.

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

Repossessed and Foreclosed Assets

Assets securing our finance receivables and loans are classified as repossessed and foreclosed and included in other assets when physical possession of the collateral is taken, which includes the transfer of title through foreclosure or other similar proceedings. Repossessed and foreclosed assets are initially recognized at the lower of the outstanding balance of the loan at the time of repossession or foreclosure or the fair value of the asset less estimated costs to sell. Losses on the initial revaluation of repossessed and foreclosed assets (and generally, declines in value shortly after repossession or foreclosure) are recognized as a charge-off of the allowance for loan losses. Subsequent declines in value are charged to other operating expenses.

Lease Accounting

At contract inception, we determine whether the contract is or contains a lease based on the terms and conditions of the contract. Refer to Investment in Operating Leases below for leases in which we are the lessor. Lease contracts for which we are the lessee are recognized on our Consolidated Balance Sheet as ROU assets and lease liabilities. Lease liabilities and their corresponding ROU assets are initially recorded based on the present value of the future lease payments over the expected lease term. We utilize our incremental borrowing rate, which is the rate we would incur to borrow on a collateralized basis over a similar term on an amount equal to the lease payments in a similar economic environment since the interest rate implicit in the lease contract is typically not readily determinable. The ROU asset also includes initial direct costs paid less lease incentives received from the lessor. Our lease contracts are generally classified as operating and, as a result, we recognize a single lease cost within other operating expenses on the income statement on a straight-line basis over the lease term.

Our leases primarily consist of property-leases and fleet vehicle leases. Our property-lease agreements generally contain a lease component, which includes the right to use the real estate, and non-lease components, which generally include utilities and common area maintenance services. We elected the practical expedient to account for the lease and non-lease components in our property leases as a single lease component for recognition and measurement of our ROU assets and lease liabilities. Our property leases that include variable-rent payments made during the lease term that are not based on a rate or index, are excluded from the measurement of the ROU assets and lease liabilities, and are recognized as a component of variable lease expense as incurred. We have elected not to recognize ROU assets and lease liabilities on property-leases with terms of one year or less. Our fleet vehicle leases also include a lease component, which includes the right to use the vehicle, and non-lease components, which include maintenance, fuel, and administrative services. However, we have elected to account for the lease and non-lease components in our fleet vehicle leases separately. Accordingly, the non-lease components are excluded from the measurement of the ROU asset and lease liability and are recognized as other operating expenses as incurred.

Investment in Operating Leases

Investment in operating leases, net, represents the vehicles that are underlying our automotive operating lease contracts where we are the lessor and is reported at cost, less accumulated depreciation and net of impairment charges, if any, and origination fees or costs. Depreciation of vehicles is recorded on a straight-line basis to an estimated residual value over the lease term. Manufacturer support payments that we receive upfront are treated as a reduction to the cost-basis in the underlying operating lease asset, which has the effect of reducing depreciation expense over the life of the contract. We periodically evaluate our depreciation rate for leased vehicles based on expected residual values and adjust depreciation expense over the remaining life of the lease if deemed necessary. Income from operating lease assets including lease origination fees, net of lease origination costs, is recognized as operating lease revenue on a straight-line basis over the scheduled lease term. We have elected to exclude sales taxes collected from the lessee from our consideration in the lease contract and from variable lease payments that are not included in contract consideration.

We have significant investments in the residual values of the assets in our operating lease portfolio. The residual values represent an estimate of the values of the assets at the end of the lease contracts. At contract inception, we determine pricing based on the projected residual value of the leased vehicle. This evaluation is primarily based on a proprietary model, which includes variables such as age, expected mileage, seasonality, segment factors, vehicle type, economic indicators, production cycle, automotive manufacturer incentives, and shifts in used vehicle supply. This internally generated data is compared against third-party, independent data for reasonableness. Realization of the residual values is dependent on our future ability to market the vehicles under the prevailing market conditions. Over the life of the lease, we evaluate the adequacy of our estimate of the residual value and make adjustments to the depreciation rates to the extent the expected value of the vehicle at lease termination changes. In addition to estimating the residual value at lease termination, we also evaluate the current value of the operating lease asset and test for impairment to the extent necessary when there is an indication of impairment based on market considerations and portfolio characteristics. Impairment is determined to exist if the fair value of the leased asset is less than carrying value and it is determined that the net carrying value is not recoverable. The net carrying value of a leased asset is not recoverable if it exceeds the sum of the undiscounted expected future cash flows expected to result from the operating lease payments and the estimated residual value upon eventual disposition. If our operating lease assets are considered to be impaired, the impairment is measured as the amount by which the carrying amount of the assets exceeds the fair value as estimated by discounted cash flows. No impairment was recognized in 2021, 2020, or 2019. We accrue rental income on our operating leases when collection is reasonably assured. We generally discontinue the accrual of

revenue on operating leases at the time an account is determined to be uncollectible, which we determine to be the earliest of (i) the time of repossession, (ii) within 60 days of bankruptcy notification, unless it can be clearly demonstrated that repayment is likely to occur, or (iii) greater than 120 days past due.

When a leased vehicle is returned to us, either at the end of the lease term or through repossession, the asset is reclassified from investment in operating leases, net, to other assets and recorded at the lower-of-cost or estimated fair value, less costs to sell, on our Consolidated Balance Sheet. Any losses recognized at this time are recorded as depreciation expense. Subsequent decline in value and any gain or loss recognized at the time of sale is recognized as a remarketing gain or loss and presented as a component of depreciation expense.

Impairment of Long-lived Assets

The net carrying values of long-lived assets (including property and equipment) are evaluated for impairment whenever events or changes in circumstances indicate that their net carrying values may not be recoverable from the estimated undiscounted future cash flows expected to result from their use and eventual disposition. Recoverability of assets to be held and used is measured by a comparison of their net carrying amount to future net undiscounted cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment is measured as the amount by which the net carrying amount of the assets exceeds the fair value estimated using a discounted cash flow method. No material impairment was recognized in 2021, 2020, or 2019.

An impairment test on an asset group to be sold or otherwise disposed of is performed upon occurrence of a triggering event or when certain criteria are met (for example, the asset is planned to be disposed of within 12 months, appropriate levels of authority have approved the sale, there is an active program to locate a buyer, etc.), which cause the disposal group to be classified as held-for-sale. Long-lived assets held-for-sale are recorded at the lower of their carrying amount or estimated fair value less cost to sell. If the net carrying value of the assets held-for-sale exceeds the fair value less cost to sell, we recognize an impairment loss based on the excess of the net carrying amount over the fair value of the assets less cost to sell.

Property and Equipment

Property and equipment stated at cost, net of accumulated depreciation and amortization, are reported in other assets on our Consolidated Balance Sheet. Included in property and equipment are certain buildings, furniture and fixtures, leasehold improvements, IT hardware and software, capitalized software costs, and assets under construction. We begin depreciating these assets when they are ready for their intended use. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which generally ranges from three to thirty years depending on the asset class. Capitalized software is generally amortized on a straight-line basis over its useful life, which generally ranges from three to five years. Capitalized software that is not expected to provide substantive service potential or for which development costs significantly exceed the amount originally expected is considered impaired and written down to fair value. Software expenditures that are considered general, administrative, or of a maintenance nature are expensed as incurred.

Goodwill and Other Intangibles

Goodwill and intangible assets, net of accumulated amortization, are reported in other assets in our Consolidated Balance Sheet.

Our intangible assets primarily consist of acquired customer relationships and developed technology, and are amortized using a straight-line methodology over their estimated useful lives. We review intangible assets for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If it is determined the carrying amount of the asset is not recoverable, an impairment charge is recorded.

Goodwill represents the excess of the cost of an acquisition over the fair value of net assets acquired, including identifiable intangibles. We allocate goodwill to applicable reporting units based on the relative fair value of the other net assets allocated to those reporting units at the time of the acquisition. In the event we restructure our business, we may reallocate goodwill. We test goodwill for impairment annually as of July 31 of each year, or more frequently if events and changes in circumstances indicate that it is more likely than not that impairment exists. In certain situations, we may perform a qualitative assessment to test goodwill for impairment. We may also decide to bypass the qualitative assessment and perform a quantitative assessment. If we perform the qualitative assessment to test goodwill for impairment and conclude that it is more likely than not that the reporting unit’s fair value is greater than its carrying value, then the quantitative assessment is not required. However, if we perform the qualitative assessment and determine that it is more likely than not that a reporting unit’s fair value is less than its carrying value, then we must perform the quantitative assessment. The quantitative assessment requires us to compare the fair value of each of the reporting units to their respective carrying value. The fair value of the reporting units in our quantitative assessment is determined based on various analyses including discounted cash flow projections using assumptions a market participant would use. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered impaired. If the carrying amount of a reporting unit exceeds its fair value, a goodwill impairment loss is recorded for the excess of the carrying value of the reporting unit over its fair value.

Unearned Insurance Premiums and Service Revenue

Insurance premiums, net of premiums ceded to reinsurers, and service revenue are earned over the terms of the policies. The portion of premiums and service revenue written applicable to the unexpired terms of the policies is recorded as unearned insurance premiums or unearned service revenue. For vehicle service, GAP, and maintenance contracts, premiums and service revenues are earned on a basis proportionate to the anticipated cost emergence. For additional information related to these contracts, refer to Note 3. For other short duration contracts, premiums and service revenue are earned on a pro rata basis. For further information, refer to Note 4.

Deferred Insurance Policy Acquisition Costs

Incremental direct costs incurred to originate a policy are deferred and recorded in premiums receivable and other insurance assets on our Consolidated Balance Sheet. These costs primarily include commissions paid to dealers to originate these policies and vary with the production of business. Deferred policy acquisition costs are amortized over the terms of the related policies and service contracts on the same basis as premiums and service revenue are earned. We group costs incurred for acquiring like contracts and consider anticipated investment income in determining the recoverability of these costs.

Reserves for Insurance Losses and Loss Adjustment Expenses

Reserves for insurance losses and loss adjustment expenses are reported in accrued expenses and other liabilities on our Consolidated Balance Sheet. They are established for the unpaid cost of insured events that have occurred as of a point in time. More specifically, the reserves for insurance losses and loss adjustment expenses represent the accumulation of estimates for both reported losses and those incurred, but not reported, including loss adjustment expenses relating to direct insurance and assumed reinsurance agreements.

We use a combination of methods commonly used in the insurance industry, including the chain ladder development factor, expected loss, Bornhuetter Ferguson (BF), and frequency and severity methods to determine the ultimate losses for an individual business line as well as accident year basis depending on the maturity of the accident period and business-line specifics. These methodologies are based on different assumptions and use various inputs to develop alternative estimates of losses. The chain ladder development factor is used for more mature years while the expected loss, BF, and frequency and severity methods are used for less mature years. Both paid and incurred loss and loss adjustment expenses are reviewed where available and a weighted average of estimates or a single method may be considered in selecting the final estimate for an individual accident period. We did not change our methodology for developing reserves for insurance losses for the year ended December 31, 2021.

Estimates for salvage and subrogation recoverable are recognized at the time losses are incurred and netted against the provision for insurance losses and loss adjustment expenses. Reserves are established for each business at the lowest meaningful level of homogeneous data. Since the reserves are based on estimates, the ultimate liability may vary from these estimates. The estimates are regularly reviewed and adjustments, which can potentially be significant, are included in earnings in the period in which they are deemed necessary.

Legal and Regulatory Reserves

Liabilities for legal and regulatory matters are accrued and established when those matters present loss contingencies that are both probable and estimable, with a corresponding amount recorded to other operating expense in the Consolidated Statement of Income. In cases where we have an accrual for losses, we include an estimate for probable and estimable legal expenses related to the case. If, at the time of evaluation, the loss contingency related to a legal or regulatory matter is not both probable and estimable, we do not establish a liability for the contingency. We continue to monitor legal and regulatory matters for further developments that could affect the requirement to establish a liability or that may impact the amount of a previously established liability. There may be exposure to loss in excess of any amounts recognized. For certain other matters where the risk of loss is determined to be reasonably possible, estimable, and material to the financial statements, disclosure regarding details of the matter and an estimated range of loss is required. The estimated range of possible loss does not represent our maximum loss exposure. We also disclose matters that are deemed probable or reasonably possible, material to the financial statements, but for which an estimated range of loss is not possible to determine. While we believe our reserves are adequate, the outcome of legal and regulatory proceedings is extremely difficult to predict, and we may settle claims or be subject to judgments for amounts that differ from our estimates. For information regarding the nature of all material contingencies, refer to Note 29.

Earnings per Common Share

We compute basic earnings per common share by dividing net income from continuing operations attributable to common stockholders after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period. We compute diluted earnings per common share by dividing net income from continuing operations after deducting dividends on preferred stock by the weighted-average number of common shares outstanding during the period plus the dilution resulting from incremental shares that would have been outstanding if dilutive potential common shares had been issued (assuming it does not have the effect of antidilution), if applicable.

Derivative Instruments and Hedging Activities

We use derivative instruments primarily for risk management purposes. We do not use derivative instruments for speculative purposes. Certain of our derivative instruments are designated as accounting hedges in qualifying relationships, whereas other derivative instruments have not been designated as accounting hedges. In accordance with applicable accounting standards, all derivative instruments, whether designated as accounting hedges or not, are recorded on the balance sheet as assets or liabilities and measured at fair value. We have elected to report the fair value of derivative assets and liabilities on a gross basis—including the fair value for the right to reclaim cash collateral or the obligation to return cash collateral—arising from instruments executed with the same counterparty under a master netting arrangement where we do not have the intent to offset. For additional information on derivative instruments and hedging activities, refer to Note 21.

At the inception of a qualifying hedge accounting relationship, we designate each qualifying hedge relationship as a hedge of the fair value of a specifically identified asset or liability (fair value hedge); as a hedge of the variability of cash flows to be received or paid, or forecasted to be received or paid, related to a recognized asset or liability (cash flow hedge); or as a hedge of the foreign-currency exposure of a net investment in a foreign operation (net investment hedge). We formally document all relationships between hedging instruments and hedged items, as well as the risk management objectives for undertaking such hedge transactions. Both at hedge inception and on an ongoing

basis, we formally assess whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivative instruments qualifying as fair value hedges, along with the gain or loss on the hedged asset or liability attributable to the hedged risk, are recorded in current period earnings. For qualifying cash flow hedges, changes in the fair value of the derivative financial instruments are recorded in accumulated other comprehensive income, and recognized in the income statement when the hedged cash flows affect earnings. For a qualifying net investment hedge, the gain or loss is reported in accumulated other comprehensive income as part of the cumulative translation adjustment.

Hedge accounting treatment is no longer applied if a derivative financial instrument is terminated, the hedge designation is removed, or the derivative instrument is assessed to no longer be highly effective. For terminated fair value hedges, any changes to the hedged asset or liability remain as part of the basis of the hedged asset or liability and are recognized into income over the remaining life of the asset or liability. For terminated cash flow hedges, unless it is probable that the forecasted cash flows will not occur within a specified period, any changes in fair value of the derivative financial instrument previously recognized remain in accumulated other comprehensive income, and are reclassified into earnings in the same period that the hedged cash flows affect earnings. Any previously recognized gain or loss for a net investment hedge continues to remain in accumulated other comprehensive income until earnings are impacted by sale or liquidation of the associated foreign operation. In all instances, after hedge accounting is no longer applied, any subsequent changes in fair value of the derivative instrument will be recorded into earnings.

Changes in the fair value of derivative financial instruments held for risk management purposes that are not designated as accounting hedges under GAAP are reported in current period earnings.

Income Taxes

Our income tax expense, deferred tax assets and liabilities, and reserves for unrecognized tax benefits reflect management's best assessment of estimated future taxes to be paid. We are subject to income taxes predominantly in the United States. Significant judgments and estimates are required in determining the consolidated income tax expense.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating our ability to recover our deferred tax assets within the jurisdiction from which they arise we consider all available positive and negative evidence including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, we begin with historical results adjusted for changes in accounting policies and incorporate assumptions including the amount of future state, federal and foreign pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies.

We use the portfolio method with respect to reclassification of stranded income tax effects in accumulated other comprehensive income.

We recognize the financial statement effects of uncertain income tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination. Also, we recognize accrued interest and penalties related to liabilities for uncertain income tax positions in interest expense and other operating expenses, respectively. For additional information regarding our provision for income taxes, refer to Note 22.

Share-based Compensation

Our compensation and benefits expenses include the cost of share-based awards issued to employees. For equity classified share-based awards, compensation cost is ratably charged to expense based on the grant date fair value of the awards over the applicable service periods. For liability classified share-based awards, the associated liability is measured quarterly at fair value based on our share price and services rendered at the time of measurement until the awards are paid, with changes in fair value charged to compensation expense in the period in which the change occurs. We have made an accounting policy election to account for forfeitures of share-based awards as they occur. Refer to Note 23 for a discussion of our share-based compensation plans.

Foreign Exchange

Foreign-denominated assets and liabilities resulting from foreign-currency transactions are valued using period-end foreign-exchange rates and the results of operations and cash flows are determined using approximate weighted average exchange rates for the period. Translation adjustments are related to foreign subsidiaries using local currency as their functional currency and are reported as a separate component of accumulated other comprehensive income. Translation gains or losses are reclassified to earnings upon the substantial sale or liquidation of our investments in foreign operations. We may elect to enter into foreign-currency derivatives to mitigate our exposure to changes in foreign-exchange rates. Refer to the Derivative Instruments and Hedging Activities section above for a discussion of our hedging activities of the foreign-currency exposure of a net investment in a foreign operation.

Recently Adopted Accounting Standards

Financial Instruments—Credit Losses (ASU 2016-13)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*. The amendments in this update introduced a new accounting model to measure credit losses for financial assets measured at amortized cost. The FASB has also issued additional ASUs that clarified the scope and provided additional guidance for ASU 2016-13. Credit

losses for financial assets measured at amortized cost are determined based on the total current expected credit losses over the life of the financial asset or group of financial assets. In effect, the financial asset or group of financial assets are presented at the net amount expected to be collected. Credit losses are no longer recorded under the incurred loss model for financial assets measured at amortized cost. The amendments also modified the accounting for available-for-sale securities whereby credit losses are now recorded through an allowance for credit losses rather than a write-down to the security's cost basis, which allows for reversals of credit losses when estimated credit losses decline. Credit losses for available-for-sale securities are measured in a manner similar to current GAAP.

On January 1, 2020, we adopted ASU 2016-13 and all subsequent ASUs that modified ASU 2016-13 (collectively, the amendments to the credit loss standard), which have been codified under ASC 326, *Financial Instruments - Credit Losses*. We adopted this guidance using the modified retrospective approach, as required, and have not adjusted prior period comparative information and will continue to disclose prior period financial information in accordance with the previous accounting guidance. While the standard modified the measurement of the allowance for credit losses, it did not alter the credit risk of our finance receivables and loan portfolio.

The adoption of the amendments resulted in a reduction to our opening retained earnings of approximately $1.0 billion, net of income taxes, resulting from a pretax increase to our allowance for credit losses of approximately $1.3 billion, primarily driven by our consumer automotive loan portfolio. The increase is primarily related to the difference between loss emergence periods previously utilized, as compared to estimating lifetime credit losses as required by the CECL standard. We did not experience a material impact to the allowance for loan losses from any of our other lending portfolios. Additionally, the adoption of CECL did not result in a material impact to our held-to-maturity securities portfolio, which is primarily composed of agency-backed mortgage securities, or our available-for-sale securities portfolio. We have elected to phase-in the estimated impact of CECL into regulatory capital in accordance with the interim final rule of the FRB and other U.S. banking agencies that became effective on March 31, 2020, and was subsequently clarified and adjusted in a final rule that became effective September 30, 2020. As a result, we will delay recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extends through December 31, 2021. Beginning on January 1, 2022, we are required to phase in 25% of the previously deferred estimated capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025. Under the final rule, the estimated impact of CECL on regulatory capital that we will defer and later phase in is calculated as the entire day-one impact at adoption plus 25% of the subsequent change in allowance during the two-year deferral period. Refer to Note 20 for further details about the impact of CECL on regulatory capital.

Our quantitative allowance for loan loss estimates under CECL is impacted by certain forecasted economic factors. In order to estimate the quantitative portion of our allowance for loan losses under CECL, our modeling processes rely on a single forecast scenario for each macroeconomic factor incorporated. To derive macroeconomic assumptions in this single scenario, we have elected to forecast these macroeconomic factors over a 12-month period, which we have determined to be reasonable and supportable. After the 12-month reasonable and supportable forecast period, we have elected to revert on a straight-line basis over a 24-month period to a historical mean for each macroeconomic factor. The mean is calculated from historical data spanning from January 2008 through the most current period, and as a result, includes data points from the last recessionary period. In addition to our quantitative allowance for loan losses, we also incorporate qualitative adjustments that may relate to idiosyncratic risks, changes in current economic conditions that may not be reflected in quantitatively derived results, or other relevant factors to further inform our estimate of the allowance for loan losses.

Additionally, due to the expansion of the time horizon over which we are required to estimate future credit losses, we may experience increased volatility in our future provisions for credit losses. Factors that could contribute to such volatility include, but are not limited to, changes in the composition and credit quality of our financing receivables and loan portfolio and investment securities portfolios, economic conditions and forecasts, the allowance for credit loss models that are used, the data that is included in the models, the associated qualitative allowance framework, and our estimation techniques.

Reference Rate Reform (ASU 2021-01)

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

2. Acquisitions

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

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

($ in millions)

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

(a) Includes $22 million of purchased credit deteriorated (PCD) loans that have experienced a more-than-insignificant deterioration of credit quality since origination. We recognized an initial allowance for loan losses of $12 million on these PCD loans.
(b) The weighted average amortization period on the acquired intangible assets is 7 years. Refer to Note 1 and Note 13 for further information on our intangible assets.

The goodwill of $479 million arising from the acquisition consists largely of expected growth of the business as we leverage the Ally brand and our marketing capabilities to scale the acquired credit card provider and expand the suite of financial products we offer to our existing growing customer base. The goodwill recognized is generally expected to be amortized for income tax purposes over a 15-year period. Refer to Note 13 for the carrying amount of goodwill at the beginning and end of the reporting period.

3. Revenue from Contracts with Customers

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

The following is a description of our primary revenue sources that are derived from contracts with customers. Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to our customers, and in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. For information regarding our revenue recognition policies outside the scope of the revenue recognition principles of ASC Topic 606, *Revenue from Contracts with Customers*, refer to Note 1.

- ***Noninsurance contracts*** — We sell VSCs that offer owners mechanical repair protection and roadside assistance for new and used vehicles beyond the manufacturer's new vehicle limited warranty. We sell GAP contracts that protect the customer against having to pay certain amounts to a lender above the fair market value of their vehicle if the vehicle is damaged and declared a total loss or stolen. We also sell VMCs that provide coverage for certain agreed-upon services, such as oil changes and tire rotations, over the coverage period. We receive payment in full at the inception of each of these contracts. Our performance obligation for these contracts is satisfied over the term of the contract and we recognize revenue over the contract term on a basis proportionate to the anticipated incurrence of costs, as we believe this is the most appropriate method to measure progress towards satisfaction of the performance obligation. This revenue is recorded within insurance premiums and service revenue earned in our Consolidated Statement of Income, while associated cancellation and transfer fees are recorded as other income.

- ***Sale of off-lease vehicles*** — When a customer's vehicle lease matures, the customer has the option of purchasing or returning the vehicle. If the vehicle is returned to us, we obtain possession with the intent to sell through SmartAuction—our online auction platform, our dealer channel, or through various other physical auctions. Our performance obligation is satisfied and the remarketing gain or loss is recognized when control of the vehicle has passed to the buyer, which coincides with the sale date. Our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing recorded through depreciation expense on operating lease assets in our Consolidated Statement of Income.

- ***Remarketing fee income*** — In addition to using SmartAuction as a remarketing channel for our returned lease vehicles, we maintain the SmartAuction internet auction site and administer the auction process for third-party use. We earn a service fee from dealers for every third-party vehicle sold through SmartAuction. Our performance obligation is to provide the online marketplace for used vehicle transactions to be consummated. This obligation is satisfied and revenue is recognized when control of the vehicle has passed to the buyer, which coincides with the sale date. This revenue is recorded as remarketing fees within other income in our Consolidated Statement of Income.

- ***Brokerage commissions and other revenues through Ally Invest*** — We charge fees to customers related to their use of certain services on our Ally Invest digital wealth management and online brokerage platform. These fees include commissions on low-priced securities, option contracts, certain other security types, account service fees, account management fees on professional portfolio management services, and other ancillary fees. Commissions on customer-directed trades and account service fees are based on published fee schedules and are generated from a customer option to purchase the services offered under the contract. These options do not represent a material right and are only considered a contract when the customer executes their option to purchase these services. Based on this, the term of the contract does not extend beyond the services provided, and accordingly revenue is recognized upon the completion of our performance obligation, which we view as the successful execution of the trade or service. Revenue on professional portfolio management services is calculated monthly based upon a fixed percentage of the client's assets under management. Due to the fact that this revenue stream is composed of variable consideration that is based on factors outside of our control, we have deemed this revenue as constrained and we are unable to estimate the initial transaction price at the inception of the contract. We have elected to use the practical expedient under GAAP to recognize revenue monthly based on the amount we are able to invoice the customer. Additionally, we earn revenue when we route customers' orders to market makers, who then execute customers' trades. The market makers compensate us for the right to fill the customers' orders. We also earn revenue from a fee-sharing agreement with our clearing broker related to the interest income the clearing broker earns on customer cash balances, securities lending, and margin loans made to our customers. We concluded the initial transaction price is exclusively variable consideration and, based on the nature of our performance obligation to allow the clearing broker to collect interest income from cash deposits and customer loans from our customers, we are unable to determine the amount of revenue to be recognized until the total customer cash balance or the total interest income recognized on margin loans has been determined, which occurs monthly. These revenue streams are recorded as other income in our Consolidated Statement of Income.

- ***Brokered/agent commissions through Insurance operations*** — We have agreements with third parties to offer various vehicle protection products to consumers. We also have agreements with third-party insurers to offer various insurance coverages to dealers. Our performance obligation for these arrangements is satisfied when a customer or dealer has purchased a vehicle protection product or an insurance policy through the third-party provider. In determining the initial transaction price for these agreements, we noted that revenue on brokered/agent commissions is based on the volume of vehicle protection product contracts sold or a percentage of insurance premium written, which is not known to us at the inception of the agreements with these third-party providers. We concluded the initial transaction price is exclusively variable consideration and, based on the nature of the performance obligation, we are unable to determine the amount of revenue we will record until the customer purchases a vehicle protection product or a dealer purchases an insurance policy from the third-party provider. Once we are notified of vehicle protection product sales or insurance policies issued by the third-party providers, we record the commission earned as insurance premiums and service revenues earned in our Consolidated Statement of Income.

- ***Banking fees and interchange income*** — We charge depositors various account service fees including those for outgoing wires, excessive transactions, stop payments, and returned deposits. These fees are generated from a customer option to purchase services offered under the contract. These options do not represent a material right and are only considered a contract in accordance with the revenue recognition principles when the customer exercises their option to purchase these account services. Based on this, the term for our contracts with customers is considered day-to-day, and the contract does not extend beyond the services already provided. Effective May 25, 2021, we eliminated all overdraft fees for Ally Bank deposit accounts. Revenue derived from deposit account fees is recorded at the point in time we perform the requested service, and is recorded as other income in our Consolidated Statement of Income. As a debit and credit card issuer, we also generate interchange fee income from merchants during debit and credit card transactions and incur certain corresponding charges from merchant card networks. For debit card transactions, our performance obligation is satisfied when we have initiated the payment of funds from a customer's account to a merchant through our contractual agreements with the merchant card networks. For credit card transactions, our performance obligation is satisfied at the time each transaction is captured for settlement with the interchange networks. Interchange fees are reported net of processing fees and customer rewards as other income in our Consolidated Statement of Income.

- ***Other revenue*** — Other revenue primarily includes service revenue related to various account management functions and fee income derived from third-party lenders arranged through Clearlane—our online automotive lender exchange. These revenue streams are recorded as other income in our Consolidated Statement of Income.

The following table presents a disaggregated view of our revenue from contracts with customers included in other revenue that falls within the scope of the revenue recognition principles of ASC Topic 606, *Revenue from Contracts with Customers*.

Year ended December 31, *($ in millions)*	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated
2021						
Revenue from contracts with customers						
Noninsurance contracts (a) (b) (c)	**$ —**	**$ 627**	**$ —**	**$ —**	**$ —**	**$ 627**
Remarketing fee income	**107**	**—**	**—**	**—**	**—**	**107**
Brokerage commissions and other revenue	**—**	**—**	**—**	**—**	**58**	**58**
Banking fees and interchange income (d)	**—**	**—**	**—**	**—**	**18**	**18**
Brokered/agent commissions	**—**	**16**	**—**	**—**	**—**	**16**
Other	**22**	**—**	**—**	**—**	**4**	**26**
Total revenue from contracts with customers	**129**	**643**	**—**	**—**	**80**	**852**
All other revenue	**122**	**702**	**94**	**128**	**141**	**1,187**
Total other revenue (e)	**$ 251**	**$ 1,345**	**$ 94**	**$ 128**	**$ 221**	**$ 2,039**
2020						
Revenue from contracts with customers						
Noninsurance contracts (a) (b) (c)	$ —	$ 584	$ —	$ —	$ —	$ 584
Remarketing fee income	73	—	—	—	—	73
Brokerage commissions and other revenue	—	—	—	—	52	52
Banking fees and interchange income	—	—	—	—	12	12
Brokered/agent commissions	—	16	—	—	—	16
Other	15	1	—	—	—	16
Total revenue from contracts with customers	88	601	—	—	64	753
All other revenue	116	733	102	45	234	1,230
Total other revenue (e)	$ 204	$ 1,334	$ 102	$ 45	$ 298	$ 1,983
2019						
Revenue from contracts with customers						
Noninsurance contracts (a) (b) (c)	$ —	$ 542	$ —	$ —	$ —	$ 542
Remarketing fee income	74	—	—	—	—	74
Brokerage commissions and other revenue	—	—	—	—	61	61
Banking fees and interchange income	—	—	—	—	16	16
Brokered/agent commissions	—	14	—	—	—	14
Other	19	1	—	—	—	20
Total revenue from contracts with customers	93	557	—	—	77	727
All other revenue	156	717	22	45	94	1,034
Total other revenue (e)	$ 249	$ 1,274	$ 22	$ 45	$ 171	$ 1,761

(a) We had opening balances of $3.0 billion, $2.9 billion, and $2.6 billion in unearned revenue associated with outstanding contracts at January 1, 2021, 2020, and 2019, respectively, and $909 million, $866 million, and $816 million of these balances were recognized as insurance premiums and service revenue earned in our Consolidated Statement of Income during the years ended December 31, 2021, 2020, and 2019, respectively.

(b) At December 31, 2021, we had unearned revenue of $3.1 billion associated with outstanding contracts, and with respect to this balance we expect to recognize revenue of $847 million in 2022, $765 million in 2023, $609 million in 2024, $412 million in 2025, and $419 million thereafter. We had unearned revenue of $3.0 billion and $2.9 billion associated with outstanding contracts at December 31, 2020, and 2019, respectively.

(c) We had deferred insurance assets of $1.9 billion, $1.8 billion, and $1.7 billion at December 31, 2021, 2020, and 2019, respectively. We recognized $537 million, $498 million, and $463 million of expense during the years ended December 31, 2021, 2020, and 2019, respectively.

(d) Interchange income is reported net of customer rewards. Customer rewards expense was $1 million for the year ended December 31, 2021.

(e) Represents a component of total net revenue. Refer to Note 26 for further information on our reportable operating segments.

In addition to the components of other revenue presented above, as part of our Automotive Finance operations, we recognized net remarketing gains of $344 million, $127 million, and $69 million for the years ended December 31, 2021, 2020, and 2019, respectively, on the sale of off-lease vehicles. These gains are included in depreciation expense on operating lease assets in our Consolidated Statement of Income.

4. Insurance Premiums and Service Revenue

The following table is a summary of insurance premiums and service revenue written and earned.

	2021		2020		2019	
Year ended December 31, *($ in millions)*	**Written**	**Earned**	Written	Earned	Written	Earned
Insurance premiums						
Direct	**$ 397**	**$ 389**	$ 438	$ 429	$ 491	$ 464
Assumed	**15**	**8**	3	3	—	2
Gross insurance premiums	**412**	**397**	441	432	491	466
Ceded	**(200)**	**(205)**	(211)	(208)	(232)	(209)
Net insurance premiums	**212**	**192**	230	224	259	257
Service revenue	**985**	**925**	999	879	1,051	830
Insurance premiums and service revenue written and earned	**$ 1,197**	**$ 1,117**	$ 1,229	$ 1,103	$ 1,310	$ 1,087

5. Other Income, Net of Losses

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Gain on nonmarketable equity investments, net	**$ 142**	$ 99	$ 9
Income from equity-method investments	**132**	161	62
Late charges and other administrative fees	**123**	93	114
Remarketing fees	**107**	73	74
Other, net	**182**	139	146
Total other income, net of losses	**$ 686**	$ 565	$ 405

6. Reserves for Insurance Losses and Loss Adjustment Expenses

The following table shows incurred claims and allocated loss adjustment expenses, net of reinsurance.

	For the years ended December 31, *($ in millions)* (unaudited supplementary information)										**December 31, 2021** *($ in millions)*	
Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**	Total of incurred-but-not-reported liabilities plus expected development on reported claims (a)	Cumulative number of reported claims (a)
2012	$ 435	$ 430	$ 423	$ 423	$ 423	$ 422	$ 422	$ 421	$ 421	**$ 421**	**$ —**	**772,560**
2013		376	365	370	370	369	368	368	368	**368**	**—**	**672,279**
2014			390	389	388	388	388	388	388	**388**	**—**	**525,298**
2015				274	271	272	272	272	272	**272**	**—**	**342,280**
2016					326	327	328	328	328	**328**	**—**	**476,056**
2017						310	314	315	315	**315**	**—**	**481,742**
2018							271	272	272	**273**	**—**	**506,423**
2019								303	306	**305**	**—**	**541,936**
2020									343	**339**	**1**	**493,097**
2021										**243**	**24**	**471,444**
Total										**$ 3,252**		

(a) Claims are reported on a claimant basis. Claimant is defined as one vehicle for GAP products, one repair for VSCs and VMCs, one dealership for dealer inventory products, and per individual/coverage for run-off personal automotive products.

The following table shows cumulative paid claims and allocated loss adjustment expenses, net of reinsurance.

	For the years ended December 31, *($ in millions)* (unaudited supplementary information)									
Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
2012	$ 391	$ 412	$ 416	$ 418	$ 419	$ 421	$ 421	$ 421	$ 421	**$ 421**
2013		347	364	366	368	368	368	368	368	**368**
2014			369	388	388	388	388	388	388	**388**
2015				252	272	272	272	272	272	**272**
2016					302	327	328	328	328	**328**
2017						289	315	315	315	**315**
2018							245	273	273	**273**
2019								278	306	**305**
2020									313	**339**
2021										**213**
Total										**$ 3,222**
All outstanding liabilities for loss and allocated loss adjustment expenses before 2012, net of reinsurance										**9**
Reserves for insurance losses and allocated loss adjustment expenses, net of reinsurance										**$ 39**

The following table shows the average annual percentage payout of incurred claims by age, net of reinsurance. The information presented is unaudited supplementary information.

Year	1	2	3	4	5	6	7	8	9
Percentage payout of incurred claims	92.5 %	6.9 %	0.3 %	0.2 %	— %	0.1 %	— %	— %	— %

The following table shows a reconciliation of the disclosures of incurred and paid claims development to the reserves for insurance losses and loss adjustment expenses.

December 31, *($ in millions)*	**2021**	2020	2019
Reserves for insurance losses and loss adjustment expenses, net of reinsurance	**$ 39**	$ 37	$ 32
Total reinsurance recoverable on unpaid claims	**81**	90	88
Unallocated loss adjustment expenses	**2**	2	2
Total gross reserves for insurance losses and loss adjustment expenses	**$ 122**	$ 129	$ 122

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

($ in millions)	**2021**	2020	2019
Total gross reserves for insurance losses and loss adjustment expenses at January 1,	**$ 129**	$ 122	$ 134
Less: Reinsurance recoverable	**90**	88	96
Net reserves for insurance losses and loss adjustment expenses at January 1,	**39**	34	38
Net insurance losses and loss adjustment expenses incurred related to:			
Current year	**259**	360	321
Prior years (a)	**2**	3	—
Total net insurance losses and loss adjustment expenses incurred	**261**	363	321
Net insurance losses and loss adjustment expenses paid or payable related to:			
Current year	**(229)**	(328)	(295)
Prior years	**(30)**	(30)	(30)
Total net insurance losses and loss adjustment expenses paid or payable	**(259)**	(358)	(325)
Net reserves for insurance losses and loss adjustment expenses at December 31,	**41**	39	34
Plus: Reinsurance recoverable	**81**	90	88
Total gross reserves for insurance losses and loss adjustment expenses at December 31,	**$ 122**	$ 129	$ 122

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

7. Other Operating Expenses

Details of other operating expenses were as follows.

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Insurance commissions	**$ 562**	$ 517	$ 475
Technology and communications	**345**	314	311
Advertising and marketing	**241**	171	180
Lease and loan administration	**222**	203	172
Property and equipment depreciation	**153**	136	96
Professional services	**146**	118	126
Regulatory and licensing fees	**75**	96	115
Vehicle remarketing and repossession	**74**	73	105
Charitable contributions (a)	**63**	43	8
Occupancy	**62**	57	57
Non-income taxes	**34**	28	34
Amortization of intangible assets (b)	**20**	18	13
Other	**209**	270	194
Total other operating expenses	**$ 2,206**	$ 2,044	$ 1,886

(a) Includes contributions made to the Ally Charitable Foundation, a nonconsolidated entity.
(b) Refer to Note 1 and Note 13 for further information on our intangible assets.

8. Investment Securities

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

	2021				2020			
		Gross unrealized				Gross unrealized		
December 31, *($ in millions)*	Amortized cost	gains	losses	Fair value	Amortized cost	gains	losses	Fair value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	**$ 2,173**	**$ 2**	**$ (20)**	**$ 2,155**	$ 783	$ 20	$ —	$ 803
U.S. States and political subdivisions	**841**	**27**	**(4)**	**864**	1,046	50	(1)	1,095
Foreign government	**157**	**2**	**(2)**	**157**	167	9	—	176
Agency mortgage-backed residential	**19,044**	**219**	**(224)**	**19,039**	18,053	538	(3)	18,588
Mortgage-backed residential	**4,448**	**11**	**(34)**	**4,425**	2,595	49	(4)	2,640
Agency mortgage-backed commercial	**4,573**	**66**	**(113)**	**4,526**	4,063	139	(13)	4,189
Asset-backed	**536**	**1**	**(3)**	**534**	420	5	—	425
Corporate debt	**1,878**	**30**	**(21)**	**1,887**	1,809	105	—	1,914
Total available-for-sale securities (a) (b) (c) (d) (e)	**$ 33,650**	**$ 358**	**$ (421)**	**$ 33,587**	$ 28,936	$ 915	$ (21)	$ 29,830
Held-to-maturity securities								
Debt securities								
Agency mortgage-backed residential	**$ 1,170**	**$ 48**	**$ (14)**	**$ 1,204**	$ 1,253	$ 79	$ (1)	$ 1,331
Total held-to-maturity securities (e) (f)	**$ 1,170**	**$ 48**	**$ (14)**	**$ 1,204**	$ 1,253	$ 79	$ (1)	$ 1,331

(a) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. These deposited securities totaled $13 million at both December 31, 2021, and December 31, 2020.

(b) Certain available-for-sale securities are included in fair value hedging relationships. Refer to Note 21 for additional information.

(c) Available-for-sale securities with a fair value of $203 million and $145 million at December 31, 2021, and December 31, 2020, respectively, were pledged for purposes as required by contractual obligation or law. Under these agreements, we granted the counterparty the right to sell or pledge the underlying investment securities.

(d) Totals do not include accrued interest receivable, which was $84 million and $90 million at December 31, 2021, and December 31, 2020, respectively. Accrued interest receivable is included in other assets on our Consolidated Balance Sheet.

(e) There was no allowance for credit losses recorded at December 31, 2021, or December 31, 2020, as management determined that there were no expected credit losses in our portfolio of available-for-sale and held-to-maturity securities.

(f) Totals do not include accrued interest receivable, which was $3 million at both December 31, 2021, and December 31, 2020. Accrued interest receivable is included in other assets on our Consolidated Balance Sheet.

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

	Total		Due in one year or less		Due after one year through five years		Due after five years through ten years		Due after ten years	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
December 31, 2021										
Fair value of available-for-sale securities (a)										
U.S. Treasury and federal agencies	**$ 2,155**	**1.1 %**	**$ 288**	**1.0 %**	**$ 525**	**0.9 %**	**$ 1,342**	**1.2 %**	**$ —**	**— %**
U.S. States and political subdivisions	**864**	**3.0**	**26**	**1.6**	**77**	**2.8**	**128**	**3.3**	**633**	**3.0**
Foreign government	**157**	**1.9**	**2**	**2.1**	**97**	**2.0**	**58**	**1.8**	**—**	**—**
Agency mortgage-backed residential	**19,039**	**2.5**	**—**	**—**	**—**	**—**	**26**	**2.0**	**19,013**	**2.5**
Mortgage-backed residential	**4,425**	**2.6**	**—**	**—**	**—**	**—**	**23**	**2.9**	**4,402**	**2.6**
Agency mortgage-backed commercial	**4,526**	**1.9**	**—**	**—**	**26**	**2.4**	**1,578**	**2.4**	**2,922**	**1.7**
Asset-backed	**534**	**1.9**	**—**	**—**	**350**	**2.0**	**175**	**1.5**	**9**	**3.4**
Corporate debt	**1,887**	**2.3**	**54**	**2.9**	**830**	**2.3**	**994**	**2.3**	**9**	**2.5**
Total available-for-sale securities	**$ 33,587**	**2.3**	**$ 370**	**1.3**	**$ 1,905**	**1.9**	**$ 4,324**	**2.0**	**$ 26,988**	**2.4**
Amortized cost of available-for-sale securities	**$ 33,650**		**$ 368**		**$ 1,893**		**$ 4,291**		**$ 27,098**	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	**$ 1,170**	**2.8 %**	**$ —**	**— %**	**$ —**	**— %**	**$ —**	**— %**	**$ 1,170**	**2.8 %**
Total held-to-maturity securities	**$ 1,170**	**2.8**	**$ —**	**—**	**$ —**	**—**	**$ —**	**—**	**$ 1,170**	**2.8**
December 31, 2020										
Fair value of available-for-sale securities (a)										
U.S. Treasury and federal agencies	$ 803	1.2 %	$ 13	0.1 %	$ 708	1.1 %	$ 82	1.7 %	$ —	— %
U.S. States and political subdivisions	1,095	3.0	49	1.4	103	2.3	228	2.7	715	3.3
Foreign government	176	2.1	9	1.7	86	2.3	81	1.9	—	—
Agency mortgage-backed residential	18,588	3.1	—	—	—	—	37	2.0	18,551	3.1
Mortgage-backed residential	2,640	3.1	—	—	—	—	36	2.9	2,604	3.1
Agency mortgage-backed commercial	4,189	1.9	—	—	—	—	1,628	2.3	2,561	1.7
Asset-backed	425	2.9	—	—	349	3.0	49	1.8	27	3.1
Corporate debt	1,914	2.7	155	2.7	625	2.9	1,077	2.6	57	2.1
Total available-for-sale securities	$ 29,830	2.8	$ 226	2.3	$ 1,871	2.2	$ 3,218	2.4	$ 24,515	3.0
Amortized cost of available-for-sale securities	$ 28,936		$ 224		$ 1,808		$ 3,022		$ 23,882	
Amortized cost of held-to-maturity securities										
Agency mortgage-backed residential	$ 1,253	3.0 %	$ —	— %	$ —	— %	$ —	— %	$ 1,253	3.0 %
Total held-to-maturity securities	$ 1,253	3.0	$ —	—	$ —	—	$ —	—	$ 1,253	3.0

(a) Yield is calculated using the effective yield of each security at the end of the period, weighted based on the market value. The effective yield considers the contractual coupon and amortized cost, and excludes expected capital gains and losses.

The balances of cash equivalents were $40 million and $25 million at December 31, 2021, and December 31, 2020, respectively, and were composed primarily of money-market funds and short-term securities, including U.S. Treasury bills.

The following table presents interest and dividends on investment securities.

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Taxable interest	**$ 533**	$ 654	$ 858
Taxable dividends	**27**	21	14
Interest and dividends exempt from U.S. federal income tax	**19**	17	15
Interest and dividends on investment securities	**$ 579**	$ 692	$ 887

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

Year ended December 31, (*$ in millions)*	**2021**	2020	2019
Available-for-sale securities			
Gross realized gains	**$ 102**	$ 173	$ 82
Gross realized losses (a)	**—**	(2)	(4)
Net realized gains on available-for-sale securities	**102**	171	78
Net realized gain on equity securities	**190**	107	73
Net unrealized (loss) gain on equity securities	**(7)**	29	92
Other gain on investments, net	**$ 285**	$ 307	$ 243

(a) Certain available-for-sale securities were sold at a loss during the years ended December 31, 2020, and 2019, as a result of identifiable market or credit events, or a loss was realized based on corporate actions outside of our control (such as a call by the issuer). Any such sales were made in accordance with our risk-management policies and practices.

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

	2021		2020	
December 31, *($ in millions)*	**AA**	**Total (a)**	AA	Total (a)
Debt securities				
Agency mortgage-backed residential	**$ 1,170**	**$ 1,170**	$ 1,253	$ 1,253
Total held-to-maturity securities	**$ 1,170**	**$ 1,170**	$ 1,253	$ 1,253

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

The following table summarizes available-for-sale securities in an unrealized loss position, which we evaluated to determine if a credit loss exists requiring the recognition of an allowance for credit losses. For additional information on our methodology, refer to Note 1. As of December 31, 2021, and December 31, 2020, we did not have the intent to sell the available-for-sale securities with an unrealized loss position and we do not believe it is more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. We have not recorded any interest income reversals on our available-for-sale securities during the years ended December 31, 2021, or 2020.

	2021				2020			
	Less than 12 months		**12 months or longer**		Less than 12 months		12 months or longer	
December 31, *($ in millions)*	**Fair value**	**Unrealized loss**	**Fair value**	**Unrealized loss**	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	**$ 1,682**	**$ (20)**	**$ —**	**$ —**	$ 3	$ —	$ —	$ —
U.S. States and political subdivisions	**160**	**(3)**	**31**	**(1)**	83	(1)	—	—
Foreign government	**76**	**(2)**	**7**	**—**	7	—	—	—
Agency mortgage-backed residential	**12,244**	**(223)**	**38**	**(1)**	1,225	(3)	—	—
Mortgage-backed residential	**3,243**	**(34)**	**22**	**—**	316	(4)	—	—
Agency mortgage-backed commercial	**2,553**	**(70)**	**749**	**(43)**	926	(13)	—	—
Asset-backed	**360**	**(3)**	**—**	**—**	11	—	—	—
Corporate debt	**970**	**(18)**	**49**	**(3)**	59	—	5	—
Total available-for-sale securities	**$ 21,288**	**$ (373)**	**$ 896**	**$ (48)**	$ 2,630	$ (21)	$ 5	$ —

During the years ended December 31, 2021, and 2020, management determined that there were no expected credit losses for securities in an unrealized loss position. This analysis considered a variety of factors including, but not limited to, performance indicators of the issuer, default rates, industry analyst reports, credit ratings, and other relevant information, which indicated that contractual cash flows are expected to occur. As a result of this evaluation, management determined that no credit reserves were required at December 31, 2021, or December 31, 2020.

9. Finance Receivables and Loans, Net

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

December 31, *($ in millions)*	2021	2020
Consumer automotive (a)	**$ 78,252**	$ 73,668
Consumer mortgage		
Mortgage Finance (b)	**17,644**	14,632
Mortgage — Legacy (c)	**368**	495
Total consumer mortgage	**18,012**	15,127
Consumer other		
Personal Lending (d)	**1,009**	407
Credit Card (e)	**953**	—
Total consumer other	**1,962**	407
Total consumer	**98,226**	89,202
Commercial		
Commercial and industrial		
Automotive	**12,229**	19,082
Other	**6,874**	5,242
Commercial real estate	**4,939**	5,008
Total commercial	**24,042**	29,332
Total finance receivables and loans (f) (g)	**$ 122,268**	$ 118,534

(a) Certain finance receivables and loans are included in fair value hedging relationships. Refer to Note 21 for additional information.
(b) Includes loans originated as interest-only mortgage loans of $5 million and $8 million at December 31, 2021, and December 31, 2020, respectively. All of these loans have exited the interest-only period.
(c) Includes loans originated as interest-only mortgage loans of $21 million and $30 million at December 31, 2021, and December 31, 2020, respectively, of which all have exited the interest-only period.
(d) Includes $7 million and $8 million of finance receivables at December 31, 2021, and December 31, 2020, respectively, for which we have elected the fair value option.
(e) Refer to Note 2 for information regarding our acquisition of Fair Square.
(f) Totals include net unearned income, unamortized premiums and discounts, and deferred fees and costs of $2.3 billion and $2.0 billion at December 31, 2021, and December 31, 2020, respectively.
(g) With the exception of credit card loans, totals do not include accrued interest receivable, which was $514 million and $587 million at December 31, 2021, and December 31, 2020, respectively. Accrued interest receivable is included in other assets on our Consolidated Balance Sheet. Billed interest on our credit card loans is included within finance receivables and loans, net.

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

($ in millions)	Consumer automotive	Consumer mortgage	Consumer other (a)	Commercial	Total
Allowance at January 1, 2021	**$ 2,902**	**$ 33**	**$ 73**	**$ 275**	**$ 3,283**
Charge-offs (b)	**(923)**	**(6)**	**(30)**	**(22)**	**(981)**
Recoveries	**686**	**13**	**2**	**11**	**712**
Net charge-offs	**(237)**	**7**	**(28)**	**(11)**	**(269)**
Provision for credit losses (c)	**104**	**(14)**	**163**	**(12)**	**241**
Other (d)	**—**	**1**	**13**	**(2)**	**12**
Allowance at December 31, 2021	**$ 2,769**	**$ 27**	**$ 221**	**$ 250**	**$ 3,267**

(a) Excludes $7 million and $8 million of finance receivables at December 31, 2021, and December 31, 2020, respectively, for which we have elected the fair value option and incorporate no allowance for loan losses.
(b) Refer to Note 1 for information regarding our charge-off policies.
(c) Consumer other includes $97 million of provision for credit losses recorded to establish an initial reserve on loans acquired in the Fair Square acquisition.
(d) Consumer other includes $12 million of allowance for credit losses recognized on PCD loans acquired in the Fair Square acquisition. Refer to Note 2 for additional details.

($ in millions)	Consumer automotive	Consumer mortgage	Consumer other (a)	Commercial	Total
Allowance at December 31, 2019	$ 1,075	$ 46	$ 9	$ 133	$ 1,263
Cumulative effect of the adoption of Accounting Standards Update 2016-13	1,334	(6)	16	2	1,346
Allowance at January 1, 2020	2,409	40	25	135	2,609
Charge-offs (b)	(1,244)	(13)	(15)	(54)	(1,326)
Recoveries	542	16	1	3	562
Net charge-offs	(702)	3	(14)	(51)	(764)
Provision for credit losses	1,194	(10)	62	193	1,439
Other	1	—	—	(2)	(1)
Allowance at December 31, 2020	$ 2,902	$ 33	$ 73	$ 275	$ 3,283

(a) Excludes $8 million and $11 million of finance receivables at December 31, 2020, and December 31, 2019, respectively, for which we have elected the fair value option and incorporate no allowance for loan losses.
(b) Refer to Note 1 for information regarding our charge-off policies.

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

Year ended December 31, *($ in millions)*	**2021**	2020
Consumer mortgage	**$ 414**	$ 464
Total sales and transfers	**$ 414**	$ 464

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

Year ended December 31, *($ in millions)*	**2021**	2020
Consumer automotive	**$ 2,506**	$ 2,355
Consumer mortgage	**3,853**	4,230
Consumer other (a)	**882**	—
Commercial	**6**	5
Total purchases of finance receivables and loans (a)	**$ 7,247**	$ 6,590

(a) During the year ended December 31, 2021, we obtained $882 million of finance receivables and loans from our acquisition of Fair Square. For additional information on our acquisition, refer to Note 2.

Nonaccrual Loans

The following tables present the amortized cost of our finance receivables and loans on nonaccrual status. All consumer or commercial finance receivables and loans that were 90 days or more past due were on nonaccrual status as of December 31, 2021, and December 31, 2020.

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

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

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

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

We recorded interest income from cash payments associated with finance receivables and loans in nonaccrual status of $13 million for the year ended December 31, 2021, compared to $8 million for the year ended December 31, 2020.

Credit Quality Indicators

We evaluate the credit quality of our consumer loan portfolio based on the aging status of the loan and by payment activity. Loan delinquency reporting is generally based upon borrower payment activity, relative to the contractual terms of the loan. During the year ended December 31, 2020, we offered broad-based deferral programs in response to the COVID-19 pandemic. In accordance with regulatory guidance, if borrowers were less than 30 days past due on their loans and enter into loan modifications offered as a result of COVID-19, their loans generally continued to be considered performing loans and continued to accrue interest during the period of the loan modification. For borrowers who were 30 days or more past due when entering into loan modifications offered as a result of COVID-19, we evaluated the loan modifications under our existing troubled debt restructuring framework, and where such a loan modification would result in a concession to a borrower experiencing financial difficulty, the loan was accounted for as a TDR and generally did not accrue interest.

The following tables present the amortized cost basis of our consumer finance receivables and loans by credit quality indicator based on delinquency status at December 31, 2021, December 31, 2020, and origination year.

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

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

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

(a) Excludes $8 million of finance receivables at December 31, 2020, for which we have elected the fair value option.

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

- Special mention — Loans that have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or the institution's credit position at some future date.
- Substandard — Loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. These loans have a well-defined weakness or weakness that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
- Doubtful — Loans that have all the weaknesses inherent in those classified as substandard, with the additional characteristic that the weaknesses make collection or liquidation in full, based on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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

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

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

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

($ in millions)	30–59 days past due	60–89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
December 31, 2021						
Commercial						
Commercial and industrial						
Automotive	$ —	$ —	$ —	$ —	$ 12,229	$ 12,229
Other	—	—	1	1	6,873	6,874
Commercial real estate	—	—	—	—	4,939	4,939
Total commercial	$ —	$ —	$ 1	$ 1	$ 24,041	$ 24,042
December 31, 2020						
Commercial						
Commercial and industrial						
Automotive	$ —	$ —	$ —	$ —	$ 19,082	$ 19,082
Other	—	—	—	—	5,242	5,242
Commercial real estate	—	—	2	2	5,006	5,008
Total commercial	$ —	$ —	$ 2	$ 2	$ 29,330	$ 29,332

Troubled Debt Restructurings

TDRs are loan modifications where concessions were granted to borrowers experiencing financial difficulties. For consumer automotive loans, we may offer several types of assistance to aid our customers, including payment extensions and rewrites of the loan terms. Additionally, for mortgage loans, as part of certain programs, we offer mortgage loan modifications to qualified borrowers. These programs are in place to provide support to our mortgage customers in financial distress, including principal forgiveness, maturity extensions,

delinquent interest capitalization, and changes to contractual interest rates. Total TDRs recorded at amortized cost were $2.4 billion, $2.2 billion, and $867 million at December 31, 2021, 2020, and 2019, respectively.

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

Total commitments to lend additional funds to borrowers whose terms had been modified in a TDR were $18 million, $14 million, and $17 million December 31, 2021, 2020, and 2019, respectively. Refer to Note 1 for additional information.

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

Year ended December 31, *($ in millions)*	Number of loans	Pre-modification amortized cost basis	Post-modification amortized cost basis
2021			
Consumer automotive	**77,991**	**$ 1,395**	**$ 1,371**
Consumer mortgage			
Mortgage Finance	**38**	**22**	**22**
Mortgage — Legacy	**16**	**2**	**2**
Total consumer mortgage	**54**	**24**	**24**
Consumer other			
Personal Lending	**—**	**—**	**—**
Credit Card	**113**	**—**	**—**
Total consumer other	**113**	**—**	**—**
Total consumer	**78,158**	**1,419**	**1,395**
Commercial			
Commercial and industrial			
Automotive	**1**	**2**	**2**
Other	**1**	**33**	**33**
Commercial real estate	**2**	**4**	**4**
Total commercial	**4**	**39**	**39**
Total finance receivables and loans	**78,162**	**$ 1,458**	**$ 1,434**

Year ended December 31, *($ in millions)*	Number of loans	Pre-modification amortized cost basis	Post-modification amortized cost basis
2020			
Consumer automotive	114,595	$ 1,908	$ 1,835
Consumer mortgage			
Mortgage Finance	41	20	20
Mortgage — Legacy	74	9	9
Total consumer mortgage	115	29	29
Total consumer	114,710	1,937	1,864
Commercial			
Commercial and industrial			
Automotive	5	45	40
Other	3	81	61
Total commercial	8	126	101
Total consumer and commercial finance receivables and loans	114,718	$ 2,063	$ 1,965

Year ended December 31, *($ in millions)*	Number of loans	Pre-modification amortized cost basis	Post-modification amortized cost basis
2019			
Consumer automotive	27,623	$ 476	$ 413
Consumer mortgage			
Mortgage Finance	8	1	1
Mortgage — Legacy	61	8	8
Total consumer mortgage	69	9	9
Total consumer	27,692	485	422
Commercial			
Commercial and industrial			
Automotive	7	46	46
Other	3	82	46
Total commercial	10	128	92
Total consumer and commercial finance receivables and loans	27,702	$ 613	$ 514

The following table presents information about finance receivables and loans recorded at amortized cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (refer to Note 1 for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

Year ended December 31, *($ in millions)*	Number of loans	Amortized cost	Charge-off amount
2021			
Consumer automotive	**9,295**	**$ 119**	**$ 61**
Consumer mortgage			
Mortgage Finance	**1**	**—**	**—**
Mortgage — Legacy	**4**	**—**	**—**
Total consumer mortgage	**5**	**—**	**—**
Total consumer finance receivables and loans	**9,300**	**$ 119**	**$ 61**
2020			
Consumer automotive	10,070	$ 104	$ 71
Consumer mortgage			
Mortgage Finance	1	—	—
Mortgage — Legacy	1	—	—
Total consumer finance receivables and loans	10,072	$ 104	$ 71
2019			
Consumer automotive	7,215	$ 81	$ 52
Total consumer finance receivables and loans	7,215	$ 81	$ 52

Concentration Risk

Consumer

We monitor our consumer loan portfolio for concentration risk across the states in which we lend. The highest concentrations of consumer loans are in California and Texas, which represented an aggregate of 26.4% and 24.7% of our total consumer automotive and consumer mortgage outstanding finance receivables and loans at December 31, 2021, and December 31, 2020, respectively.

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

	2021 (a)		2020	
December 31,	**Consumer automotive**	**Consumer mortgage**	Consumer automotive	Consumer mortgage
California	**8.7 %**	**39.6 %**	8.6 %	34.3 %
Texas	**13.0**	**7.3**	12.5	8.0
Florida	**9.3**	**6.3**	8.8	5.5
Pennsylvania	**4.4**	**2.3**	4.5	2.0
Georgia	**4.0**	**3.0**	3.9	3.1
North Carolina	**4.1**	**1.6**	4.1	2.3
Illinois	**3.7**	**3.1**	4.0	3.0
New York	**3.3**	**2.1**	3.2	3.4
New Jersey	**3.0**	**2.5**	2.9	2.2
Ohio	**3.4**	**0.5**	3.5	0.5
Other United States	**43.1**	**31.7**	44.0	35.7
Total consumer loans	**100.0 %**	**100.0 %**	100.0 %	100.0 %

(a) Presentation is in descending order as a percentage of total consumer finance receivables and loans at December 31, 2021.

Commercial Real Estate

The commercial real estate portfolio consists of finance receivables and loans issued primarily to automotive dealers. The following table presents the percentage of total commercial real estate finance receivables and loans by state concentration based on amortized cost.

December 31,	**2021**	2020
Florida	**16.4 %**	13.3 %
Texas	**13.9**	13.0
California	**8.3**	7.9
Michigan	**5.8**	7.7
North Carolina	**5.8**	5.5
New York	**3.8**	5.6
Ohio	**3.4**	1.3
Georgia	**3.3**	3.6
Utah	**3.0**	3.0
Illinois	**2.9**	2.8
Other United States	**33.4**	36.3
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.

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

December 31,	**2021**	2020
Industry		
Automotive	**50.8 %**	67.7 %
Chemicals	**14.4**	4.4
Services	**11.0**	5.8
Other	**23.8**	22.1
Total commercial criticized finance receivables and loans	**100.0 %**	100.0 %

10. Leasing

Ally as the Lessee

We have operating leases for our corporate facilities, which have remaining lease terms of 7 months to 10 years. Most of the property leases have fixed payment terms with annual fixed-escalation clauses and include options to extend the leases for periods that range from 1 to 15 years. Some of those lease agreements also include options to terminate the leases in periods that range from approximately 5 to 6 years after the commencement of the leases. We have not included any of these term extensions or termination provisions in our estimates of the lease term, as we do not consider it reasonably certain that the options will be exercised.

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

During the years ended December 31, 2021, and December 31, 2020, we paid $51 million and $49 million in cash for amounts included in the measurement of lease liabilities at December 31, 2021, and December 31, 2020, respectively. These amounts are included in net cash provided by operating activities in the Consolidated Statement of Cash Flows. During the years ended December 31, 2021, and December 31, 2020, we obtained $361 million and $93 million, respectively, of ROU assets in exchange for new lease liabilities. For the year ended December 31, 2021, this balance included a new corporate facility in Charlotte, North Carolina, which we executed a purchase agreement on in July 2021, and reclassified the ROU asset to property and equipment and satisfied the finance lease liability. As of December 31, 2021, the weighted-average remaining lease term of our operating lease portfolio was 6 years, and the weighted-average discount rate was 1.96%, compared to 7 years and 2.21% as of December 31, 2020.

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

Year ended December 31, *($ in millions)*	
2022	**$ 41**
2023	**32**
2024	**26**
2025	**21**
2026	**20**
2027 and thereafter	**46**
Total undiscounted cash flows	**186**
Difference between undiscounted cash flows and discounted cash flows	**(11)**
Total lease liability	**$ 175**

In March 2021, we commenced the lease for a new corporate facility in Charlotte, North Carolina, which included an underlying purchase option. We provided notice of our intent to exercise the purchase option in April 2021, and executed on the purchase agreement in July 2021. Additionally, we agreed to lease a portion of this corporate facility in exchange for $13 million in future lease payments over a ten year lease term. During the year ended December 31, 2021, we recognized $1 million of income associated with this lease agreement.

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Operating lease expense	**$ 46**	$ 46	$ 45
Variable lease expense	**7**	8	8
Total lease expense, net (a)	**$ 53**	$ 54	$ 53

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

Ally as the Lessor

Investment in Operating Leases

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

When we acquire a consumer operating lease, we assume ownership of the vehicle from the dealer. We require that property damage, bodily injury, collision, and comprehensive insurance be obtained by the lessee on all consumer operating leases. Neither the consumer nor the dealer is responsible for the value of the vehicle at the time of lease termination. When vehicles are not purchased by customers or the receiving dealer at scheduled lease termination, the vehicle is returned to us for remarketing. We generally bear the risk of loss to the extent the value of a leased vehicle upon remarketing is below the expected residual value. At termination, our actual sales proceeds from remarketing the vehicle may be higher or lower than the estimated residual value resulting in a gain or loss on remarketing, which is included in net depreciation expense on operating lease assets in our Consolidated Statement of Income. Excessive mileage or excessive wear and tear on the vehicle during the lease may impact the sales proceeds received upon remarketing. As of December 31, 2021, and December 31, 2020, consumer operating leases with a carrying value, net of accumulated depreciation, of $165 million and $352 million, respectively, were covered by a residual value guarantee of 15% of the manufacturer’s suggested retail price.

The following table details our investment in operating leases.

Year ended December 31, *($ in millions)*	2021	2020
Vehicles	**$ 12,384**	$ 11,182
Accumulated depreciation	**(1,522)**	(1,543)
Investment in operating leases, net	**$ 10,862**	$ 9,639

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

Year ended December 31, *($ in millions)*	
2022	**$ 1,546**
2023	**1,140**
2024	**511**
2025	**116**
2026	**8**
Total lease payments from operating leases	**$ 3,321**

We recognized operating lease revenue of $1.6 billion, $1.4 billion, and $1.5 billion for the years ended December 31, 2021, 2020, and 2019, respectively. Depreciation expense on operating lease assets includes net remarketing gains recognized on the sale of operating lease assets. The following table summarizes the components of depreciation expense on operating lease assets.

Year ended December 31, *($ in millions)*	2021	2020	2019
Depreciation expense on operating lease assets (excluding remarketing gains) (a)	**$ 914**	$ 978	$ 1,050
Remarketing gains, net	**(344)**	(127)	(69)
Net depreciation expense on operating lease assets	**$ 570**	$ 851	$ 981

(a) Includes variable lease payments related to excess mileage and excessive wear and tear on vehicles of $16 million during the year ended December 31, 2021, $23 million during the year ended December 31, 2020, and $19 million during the year ended December 31, 2019.

Finance Leases

In our Automotive Finance operations, we also hold automotive leases that require finance lease treatment as prescribed by ASC Topic 842, *Leases*. Our total gross investment in finance leases, which is included in finance receivables and loans, net, on our Consolidated Balance Sheet was $470 million and $450 million as of December 31, 2021, and December 31, 2020, respectively. This includes lease payment receivables of $457 million and $437 million at December 31, 2021, and December 31, 2020, respectively, and unguaranteed residual assets of $13 million at both December 31, 2021, and December 31, 2020. Interest income on finance lease receivables was $27 million for the year ended December 31, 2021, and $24 million for the year ended December 31, 2020, and is included in interest and fees on finance receivables and loans in our Consolidated Statement of Income.

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

Year ended December 31, *($ in millions)*	
2022	**$ 159**
2023	**133**
2024	**111**
2025	**58**
2026	**32**
2027 and thereafter	**13**
Total undiscounted cash flows	**506**
Difference between undiscounted cash flows and discounted cash flows	**(50)**
Present value of lease payments recorded as lease receivable	**$ 456**

11. Securitizations and Variable Interest Entities

Overview

We securitize, transfer, and service consumer and commercial automotive loans. We often securitize these loans (also referred to as financial assets) using SPEs. SPEs are often VIEs and may or may not be included on our Consolidated Balance Sheet.

Securitizations

In executing a securitization, we typically sell pools of financial assets to a wholly owned, bankruptcy-remote SPE, which then transfers the financial assets to a separate, transaction-specific SPE for cash, and typically, other retained interests. The SPE is funded through the issuance of beneficial interests, which could take the form of notes or residual interests and can be sold to investors or retained by us. We typically hold retained beneficial interests in our securitizations including, but not limited to, retained notes, certificated residual interests, as well as certain noncertificated interests retained from the sale of automotive finance receivables. If sold, the beneficial interests only entitle the investors to specified cash flows generated from the underlying securitized assets. If retained, the interests provide credit enhancement to the SPE as they may absorb credit losses or other cash shortfalls and may represent a form of significant continuing economic interests. In addition to providing a source of liquidity and cost-efficient funding, securitizing these financial assets also reduces our credit exposure to the borrowers beyond any economic interest we may retain.

The SPEs are limited to specific activities by their respective legal documents, but are generally allowed to acquire the financial assets, to issue beneficial interests to investors to fund the acquisition of the financial assets, and to enter into interest rate hedges to mitigate certain risks related to the financial assets or beneficial interests of the entity. A servicer, who is generally us, is appointed pursuant to the underlying legal documents to service the assets the SPE holds and the beneficial interests it issues. Servicing functions include, but are not limited to, general collections activity on current and noncurrent accounts, loss mitigation efforts including repossession and sale of collateral, as well as preparing and furnishing statements summarizing the asset and beneficial interest performance. These servicing responsibilities constitute continued involvement in the transferred financial assets.

Cash flows from the securitized financial assets represent the sole source for payment of distributions on the beneficial interests issued by the SPE and for payments to the parties that perform services for the SPE, such as the servicer or the trustee.

We generally hold certain conditional repurchase options specific to securitizations that allow us to repurchase assets from the securitization entity. The majority of the securitizations provide us, as servicer, with a call option that allows us to repurchase the remaining transferred financial assets or redeem outstanding beneficial interests at our discretion once the asset pool reaches a predefined level, which represents the point where servicing becomes administratively burdensome (a clean-up call option). The repurchase price is typically the securitization balance of the assets plus accrued interest when applicable. We generally have discretion regarding when or if we will exercise these options, but we would do so only when it is in our best interest.

Other than our customary representation, warranty, and covenant provisions, these securitizations are nonrecourse to us, thereby transferring the risk of future credit losses to the extent the beneficial interests in the SPEs are held by third parties. Representation, warranty, and certain covenant provisions generally require us to repurchase assets or indemnify the investor or other party for incurred losses to the extent it is determined that the assets were ineligible or were otherwise defective at the time of sale, or otherwise not in compliance with the ongoing covenant obligations. We did not provide any noncontractual financial support to any of these entities during 2021 or 2019. However in 2020, we voluntarily provided cumulative support of less than $1 million to our commercial securitization entity. This entity was temporarily impacted by our COVID-19 deferral program provided to commercial automotive customers.

Variable Interest Entities

The VIEs included on the Consolidated Balance Sheet represent SPEs where we are deemed to be the primary beneficiary, primarily due to our servicing activities and our beneficial interests in the VIE that could be potentially significant. We determine whether we have a potentially significant beneficial interest in the VIE based on the consideration of both qualitative and quantitative factors regarding the nature, size, and form of our involvement in the VIE. The third-party investors in the obligations of consolidated VIEs have legal recourse only to the assets of the VIEs and do not have such recourse to us, except for the customary representation, warranty, and covenant provisions. In addition, the cash flows from the assets are restricted only to pay such liabilities. Thus, our economic exposure to loss from outstanding third-party financing related to consolidated VIEs is limited to the carrying value of the consolidated VIE assets. Generally, all assets of consolidated VIEs are restricted for the beneficial interest holders. For additional information regarding our significant accounting policies for consolidated VIEs, refer to the Variable Interest Entities and Securitizations section of Note 1.

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

There were no sales of financial assets into nonconsolidated VIEs for either the years ended December 31, 2021, 2020, or 2019. For additional information regarding our significant accounting policies for nonconsolidated VIEs, refer to the Variable Interest Entities and Securitizations section of Note 1.

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

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

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

December 31, *($ in millions)*	**Carrying value of total assets**	**Carrying value of total liabilities**	**Assets sold to nonconsolidated VIEs (a)**	**Maximum exposure to loss in nonconsolidated VIEs**
2021				
On-balance sheet variable interest entities				
Consumer automotive	**$ 18,158 (b)**	**$ 1,162 (c)**	**$ —**	**$ —**
Consumer other (d)	**318**	**300**	**—**	**—**
Off-balance sheet variable interest entities				
Commercial other	**1,814 (e)**	**726 (f)**	**—**	**2,416 (g)**
Total	**$ 20,290**	**$ 2,188**	**$ —**	**$ 2,416**
2020				
On-balance sheet variable interest entities				
Consumer automotive	$ 17,833 (b)	$ 3,103 (c)	$ —	$ —
Commercial automotive	6,276	1,152	—	—
Off-balance sheet variable interest entities				
Commercial other	1,295 (e)	529 (f)	—	1,754 (g)
Total	$ 25,404	$ 4,784	$ —	$ 1,754

(a) Asset values represent the current unpaid principal balance of outstanding consumer finance receivables and loans within the VIEs.
(b) Includes $11.0 billion and $9.9 billion of assets that were not encumbered by VIE beneficial interests held by third parties at December 31, 2021, and December 31, 2020, respectively. Ally or consolidated affiliates hold the interests in these assets.
(c) Includes $124 million and $94 million of liabilities that were not obligations to third-party beneficial interest holders at December 31, 2021, and December 31, 2020, respectively.
(d) Represents balances from our credit card business.
(e) Amounts are classified as other assets except for $8 million classified as equity securities at December 31, 2021.
(f) Amounts are classified as accrued expenses and other liabilities.
(g) For certain nonconsolidated affordable housing entities, maximum exposure to loss represents the yield we guaranteed investors through long-term guarantee contracts. The amount disclosed is based on the unlikely event that the yield delivered to investors in the form of low-income tax housing credits is recaptured. For nonconsolidated equity investments, maximum exposure to loss represents our outstanding investment, additional committed capital, and low-income housing tax credits subject to recapture. The amount disclosed is based on the unlikely event that our committed capital is funded, our investments become worthless, and the tax credits previously delivered to us are recaptured. This required disclosure is not an indication of our expected loss.

Cash Flows with Off-Balance Sheet Securitization Entities

The following table summarizes cash flows received and paid related to SPEs and asset-backed financings where the transfer is accounted for as a sale and we have a continuing involvement with the transferred consumer automotive and credit card assets (for example, servicing) that were outstanding during the years ended December 31, 2021, 2020, and 2019. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated SPEs that existed during each period.

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Consumer automotive			
Cash flows received on retained interests in securitization entities	**$ —**	$ 12	$ 23
Servicing fees	**—**	3	10
Cash disbursements for repurchases during the period	**—**	(2)	(2)
Consumer other (a)			
Cash proceeds from transfers completed during the period	**4**	—	—
Total	**$ 4**	$ 13	$ 31

(a) Represents activity from our credit card business.

Delinquencies and Net Credit Losses

During the year ended December 31, 2021, we did not recognize any net credit losses from off-balance sheet securitizations where we have continuing involvement, compared to $2 million of net credit losses recognized from off-balance sheet securitizations where we have continuing involvement during the year ended December 31, 2020.

The following tables present quantitative information about delinquencies and net credit losses for off-balance sheet whole-loan sales where we have continuing involvement.

	Total amount		**Amount 60 days or more past due**	
December 31, *($ in millions)*	**2021**	2020	**2021**	2020
Whole-loan sales (a)				
Consumer other	**$ 4**	$ —	**$ —**	$ —
Total	**$ 4**	$ —	**$ —**	$ —

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

Affordable Housing Investments

We have investments in various limited partnerships that sponsor affordable housing projects, which meet the definition of a VIE. The purpose of these investments is to achieve a satisfactory return on capital through the receipt of LIHTC and to assist us in achieving goals associated with the CRA. Our affordable housing investments are accounted for using the proportional amortization method of accounting, which recognizes the amortized cost of the investment as a component of income tax expense.

The following table summarizes information about our affordable housing investments.

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Affordable housing tax credits and other tax benefits (a)	**$ 144**	$ 109	$ 86
Tax credit amortization expense recognized as a component of income tax expense	**118**	90	72

(a) There were no impairment losses recognized during the years ended December 31, 2021, 2020, and 2019, resulting from the forfeiture or ineligibility of tax credits or other circumstances.

Our investment in qualified affordable housing projects was $1.4 billion and $1.1 billion at December 31, 2021, and December 31, 2020, respectively, and is included within other assets on our Consolidated Balance Sheet. Additionally, unfunded commitments to provide additional capital to investees in qualified affordable housing projects were $724 million and $525 million at December 31, 2021, and December 31, 2020, respectively, and are included within accrued expenses and other liabilities on our Consolidated Balance Sheet. Substantially all of the unfunded commitments at December 31, 2021, are expected to be paid out within the next five years.

12. Premiums Receivable and Other Insurance Assets

Premiums receivable and other insurance assets consisted of the following.

December 31, *($ in millions)*	2021	2020
Prepaid reinsurance premiums	**$ 549**	$ 554
Reinsurance recoverable on unpaid losses	**81**	90
Reinsurance recoverable on paid losses	**23**	23
Premiums receivable	**97**	100
Deferred policy acquisition costs	**1,974**	1,912
Total premiums receivable and other insurance assets	**$ 2,724**	$ 2,679

13. Other Assets

The components of other assets were as follows.

December 31, *($ in millions)*	2021	2020
Property and equipment at cost (a)	**$ 2,139**	$ 1,541
Accumulated depreciation	**(955)**	(815)
Net property and equipment	**1,184**	726
Investment in qualified affordable housing projects	**1,378**	1,095
Nonmarketable equity investments	**998**	915
Goodwill	**822**	343
Accrued interest, fees, and rent receivables	**600**	704
Restricted cash held for securitization trusts (b)	**516**	875
Equity-method investments (c)	**472**	320
Net deferred tax assets	**254**	94
Operating lease right-of-use assets	**148**	162
Net intangible assets	**129**	50
Other accounts receivable	**127**	166
Restricted cash and cash equivalents (d)	**92**	78
Other assets	**1,337**	887
Total other assets	**$ 8,057**	$ 6,415

(a) Balance includes a new corporate facility purchased during the year ended December 31, 2021. Refer to Note 10 for additional information.
(b) Includes restricted cash collected from customer payments on securitized receivables, which are distributed by us to investors as payments on the related secured debt, and cash reserve deposits utilized as a form of credit enhancement for various securitization transactions.
(c) Primarily relates to investments made in connection with our CRA program.
(d) Primarily represents a number of arrangements with third parties where certain restrictions are placed on balances we hold due to collateral agreements associated with operational processes with a third-party bank, or letter of credit arrangements and corresponding collateral requirements.

The total carrying value of the nonmarketable equity investments held at December 31, 2021, and 2020, including cumulative unrealized gains and losses was as follows.

December 31, *($ in millions)*	2021	2020
FHLB stock	**$ 289**	$ 276
FRB stock	**449**	449
Equity securities without a readily determinable fair value		
Cost basis	**89**	87
Adjustments		
Upward adjustments	**183**	115
Downward adjustments (including impairment)	**(12)**	(12)
Carrying amount, equity securities without a readily determinable fair value	**260**	190
Nonmarketable equity investments	**$ 998**	$ 915

During the years ended December 31, 2021, and 2020, unrealized gains and losses included in the carrying value of the nonmarketable equity investments still held as of December 31, 2021, and 2020, were as follows.

Year ended December 31, *($ in millions)*	**2021**	2020
Upward adjustments	**$ 88**	$ 105
Downward adjustments (including impairment) (a)	**(1)**	(6)

(a) No impairment on FHLB and FRB stock was recognized during both the years ended December 31, 2021, and 2020.

Total gain on nonmarketable equity investments, net, which includes both realized and unrealized gains and losses was $142 million and $99 million at December 31, 2021, and December 31, 2020, respectively.

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

($ in millions)	**Automotive Finance operations**	**Insurance operations**	**Corporate and Other (a)**	**Total**
Goodwill at December 31, 2019	$ 20	$ 27	$ 346	$ 393
Impairment losses	—	—	(50)	(50)
Goodwill at December 31, 2020	$ 20	$ 27	$ 296	$ 343
Goodwill acquired	—	—	**479**	**479**
Goodwill at December 31, 2021	**$ 20**	**$ 27**	**$ 775**	**$ 822**

(a) Includes $479 million of goodwill associated with Fair Square at December 31, 2021, $153 million of goodwill associated with Ally Lending at both December 31, 2021, and December 31, 2020, and $143 million of goodwill associated with Ally Invest at both December 31, 2021, and December 31, 2020.

During the year ended December 31, 2020, we recognized a $50 million impairment of goodwill at Ally Invest. The recognition of this impairment was the result of certain business developments that impacted the expected growth and timing of revenue at Ally Invest, which constituted a triggering event for goodwill testing purposes. We used a combination of valuation methodologies, including discounted cash flow and comparable transaction analyses, to determine the fair market value of Ally Invest as of the April 30, 2020, valuation date and determined that the carrying value exceeded fair market value, resulting in the impairment charge in the second quarter of 2020.

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

	2021 (a)			2020		
December 31, *($ in millions)*	**Gross intangible assets**	**Accumulated amortization**	**Net carrying value**	Gross intangible assets	Accumulated amortization	Net carrying value
Technology	**$ 83**	**$ (9)**	**$ 74**	$ 12	$ (6)	$ 6
Customer lists	**58**	**(42)**	**16**	58	(31)	27
Purchased credit card relationships	**25**	**—**	**25**	—	—	—
Trademarks	**2**	**—**	**2**	—	—	—
Other	**39**	**(27)**	**12**	39	(22)	17
Total intangible assets	**$ 207**	**$ (78)**	**$ 129**	$ 109	$ (59)	$ 50

(a) We expect to recognize amortization expense of $31 million in 2022, $25 million in 2023, $18 million in 2024, $14 million in 2025, and $14 million in 2026.

14. Deposit Liabilities

Deposit liabilities consisted of the following.

December 31, *($ in millions)*	**2021**	2020
Noninterest-bearing deposits	**$ 150**	$ 128
Interest-bearing deposits		
Savings, money market, and checking accounts	**102,455**	83,698
Certificates of deposit	**38,953**	53,210
Total deposit liabilities	**$ 141,558**	$ 137,036

At December 31, 2021, and December 31, 2020, certificates of deposit included $7.2 billion and $8.6 billion, respectively, of those in denominations in excess of $250 thousand federal insurance limits.

The following table presents the scheduled maturity of total certificates of deposit at December 31, 2021.

($ in millions)	
Due in 2022	$ 31,955
Due in 2023	4,387
Due in 2024	1,642
Due in 2025	596
Due in 2026	373
Total certificates of deposit (a)	$ 38,953

(a) Includes $5.1 billion of certificates of deposit that are estimated to be uninsured. In some instances, certificates of deposits in excess of federal insurance limits may be insured based upon the number of account owners, beneficiaries, and accounts held.

15. Debt

Short-Term Borrowings

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

	2021			2020		
December 31, *($ in millions)*	**Unsecured**	**Secured (a)**	**Total**	Unsecured	Secured (a)	Total
Demand notes (b)	**$ —**	**$ —**	**$ —**	$ 2,136	$ —	$ 2,136
Total short-term borrowings	**$ —**	**$ —**	**$ —**	$ 2,136	$ —	$ 2,136
Weighted average interest rate (c)			**— %**			0.3 %

(a) Refer to the section below titled *Long-Term Debt* for further details on assets restricted as collateral for payment of the related debt.
(b) On March 1, 2021, we terminated the offering of our demand notes program, and redeemed in full all outstanding demand notes.
(c) Based on the debt outstanding and the interest rate at December 31 of each year.

Long-Term Debt

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

December 31, *($ in millions)*	Amount	Interest rate	Weighted average stated interest rate (a)	Due date range
2021				
Unsecured debt				
Fixed rate (b)	**$ 9,297**			
Hedge basis adjustments (c)	**113**			
Total unsecured debt	**9,410**	**0.60–8.00%**	**4.87 %**	**2022–2031**
Secured debt				
Fixed rate	**7,502**			
Variable rate (d)	**120**			
Hedge basis adjustment (c)	**(3)**			
Total secured debt (e) (f)	**7,619**	**0.72–6.86%**	**2.14 %**	**2022–2025**
Total long-term debt	**$ 17,029**			
2020				
Unsecured debt				
Fixed rate (b)	$ 9,251			
Trust preferred securities (g)	2,578			
Hedge basis adjustments (c)	185			
Total unsecured debt	12,014	0.70–8.00%	5.23 %	2021–2040
Secured debt				
Fixed rate	9,909			
Variable rate (d)	99			
Hedge basis adjustment (c)	(16)			
Total secured debt (e) (f) (h)	9,992	1.45–3.70%	2.51 %	2021–2024
Total long-term debt	$ 22,006			

(a) Based on the debt outstanding and the interest rate at December 31 of each year excluding any impacts of interest rate hedges.
(b) Includes subordinated debt of $1.0 billion at both December 31, 2021, and 2020.
(c) Represents the basis adjustment associated with the application of hedge accounting on certain of our long-term debt positions. Refer to Note 21 for additional information.
(d) Represents long-term debt that does not have a stated interest rate.
(e) Includes $1.3 billion and $4.2 billion of VIE secured debt at December 31, 2021, and 2020, respectively.
(f) Includes advances from the FHLB of Pittsburgh of $6.3 billion and $5.8 billion at December 31, 2021, and 2020, respectively.
(g) Refer to the section below titled *Trust Preferred Securities* for further information.
(h) During the year ended December 31, 2020, we recognized a loss of $99 million on the extinguishment of debt as we elected to prepay and early terminate certain FHLB advances to more cost-effectively manage liquidity at Ally Bank.

	2021			2020		
December 31, *($ in millions)*	**Unsecured**	**Secured**	**Total**	Unsecured	Secured	Total
Long-term debt (a)						
Due within one year	**$ 1,028**	**$ 4,841**	**$ 5,869**	$ 647	$ 4,438	$ 5,085
Due after one year	**8,382**	**2,778**	**11,160**	11,367	5,554	16,921
Total long-term debt	**$ 9,410**	**$ 7,619**	**$ 17,029**	$ 12,014	$ 9,992	$ 22,006

(a) Includes basis adjustments related to the application of hedge accounting. Refer to Note 21 for additional information.

To achieve the desired balance between fixed- and variable-rate debt, we may utilize interest rate swap agreements. The use of these derivative financial instruments had the effect of converting $2.5 billion of our fixed-rate debt into variable-rate obligations at December 31, 2020. We did not have any derivative financial instruments that synthetically converted fixed-rate debt into variable-rate obligations or variable-rate debt into fixed-rate obligations at December 31, 2021.

The following table presents the scheduled remaining maturity of long-term debt at December 31, 2021, assuming no early redemptions will occur. The amounts below include adjustments to the carrying value resulting from the application of hedge accounting. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

($ in millions)	2022	2023	2024	2025	2026	2027 and thereafter	Total
Unsecured							
Long-term debt	$ 1,081	$ 2,082	$ 1,481	$ 2,355	$ 27	$ 3,307	$ 10,333
Original issue discount	(53)	(58)	(65)	(71)	(79)	(597)	(923)
Total unsecured	1,028	2,024	1,416	2,284	(52)	2,710	9,410
Secured							
Long-term debt	4,841	1,482	1,263	23	—	10	7,619
Total long-term debt	$ 5,869	$ 3,506	$ 2,679	$ 2,307	$ (52)	$ 2,720	$ 17,029

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

	2021		2020	
December 31, *($ in millions)*	**Total (a)**	**Ally Bank**	Total (a)	Ally Bank
Consumer mortgage finance receivables	**$ 17,941**	**$ 17,941**	$ 14,979	$ 14,979
Consumer automotive finance receivables	**9,122**	**9,122**	9,953	9,510
Credit card receivables	**347**	**347**	—	—
Commercial finance receivables	**10**	**10**	10,866	10,866
Total assets restricted as collateral (b) (c)	**$ 27,420**	**$ 27,420**	$ 35,798	$ 35,355
Secured debt	**$ 7,619**	**$ 7,619**	$ 9,992	$ 9,634

(a) Ally Bank is a component of the total column.
(b) Ally Bank has an advance agreement with the FHLB, and had assets pledged to secure borrowings that were restricted as collateral to the FHLB totaling $18.0 billion and $20.0 billion at December 31, 2021, and December 31, 2020, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans. Ally Bank has access to the FRB Discount Window and had assets pledged and restricted as collateral to the FRB totaling $2.4 billion at both December 31, 2021, and December 31, 2020. These assets were composed of consumer automotive finance receivables and loans. Availability under these programs is only for the operations of Ally Bank and cannot be used to fund the operations or liabilities of Ally or its other subsidiaries.
(c) Excludes restricted cash and cash reserves for securitization trusts recorded within other assets on the Consolidated Balance Sheet. Refer to Note 13 for additional information.

Trust Preferred Securities

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

On April 22, 2021, we issued $1.35 billion of preferred stock, Series B, and used the proceeds to redeem $1.4 billion, or 56,000,000 shares of the Series 2 TRUPS outstanding, effective May 24, 2021. On June 2, 2021, we issued $1.0 billion of preferred stock, Series C, and used the proceeds to redeem an additional $1.04 billion, or 41,600,000 shares of the Series 2 TRUPS outstanding, effective July 2, 2021. On September 15, 2021, we announced our intent to redeem the remaining $191 million or 7,650,000 shares of the Series 2 TRUPS outstanding. The redemption was effectuated on October 15, 2021. At December 31, 2021, we had no Series 2 TRUPS outstanding.

Funding Facilities

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

The total capacity in our credit facilities is provided by banks through private transactions. The facilities can be revolving in nature, generally having an original tenor ranging from 364 days to two years, and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the commitment period.

Committed Secured Credit Facilities

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

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

16. Accrued Expenses and Other Liabilities

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

December 31, *($ in millions)*	**2021**	2020
Unfunded commitments for investment in qualified affordable housing projects	**$ 724**	$ 525
Accounts payable	**584**	602
Employee compensation and benefits	**512**	316
Deferred revenue	**176**	104
Operating lease liabilities	**175**	187
Reserves for insurance losses and loss adjustment expenses	**122**	129
Fair value of derivative contracts in payable position (a)	**62**	33
Net deferred tax liabilities	**10**	92
Cash collateral received from counterparties	**5**	6
Other liabilities	**383**	440
Total accrued expenses and other liabilities	**$ 2,753**	$ 2,434

(a) For additional information on derivative instruments and hedging activities, refer to Note 21.

17. Equity

Common Stock

The following table presents changes in the number of shares issued and outstanding.

(shares in thousands) (a)	**2021**	2020	2019
Common stock			
Total issued at January 1,	**501,237**	496,958	492,797
New issuances			
Employee benefits and compensation plans	**3,284**	4,279	4,160
Total issued at December 31,	**504,522**	501,237	496,958
Treasury balance at January 1,	**(126,563)**	(122,626)	(87,898)
Repurchase of common stock (b)	**(40,018)**	(3,937)	(34,728)
Total treasury stock at December 31,	**(166,581)**	(126,563)	(122,626)
Total outstanding at December 31,	**337,941**	374,674	374,332

(a) Figures in the table may not recalculate exactly due to rounding. Number of shares issued, in treasury, and outstanding are calculated based on unrounded numbers.

(b) Includes shares of common stock withheld to cover income taxes owed by participants in our share-based incentive plans. Refer to the section titled *Capital Planning and Stress Tests* in Note 20 for additional information regarding our common-stock-repurchase program.

Preferred Stock

Series B Preferred Stock

In April 2021, we issued 1,350,000 shares of 4.700% Fixed-Rate Reset Non-Cumulative Perpetual Preferred Stock, Series B, with $0.01 par value and liquidation preference of $1,000 per share. Proceeds from the offering were used to redeem a portion of our 8.125% Fixed Rate/ Floating Rate Trust Preferred Securities, Series 2 of GMAC Capital Trust I. Dividends on shares of the Series B Preferred Stock are discretionary and are not cumulative. Holders of the Series B Preferred Stock will be entitled to receive, if, when and as declared by our Board, or a duly authorized committee of the Board, out of legally available assets, non-cumulative cash dividends quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, beginning on August 15, 2021. Dividends will accrue (i) from the date of original issue to, but excluding, May 15, 2026, at a fixed rate of 4.700% per annum and (ii) from, and including, May 15, 2026, during each five-year reset period, at a rate per annum equal to the five-year treasury rate as of the most recent reset dividend determination date plus 3.868% on the liquidation preference amount of $1,000 per share. So long as any share of Series B Preferred Stock remains outstanding, unless the dividends for the most recently completed dividend period have been paid in full, or set aside for payment, on all outstanding shares of Series B Preferred Stock, we will be prohibited, subject to certain specified exceptions, from (i) declaring or paying any dividends or making any distributions with respect to any stock that ranks on a parity basis with, or junior in interest to, the Series B Preferred Stock or (ii) repurchasing, redeeming, or otherwise acquiring for consideration, directly or indirectly, any stock that ranks on a parity basis with, or junior in interest to, the Series B Preferred Stock.

The holders of the Series B Preferred Stock do not have voting rights other than those set forth in the certificate of designations for the Series B Preferred Stock included in Ally's Certificate of Incorporation. The Series B Preferred Stock does not have a stated maturity date, and will be perpetual unless redeemed at Ally's option. Ally is not required to redeem the Series B Preferred Stock and holders of the Series B Preferred Stock have no right to require Ally to redeem their shares. Ally may, at its option, redeem the shares of Series B Preferred stock (i) in whole or in part, on any dividend payment date on or after May 15, 2026, or (ii) in whole, but not in part, at any time within 90 days following a regulatory capital treatment event. In the event of any liquidation, dissolution or winding up of the affairs of Ally, holders of the Series B Preferred Stock will be entitled to receive the liquidation amount per share of Series B Preferred Stock and an amount equal to all declared, but unpaid dividends declared prior to the date of payment out of assets available for distribution, before any distribution is made for holders of stock that ranks junior in interest to the Series B Preferred Stock, subject to the rights of Ally's creditors.

Series C Preferred Stock

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

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

The following table summarizes information about our preferred stock.

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

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

18. Accumulated Other Comprehensive (Loss) Income

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

($ in millions)	Unrealized (losses) gains on investment securities (a)	Translation adjustments and net investment hedges (b)	Cash flow hedges (b)	Defined benefit pension plans	Accumulated other comprehensive (loss) income
Balance at December 31, 2018	$ (481)	$ 18	$ 19	$ (95)	$ (539)
Cumulative effect of changes in accounting principles, net of tax					
Adoption of Accounting Standards Update 2017-08	8	—	—	—	8
Balance at January 1, 2019	(473)	18	19	(95)	(531)
Net change	681	1	(17)	(11)	654
Balance at December 31, 2019	208	19	2	(106)	123
Net change	432	—	80	(4)	508
Balance at December 31, 2020	640	19	82	(110)	631
Net change (c)	**(735)**	**—**	**(47)**	**(7)**	**(789)**
Balance at December 31, 2021	**$ (95)**	**$ 19**	**$ 35**	**$ (117)**	**$ (158)**

(a) Represents the after-tax difference between the fair value and amortized cost of our available-for-sale securities portfolio.
(b) For additional information on derivative instruments and hedging activities, refer to Note 21.
(c) Includes activity related to our defined benefit plans based on valuations reflecting our current intention to terminate our qualified defined benefit plan in the future. Upon termination and settlement, the unrealized loss and associated tax effects related to our qualified defined benefit pension plan recorded in accumulated other comprehensive income would be recognized in our Consolidated Statement of Income.

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

Year ended December 31, 2021 *($ in millions)*	Before tax		Tax effect		After tax
Investment securities					
Net unrealized losses arising during the period	**$ (859)**		**$ 203**		**$ (656)**
Less: Net realized gains reclassified to income from continuing operations	**102**	**(a)**	**(23)**	**(b)**	**79**
Net change	**(961)**		**226**		**(735)**
Cash flow hedges (c)					
Less: Net realized gains reclassified to income from continuing operations	**61**	**(d)**	**(14)**	**(b)**	**47**
Defined benefit pension plans					
Net unrealized losses arising during the period (e)	**(11)**		**3**		**(8)**
Less: Net realized losses reclassified to income from continuing operations	**(1)**		**—**	**(b)**	**(1)**
Net change	**(10)**		**3**		**(7)**
Other comprehensive loss	**$ (1,032)**		**$ 243**		**$ (789)**

(a) Includes gains reclassified to other gain on investments, net in our Consolidated Statement of Income.
(b) Includes amounts reclassified to income tax expense from continuing operations in our Consolidated Statement of Income.
(c) For additional information on derivative instruments and hedging activities, refer to Note 21.
(d) Includes gains reclassified to interest and fees on finance receivables and loans in our Consolidated Statement of Income.
(e) Includes activity related to our defined benefit plans based on valuations reflecting our current intention to terminate our qualified defined benefit plan in the future. Upon termination and settlement, the unrealized loss and associated tax effects related to our qualified defined benefit pension plan recorded in accumulated other comprehensive income would be recognized in our Consolidated Statement of Income.

Year ended December 31, 2020 *($ in millions)*	Before tax		Tax effect		After tax
Investment securities					
Net unrealized gains arising during the period	$ 737		$ (173)		$ 564
Less: Net realized gains reclassified to income from continuing operations	171	(a)	(39)	(b)	132
Net change	566		(134)		432
Translation adjustments					
Net unrealized gains arising during the period	4		(1)		3
Net investment hedges (c)					
Net unrealized losses arising during the period	(4)		1		(3)
Cash flow hedges (c)					
Net unrealized gains arising during the period	169		(40)		129
Less: Net realized gains reclassified to income from continuing operations	64	(d)	(15)	(b)	49
Net change	105		(25)		80
Defined benefit pension plans					
Net unrealized losses arising during the period	(5)		1		(4)
Other comprehensive income	$ 666		$ (158)		$ 508

(a) Includes gains reclassified to other gain on investments, net in our Consolidated Statement of Income.
(b) Includes amounts reclassified to income tax expense from continuing operations in our Consolidated Statement of Income.
(c) For additional information on derivative instruments and hedging activities, refer to Note 21.
(d) Includes gains reclassified to interest and fees on finance receivables and loans in our Consolidated Statement of Income.

Year ended December 31, 2019 ($ in millions)	Before tax		Tax effect		After tax
Investment securities					
Net unrealized gains arising during the period	$ 968		$ (227)		$ 741
Less: Net realized gains reclassified to income from continuing operations	78	(a)	(18)	(b)	60
Net change	890		(209)		681
Translation adjustments					
Net unrealized gains arising during the period	7		(2)		5
Net investment hedges (c)					
Net unrealized loss arising during the period	(6)		2		(4)
Cash flow hedges (c)					
Net unrealized losses arising during the period	(11)		4		(7)
Less: Net realized gains reclassified to income from continuing operations	12	(d)	(2)		10
Net change	(23)		6		(17)
Defined benefit pension plans					
Net unrealized losses arising during the period	(14)		3		(11)
Other comprehensive income	$ 854		$ (200)		$ 654

(a) Includes gains reclassified to other gain on investments, net in our Consolidated Statement of Income.
(b) Includes amounts reclassified to income tax expense from continuing operations in our Consolidated Statement of Income.
(c) For additional information on derivative instruments and hedging activities, refer to Note 21.
(d) Includes gains reclassified to interest on deposits and interest on long-term debt in our Consolidated Statement of Income.

19. Earnings per Common Share

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

Year ended December 31, *($ in millions, except per share data; shares in thousands)* (a)	2021	2020	2019
Net income from continuing operations	**$ 3,065**	$ 1,086	$ 1,721
Preferred stock dividends — Series B	**(36)**	—	—
Preferred stock dividends — Series C	**(21)**	—	—
Net income from continuing operations attributable to common stockholders	**$ 3,008**	$ 1,086	$ 1,721
Loss from discontinued operations, net of tax	**(5)**	(1)	(6)
Net income attributable to common stockholders	**$ 3,003**	$ 1,085	$ 1,715
Basic weighted-average common shares outstanding (b)	**362,583**	375,629	393,234
Diluted weighted-average common shares outstanding (b) (c)	**365,180**	377,101	395,395
Basic earnings per common share			
Net income from continuing operations	**$ 8.30**	$ 2.89	$ 4.38
Loss from discontinued operations, net of tax	**(0.01)**	—	(0.02)
Net income	**$ 8.28**	$ 2.89	$ 4.36
Diluted earnings per common share			
Net income from continuing operations	**$ 8.24**	$ 2.88	$ 4.35
Loss from discontinued operations, net of tax	**(0.01)**	—	(0.02)
Net income	**$ 8.22**	$ 2.88	$ 4.34

(a) Figures in the table may not recalculate exactly due to rounding. Earnings per share is calculated based on unrounded numbers.
(b) Includes shares related to share-based compensation that vested but were not yet issued.
(c) During the year ended December 31, 2020, there were 0.8 million in shares underlying share-based awards excluded because their inclusion would have been antidilutive. There were no antidilutive shares during the years ended December 31, 2021, and 2019.

20. Regulatory Capital and Other Regulatory Matters

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

Under the tailoring framework, Ally is a Category IV firm and, as such, is (1) subject to supervisory stress testing on a two-year cycle, (2) required to submit an annual capital plan to the FRB, (3) allowed to exclude accumulated other comprehensive income from regulatory capital, (4) required to maintain a buffer of unencumbered highly liquid assets to meet projected net stressed cash outflows over a 30-day planning horizon, (5) required to conduct liquidity stress tests on a quarterly basis, (6) allowed to engage in more tailored liquidity risk management, including monthly rather than weekly calculations of collateral positions, the elimination of limits for activities that are not relevant to the firm, and fewer required elements of monitoring of intraday liquidity exposures, (7) exempted from company-run capital stress testing requirements, (8) exempted from the requirements of the LCR and the net stable funding ratio provided that our average wSTWF continues to remain under $50 billion, and (9) exempted from the requirements of the supplementary leverage ratio, the countercyclical capital buffer, and single-counterparty credit limits.

We continue to be subject to rules enabling the FRB to conduct supervisory stress testing on a more or less frequent basis based on our financial condition, size, complexity, risk profile, scope of operations, or activities, or risks to the U.S. economy. Further, we remain subject to rules requiring the resubmission of our capital plan if we determine that there has been or will be a material change in our risk profile, financial condition, or corporate structure since we last submitted the capital plan or if the FRB determines that (a) our capital plan is incomplete or our capital plan or internal capital adequacy process contains material weaknesses, (b) there has been, or will likely be, a material change in our risk profile (including a material change in our business strategy or any risk exposure), financial condition, or corporate structure, or (c) the BHC stress scenario(s) are not appropriate for our business model and portfolios, or changes in the financial markets or the macroeconomic outlook that could have a material impact on our risk profile and financial condition require the use of updated scenarios.

Basel Capital Framework

The FRB and other U.S. banking agencies have adopted risk-based and leverage capital standards that establish minimum capital-to-asset ratios for BHCs, like Ally, and depository institutions, like Ally Bank. Ally and Ally Bank are subject to capital requirements issued by U.S. banking regulators that require us to maintain risk-based and leverage capital ratios above minimum levels. The risk-based capital ratios are based on a banking organization's RWAs, which are generally determined under the standardized approach applicable to Ally and Ally Bank by (1) assigning on-balance-sheet exposures to broad risk-weight categories according to the counterparty or, if relevant, the guarantor or collateral (with higher risk weights assigned to categories of exposures perceived as representing greater risk), and (2) multiplying off-balance-sheet exposures by specified credit conversion factors to calculate credit equivalent amounts and assigning those credit equivalent amounts to the relevant risk-weight categories. The leverage ratio, in contrast, is based on an institution's average unweighted on-balance-sheet exposures.

Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary action by regulators that, if undertaken, could have a direct material effect on the Consolidated Financial Statements or the results of operations and financial condition of Ally and Ally Bank. Under capital adequacy guidelines and the regulatory framework for PCA, Ally and Ally Bank must meet specific capital guidelines that involve quantitative measures of capital, assets, and certain off-balance-sheet items. These measures and related classifications, which are used in the calculation of our risk-based and leverage capital ratios and those of Ally Bank, are also subject to qualitative judgments by the regulators about the components of capital, the risk weightings of assets and other exposures, and other factors. The FRB also uses these ratios and guidelines as part of the capital planning and stress testing processes. In addition, in order for Ally to maintain its status as an FHC, Ally and its bank subsidiary, Ally Bank, must remain well capitalized and well managed, as defined under applicable laws. The well-capitalized standard for insured depository institutions, such as Ally Bank, reflects the capital requirements under U.S. Basel III.

Under U.S. Basel III, Ally and Ally Bank must maintain a minimum Common Equity Tier 1 risk-based capital ratio of 4.5%, a minimum Tier 1 risk-based capital ratio of 6%, and a minimum total risk-based capital ratio of 8%. In addition to these minimum risk-based capital ratios, Ally and Ally Bank are subject to a capital conservation buffer requirement, which for Ally was 3.5% and for Ally Bank was 2.5% as of December 31, 2021, as further described in the next paragraph. Failure to maintain more than the full amount of the capital conservation buffer requirement would result in automatic restrictions on the ability of Ally and Ally Bank to make capital distributions, including dividend payments and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. U.S. Basel III also subjects Ally and Ally Bank to a minimum Tier 1 leverage ratio of 4%.

In March 2020, the FRB issued a final rule to more closely align forward-looking stress testing results with the FRB's non-stress regulatory capital requirements for BHCs with $100 billion or more in total consolidated assets and other specified companies. The final rule introduced a stress capital buffer requirement based on firm-specific stress test performance and planned dividends, which for Ally replaced the fixed 2.5% component of the capital conservation buffer requirement. The final rule also made several changes to the CCAR process, such as eliminating the CCAR quantitative objection, narrowing the set of planned capital actions assumed to occur in the stress scenario, assuming that a firm maintains a constant level of assets over the planning horizon, eliminating the 30% dividend payout ratio as a criterion for heightened scrutiny of a firm's capital plan, and allowing a firm to make capital distributions in excess of those included in its capital plan if the firm is otherwise in compliance with the automatic distribution limits of the capital framework. Under the final rule, Ally's stress capital buffer requirement is the greater of 2.5% and the result of the following calculation: (1) the difference between Ally's starting and minimum projected Common Equity Tier 1 capital ratios under the severely adverse scenario in the supervisory stress test, plus (2) the sum of the dollar amount of Ally's planned common stock dividends for each of the fourth through seventh quarters of its nine-quarter capital planning horizon, as a percentage of RWAs. For a Category IV firm like Ally, the capital conservation buffer requirement comprises the stress capital buffer requirement. The capital conservation buffer requirement applicable to Ally's depository-institution subsidiary, Ally Bank, continues to be a fixed 2.5%. Ally received its first preliminary stress capital buffer requirement from the FRB in June 2020, which was determined under this new methodology to be 3.5%, was finalized in August 2020, and became effective in October 2020. In June 2020, the FRB also announced its determination that changes in financial markets or the macroeconomic outlook could have a material effect on the risk profiles and financial conditions of firms subject to the capital-plan rule and that, as a result, the firms (including Ally) would be required to resubmit capital plans to the FRB within 45 days after receiving updated stress scenarios from the FRB. On June 24, 2021, we received notification from the FRB that our stress capital buffer requirement would not be recalculated in connection with the second round of 2020 supervisory stress testing. Refer to the later section titled *Capital Planning and Stress Tests* for more information.

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

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

The risk-based capital ratios and the Tier 1 leverage ratio play a central role in PCA, which is an enforcement framework used by the U.S. banking agencies to constrain the activities of depository institutions based on their levels of regulatory capital. Five categories have been established using thresholds for the Common Equity Tier 1 risk-based capital ratio, the Tier 1 risk-based capital ratio, the total risk-based capital ratio, and the Tier 1 leverage ratio: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. FDICIA generally prohibits a depository institution from making any capital distribution, including any payment of a cash dividend or a management fee to its BHC, if the depository institution would become undercapitalized after the distribution. An undercapitalized institution is also subject to growth limitations and must submit and fulfill a capital restoration plan. While BHCs are not subject to the PCA framework, the FRB is empowered to compel a BHC to take measures—such as the execution of financial or performance guarantees—when PCA is required in connection with one of its depository-institution subsidiaries. In addition, under FDICIA, only well-capitalized and, with a waiver from the FDIC, adequately capitalized institutions may accept brokered deposits, and even adequately capitalized institutions are subject to some restrictions on the rates they may offer for brokered deposits. At December 31, 2021, Ally Bank was well capitalized under the PCA framework.

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

	December 31, 2021		December 31, 2020			
($ in millions)	**Amount**	**Ratio**	Amount	Ratio	Required minimum (a)	Well-capitalized minimum
Capital ratios						
Common Equity Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	**$ 15,143**	**10.34 %**	$ 14,878	10.64 %	4.50 %	(b)
Ally Bank	**17,253**	**12.39**	17,567	13.38	4.50	6.50 %
Tier 1 (to risk-weighted assets)						
Ally Financial Inc.	**$ 17,403**	**11.89 %**	$ 17,289	12.37 %	6.00 %	6.00 %
Ally Bank	**17,253**	**12.39**	17,567	13.38	6.00	8.00
Total (to risk-weighted assets)						
Ally Financial Inc.	**$ 19,724**	**13.47 %**	$ 19,778	14.15 %	8.00 %	10.00 %
Ally Bank	**18,995**	**13.64**	19,210	14.63	8.00	10.00
Tier 1 leverage (to adjusted quarterly average assets) (c)						
Ally Financial Inc.	**$ 17,403**	**9.67 %**	$ 17,289	9.41 %	4.00 %	(b)
Ally Bank	**17,253**	**10.12**	17,567	10.12	4.00	5.00 %

(a) In addition to the minimum risk-based capital requirements for the Common Equity Tier 1 capital, Tier 1 capital, and total capital ratios, Ally was required to maintain a minimum capital conservation buffer of 3.5% at both December 31, 2021, and December 31, 2020, and Ally Bank was required to maintain a minimum capital conservation buffer of 2.5% at both December 31, 2021, and December 31, 2020.
(b) Currently, there is no ratio component for determining whether a BHC is “well-capitalized.”
(c) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.

In December 2018, the FRB and other U.S. banking agencies approved a final rule to address the impact of CECL on regulatory capital by allowing BHCs and banks, including Ally, the option to phase in the day-one impact of CECL over a three-year period. In March 2020, the FRB and other U.S. banking agencies issued an interim final rule that became effective for the first quarter of 2020 and that provided BHCs and banks with an alternative option to temporarily delay an estimate of the impact of CECL, relative to the incurred loss methodology for estimating the allowance for loan losses, on regulatory capital. The interim final rule was clarified and adjusted in a final rule that became effective in September 2020. We elected this alternative option instead of the one described in the December 2018 rule. As a result, under the final rule, we delayed recognizing the estimated impact of CECL on regulatory capital until after a two-year deferral period, which for us extended through December 31, 2021. Beginning on January 1, 2022, we are required to phase in 25% of the previously deferred estimated capital impact of CECL, with an additional 25% to be phased in at the beginning of each subsequent year until fully phased in by the first quarter of 2025. The estimated impact of CECL on regulatory capital that we deferred and began phasing in on January 1, 2022, is generally calculated as the entire day-one impact at adoption plus 25% of the subsequent change in allowance during the two-year deferral period. As of December 31, 2021, the total deferred impact on Common Equity Tier 1 capital related to our adoption of CECL was $1.2 billion.

In December 2017, the Basel Committee approved revisions to the global Basel III capital framework (commonly known as the Basel III endgame or as Basel IV), many of which—if adopted in the United States—could heighten regulatory capital standards. In March 2020, to better allow banking organizations to focus their resources on navigating the COVID-19 pandemic, the implementation date of these revisions was delayed by the Basel Committee from January 1, 2022, to January 1, 2023. At this time, how the revisions will be harmonized and finalized in the United States is not clear or predictable, and we continue to evaluate the impacts that these revisions may have on us.

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

Capital Planning and Stress Tests

Under the tailoring framework described earlier in the section titled *Basel Capital Framework*, we are generally subject to supervisory stress testing on a two-year cycle and exempted from mandated company-run capital stress testing requirements. We are also required to submit an annual capital plan to the FRB. Our annual capital plan must include an assessment of our expected uses and sources of capital and a description of all planned capital actions over a nine-quarter planning horizon, including any issuance of a debt or equity capital instrument, any dividend or other capital distribution, and any similar action that the FRB determines could have an impact on our capital. The plan must also include a detailed description of our process for assessing capital adequacy, including a discussion of how we, under expected and stressful conditions, will maintain capital commensurate with our risks and above the minimum regulatory capital ratios, will serve as a source of strength to Ally Bank, and will maintain sufficient capital to continue our operations by maintaining ready access to funding, meeting our obligations to creditors and other counterparties, and continuing to serve as a credit intermediary.

We submitted our 2020 capital plan in April 2020, which included planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon. In June 2020, the FRB provided us with the results of the supervisory stress test, additional industry-wide sensitivity analyses conducted in light of the COVID-19 pandemic, and our preliminary stress capital buffer requirement. As described earlier in the section titled *Basel Capital Framework*, we updated our capital plan in light of revised stress scenarios from the FRB and submitted our updated plan to the FRB in November 2020. In December 2020, the FRB publicly disclosed summary results of its second round of supervisory stress testing and extended its deadline for notifying firms about whether their stress capital buffer requirements will be recalculated to March 31, 2021. On March 25, 2021, the FRB further extended this deadline to June 30, 2021. On June 24, 2021, we received notification from the FRB that our stress capital buffer requirement would not be recalculated in connection with the second round of 2020 supervisory stress testing.

In June 2020, the FRB announced several actions to ensure that large firms, such as Ally, would remain resilient despite the economic uncertainty from the COVID-19 pandemic, including for the third quarter of 2020 (1) the suspension of repurchases by any firm of its common stock, except repurchases relating to issuances of common stock related to employee stock ownership plans, and (2) the disallowance of any increase by a firm in the amount of its common-stock dividends and the imposition of a common-stock dividend limit equal to the average of the firm's net income for the four preceding calendar quarters. These restrictions were extended by the FRB for the fourth quarter of 2020. In December 2020, the FRB extended and modified these restrictions for the first quarter of 2021 to limit aggregate common-stock dividends and share repurchases to an amount equal to the average of the firm's net income for the four preceding calendar quarters subject to specified exceptions. On March 25, 2021, the FRB extended these modified restrictions for the second quarter of 2021 and announced that, for a firm such as Ally that is not subject to the 2021 supervisory stress test and on a two-year cycle, the additional restrictions will end after June 30, 2021, and the firm's stress capital buffer requirement based on the June 2020 supervisory stress test results will remain in place. On January 11, 2021, our Board authorized a stock-repurchase program, permitting us to repurchase up to $1.6 billion of our common stock from time to time from the first quarter of 2021 through the fourth quarter of 2021 subject to restrictions imposed by the FRB. On July 12, 2021, our Board authorized an increase in the maximum amount of this stock-repurchase program, from $1.6 billion to $2.0 billion. On January 10, 2022, our Board authorized a stock-repurchase program, permitting us to repurchase up to $2.0 billion of our common stock from time to time from the first quarter of 2022 through the fourth quarter of 2022, and an increase in our cash dividend on common stock from $0.25 per share for the fourth quarter of 2021 to $0.30 per share for the first quarter of 2022.

In January 2021, the FRB issued a final rule effective April 5, 2021, to align its capital planning and stress capital buffer requirements with the tailoring framework. Under the final rule, unless otherwise directed by the FRB in specified circumstances, Ally and other Category IV firms are generally no longer required to calculate forward-looking projections of revenues, losses, reserves, and pro forma capital levels under scenarios provided by the FRB. Each firm continues to be required, however, to provide a forward-looking analysis of income and capital levels under expected and stressful conditions that are designed by the firm. In addition, for Category IV firms, the final rule updated the frequency of calculating the portion of the stress capital buffer derived from the supervisory stress test to every other year. These firms have the ability to elect to participate in the supervisory stress test—and receive a correspondingly updated stress capital buffer requirement—in a year in which they would not generally be subject to the supervisory stress test. During a year in which a Category IV firm does not undergo a supervisory stress test, the firm would receive an updated stress capital buffer requirement that reflects its updated planned common-stock dividends. The final rule also includes reporting and other changes consistent with the tailoring framework. Ally did not opt into the 2021 supervisory stress test but will be subject to the 2022 supervisory stress test, with submissions due by April 5, 2022.

We submitted our 2021 capital plan on April 5, 2021, which includes planned capital distributions to common stockholders through share repurchases and cash dividends over the nine-quarter planning horizon and other capital actions. During the second quarter of 2021, we issued $1.35 billion of Series B Preferred Stock and $1.0 billion of Series C Preferred Stock, both of which qualify as additional Tier 1 capital under U.S. Basel III. The proceeds from these issuances were used to redeem a portion of the Series 2 TRUPS then outstanding. Refer to Note 15 and Note 17 for additional details about these instruments and capital actions. In June 2021, we submitted an updated capital plan to the FRB reflecting these capital actions and the increases in our stock-repurchase program and common-stock dividend described above. This updated capital plan was used by the FRB to recalculate Ally's final stress capital buffer requirement, which was announced in August 2021 and remained unchanged at 3.5%. Our ability to make capital distributions, including our ability to pay dividends or repurchase shares of our common stock, will continue to be subject to the FRB's review and our internal governance requirements, including approval by our Board. The amount and size of any future dividends and share repurchases also will be subject to various factors, including Ally's capital and

liquidity positions, accounting and regulatory considerations (including any restrictions that may be imposed by the FRB), impacts related to the COVID-19 pandemic, financial and operational performance, alternative uses of capital, common-stock price, and general market conditions, and may be extended, modified, or discontinued at any time.

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

	Common stock repurchased during period (a) (b)		Number of common shares outstanding		Cash dividends declared per common share (c)
($ in millions, except per share data; shares in thousands)	Approximate dollar value	Number of shares	Beginning of period	End of period	
2020					
First quarter	$ 104	3,838	374,332	373,155	$ 0.19
Second quarter	—	53	373,155	373,837	0.19
Third quarter	1	9	373,837	373,857	0.19
Fourth quarter	1	37	373,857	374,674	0.19
2021					
First quarter	$ 219	5,276	374,674	371,805	$ 0.19
Second quarter	502	9,641	371,805	362,639	0.19
Third quarter	679	13,055	362,639	349,599	0.25
Fourth quarter	**594**	**12,046**	**349,599**	**337,941**	**0.25**

(a) Includes shares of common stock withheld to cover income taxes owed by participants in our share-based incentive plans.
(b) On March 17, 2020, we announced the voluntary suspension of our stock-repurchase program through its termination on June 30, 2020. Consistent with the FRB's restrictions on common-stock repurchases for large firms such as Ally, described above, we did not implement a new stock-repurchase program or repurchase shares of our common stock, except in connection with compensation plans, for the remainder of 2020. Refer to the discussion above for further details about this action.
(c) On January 10, 2022, our Board declared a quarterly cash dividend of $0.30 per share on all common stock, payable on February 15, 2022, to stockholders of record at the close of business on February 1, 2022. Refer to Note 30 for further information regarding this common-stock dividend.

Depository Institutions

Ally Bank is a member of the Federal Reserve System and is subject to regulation, supervision, and examination by the FRB and the UDFI. Ally Bank's deposits are insured by the FDIC, and Ally Bank is required to file periodic reports with the FDIC concerning its financial condition. Total assets of Ally Bank were $172.8 billion and $172.0 billion at December 31, 2021, and 2020, respectively. Federal and Utah law place a number of conditions, restrictions, and limitations on dividends and other capital distributions that may be paid by Ally Bank to Ally. Dividends or other distributions made by Ally Bank to Ally were $3.5 billion and $1.2 billion in 2021 and 2020, respectively.

Ally Bank is required to satisfy regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory actions by federal, state, and foreign agencies that could have a material effect on our results of operations and financial condition. Ally Bank was in compliance with these requirements at December 31, 2021.

In January 2021 the FDIC announced that, given the passage of time since the last submission of resolution plans and the uncertain economic outlook, the FDIC will resume requiring resolution plan submissions for insured depository institutions with $100 billion or more in assets, including Ally Bank. In June 2021 the FDIC outlined a modified approach to implementing its rule requiring these insured depository institutions to submit resolution plans. The modified approach extends the submission frequency to a three-year cycle, streamlines content requirements, and places enhanced emphasis on engagement with firms. Under the modified approach, resolution plans will be submitted in two groups, with the first group consisting of insured depository institutions, like Ally Bank, whose top-tier parent company is not a U.S. global systemically important bank or a Category II firm and the second group consisting of all other insured depository institutions with $100 billion or more in total assets. In August 2021, the FDIC notified Ally Bank that its next resolution plan submission is due on or before December 1, 2022.

Insurance Companies

Certain of our Insurance operations are subject to minimum aggregate capital requirements, net asset and dividend restrictions under applicable state and foreign insurance laws, and the rules and regulations promulgated by various U.S. and foreign regulatory agencies. Under various state and foreign insurance regulations, dividend distributions may be made only from statutory unassigned surplus, with approvals required from the regulatory authorities for dividends in excess of certain statutory limitations. At December 31, 2021, the maximum dividend that could be paid by the U.S. insurance subsidiaries over the next 12 months without prior statutory approval was $111 million.

21. Derivative Instruments and Hedging Activities

We enter into derivative instruments, which may include interest rate swaps, foreign-currency forwards, equity options, and interest rate options in connection with our risk-management activities. Our primary objective for utilizing derivative financial instruments is to manage

interest rate risk associated with our fixed-rate and variable-rate assets and liabilities, foreign exchange risks related to our foreign-currency denominated assets and liabilities, and other market risks related to our investment portfolio.

Interest Rate Risk

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

Derivatives qualifying for hedge accounting treatment can include receive-fixed swaps designated as fair value hedges of specific fixed-rate unsecured debt obligations, receive-fixed swaps designated as fair value hedges of specific fixed-rate FHLB advances, pay-fixed swaps designated as fair value hedges of securities within our available-for-sale portfolio, and pay-fixed swaps designated as fair value hedges of closed portfolios of fixed-rate held-for-investment consumer automotive loan assets in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. Other derivatives qualifying for hedge accounting consist of pay-fixed swaps designated as cash flow hedges of the expected future cash flows in the form of interest payments on certain variable-rate borrowings and deposit liabilities, receive-fixed swaps designated as cash flow hedges of the expected future cash flows in the form of interest receipts on certain securities within our available-for-sale portfolio, as well as interest rate floor contracts designated as cash flow hedges of the expected future cash flows in the form of interest receipts on a portion of our dealer floorplan commercial loans.

We execute economic hedges, which may consist of interest rate swaps, interest rate caps, forwards, and options to mitigate interest rate risk.

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

Foreign Exchange Risk

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

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

Investment Risk

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

Credit Risk

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

Counterparty Credit Risk

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

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

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

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

Certain derivative instruments contain provisions that require us to either post additional collateral or immediately settle any outstanding liability balances upon the occurrence of a specified credit-risk-related event. No such specified credit-risk-related events occurred during the years ended December 31, 2021, 2020, or 2019.

We placed cash and noncash collateral totaling $2 million and $203 million, respectively, supporting our derivative positions at December 31, 2021, compared to $4 million and $145 million of cash and noncash collateral at December 31, 2020, in accounts maintained by counterparties. These amounts include collateral placed at clearinghouses and exclude cash and noncash collateral pledged under repurchase agreements. The receivables for cash collateral placed are included on our Consolidated Balance Sheet in other assets.

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

Balance Sheet Presentation

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

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

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

	2021			2020		
	Derivative contracts in a			Derivative contracts in a		
December 31, *($ in millions)*	**receivable position**	**payable position**	**Notional amount**	receivable position	payable position	Notional amount
Derivatives designated as accounting hedges						
Interest rate contracts						
Swaps	**$ —**	**$ —**	**$ 17,039**	$ —	$ —	$ 12,385
Foreign exchange contracts						
Forwards	**—**	**2**	**171**	1	—	164
Total derivatives designated as accounting hedges	**—**	**2**	**17,210**	1	—	12,549
Derivatives not designated as accounting hedges						
Interest rate contracts						
Futures and forwards	**1**	**—**	**223**	1	—	391
Written options	**5**	**2**	**580**	15	—	587
Total interest rate risk	**6**	**2**	**803**	16	—	978
Foreign exchange contracts						
Futures and forwards	**—**	**1**	**154**	—	1	159
Total foreign exchange risk	**—**	**1**	**154**	—	1	159
Credit contracts (a)						
Other credit derivatives	**—**	**56**	**n/a**	—	28	n/a
Total credit risk	**—**	**56**	**n/a**	—	28	n/a
Equity contracts						
Written options	**—**	**1**	**2**	—	4	2
Purchased options	**1**	**—**	**—**	—	—	—
Total equity risk	**1**	**1**	**2**	—	4	2
Total derivatives not designated as accounting hedges	**7**	**60**	**959**	16	33	1,139
Total derivatives	**$ 7**	**$ 62**	**$ 18,169**	$ 17	$ 33	$ 13,688

n/a = not applicable

(a) The maximum potential amount of undiscounted future payments that could be required under these credit derivatives was $119 million and $56 million as of December 31, 2021, and December 31, 2020, respectively.

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

	Carrying amount of the hedged items		Cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged items			
			Total		Discontinued (a)	
December 31, *($ in millions)*	**2021**	2020	**2021**	2020	**2021**	2020
Assets						
Available-for-sale securities (b) (c)	**$ 5,119**	$ 1,259	**$ (14)**	$ 39	**$ (30)**	$ 28
Finance receivables and loans, net (d)	**44,098**	28,393	**(37)**	225	**46**	72
Liabilities						
Long-term debt	**$ 7,213**	$ 8,656	**$ 110**	$ 169	**$ 110**	$ 203

(a) Represents the fair value hedging adjustment on qualifying hedges for which the hedging relationship was discontinued. This represents a subset of the amounts reported in the total hedging adjustment.

(b) The carrying amount of hedged available-for-sale securities is presented above using amortized cost and includes $3.9 billion and $592 million at December 31, 2021, and December 31, 2020, respectively, related to closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. Refer to Note 8 for a reconciliation of the amortized cost and fair value of available-for-sale securities.

(c) The amount that is identified as the last of layer in the open hedge relationship was $1.2 billion as of December 31, 2021. The basis adjustment associated with the open last of layer relationship was a $14 million asset as of December 31, 2021, which would be allocated across the entire remaining pool upon termination or maturity of the hedge relationship. The amount that has been identified as the last of layer in the discontinued hedge relationship was $8.6 billion and $1.2 billion as of December 31, 2021, and December 31, 2020, respectively. This amount is cumulative and is not adjusted as amortization of the associated basis runs off. The basis adjustment associated with the discontinued last of layer relationship was a $20 million liability as of December 31, 2021, and a $20 million asset as of December 31, 2020, which was allocated across the entire remaining pool upon termination of the hedge relationship. There were no last of layer relationships as of December 31, 2020.

(d) The hedged item represents the carrying value of the hedged portfolio of assets. The amount identified as the last of layer in the open hedge relationship was $15.6 billion and $9.4 billion at December 31, 2021, and December 31, 2020, respectively. The basis adjustment associated with the open last-of-layer relationship was a $82 million liability as of December 31, 2021, and a $153 million asset as of December 31, 2020, which would be allocated across the entire remaining closed pool upon termination or maturity of the hedge relationship. The amount that is identified as the last of layer in the discontinued hedge relationship was $20.9 billion at December 31, 2021, and $18.5 billion at December 31, 2020. This amount is cumulative and is not adjusted as amortization of the associated basis runs off. The basis adjustment associated with the discontinued last-of-layer hedge relationship was a $46 million asset and a $72 million asset as of December 31, 2021, and December 31, 2020, respectively, which was allocated across the entire remaining pool upon termination of the hedge relationship.

Statement of Income Presentation

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019
(Loss) gain recognized in earnings			
Interest rate contracts			
(Loss) gain on mortgage and automotive loans, net	**$ (12)**	$ (10)	$ 1
Other income, net of losses	**8**	(19)	(11)
Total interest rate contracts	**(4)**	(29)	(10)
Foreign exchange contracts			
Other operating expenses	**(1)**	(7)	(4)
Total foreign exchange contracts	**(1)**	(7)	(4)
Credit contracts			
Interest and fees on finance receivables and loans	**—**	(4)	—
Other income, net of losses	**(24)**	(1)	—
Total credit contracts	**(24)**	(5)	—
Total loss recognized in earnings	**$ (29)**	$ (41)	$ (14)

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

	Interest and fees on finance receivables and loans			Interest and dividends on investment securities and other earning assets			Interest on deposits			Interest on long-term debt		
Year ended December 31, *($ in millions)*	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Gain (loss) on fair value hedging relationships												
Interest rate contracts												
Hedged fixed-rate unsecured debt	**$ —**	$ —	$ —	**$ —**	$ —	$ —	**$ —**	$ —	$ —	**$ 68**	$ (135)	$ 41
Derivatives designated as hedging instruments on fixed-rate unsecured debt	**—**	—	—	**—**	—	—	**—**	—	—	**(68)**	135	(41)
Hedged available-for-sale securities	**—**	—	—	**(40)**	38	28	**—**	—	—	**—**	—	—
Derivatives designated as hedging instruments on available-for-sale securities	**—**	—	—	**40**	(38)	(28)	**—**	—	—	**—**	—	—
Hedged fixed-rate consumer automotive loans	**(215)**	139	138	**—**	—	—	**—**	—	—	**—**	—	—
Derivatives designated as hedging instruments on fixed-rate consumer automotive loans	**215**	(139)	(138)	**—**	—	—	**—**	—	—	**—**	—	—
Total gain on fair value hedging relationships	**—**	—	—	**—**	—	—	**—**	—	—	**—**	—	—
Gain (loss) on cash flow hedging relationships												
Interest rate contracts												
Hedged variable rate borrowings												
Reclassified from accumulated other comprehensive income into income	**—**	—	—	**—**	—	—	**—**	—	—	**—**	—	15
Hedged deposit liabilities												
Reclassified from accumulated other comprehensive income into income	**—**	—	—	**—**	—	—	**(1)**	(8)	(4)	**—**	—	—
Hedged variable-rate commercial loans												
Reclassified from accumulated other comprehensive income into income	**58**	73	—	**—**	—	—	**—**	—	—	**—**	—	—
Reclassified from accumulated other comprehensive income into income as a result of a forecasted transaction being probable not to occur	**4**	—	—	**—**	—	—	**—**	—	—	**—**	—	—
Total gain (loss) on cash flow hedging relationships	**$ 62**	$ 73	**$ —**	**$ —**	$ —	$ —	**$ (1)**	$ (8)	$ (4)	**$ —**	$ —	$ 15
Total amounts presented in the Consolidated Statement of Income	**$ 6,468**	$ 6,581	$ 7,337	**$ 600**	$ 736	$ 955	**$ 1,045**	$ 1,952	$ 2,538	**$ 860**	$ 1,249	$ 1,570

During the next 12 months, we estimate $21 million of gains will be reclassified into pretax earnings from derivatives designated as cash flow hedges.

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

	Interest and fees on finance receivables and loans			Interest and dividends on investment securities and other earning assets			Interest on deposits			Interest on long-term debt		
Year ended December 31, *($ in millions)*	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Gain (loss) on fair value hedging relationships												
Interest rate contracts												
Amortization of deferred unsecured debt basis adjustments	**$ —**	$ —	$ —	**$ —**	$ —	$ —	**$ —**	$ —	$ —	**$ 4**	$ 12	$ 25
Interest for qualifying accounting hedges of unsecured debt	**—**	—	—	**—**	—	—	**—**	—	—	**5**	—	—
Amortization of deferred secured debt basis adjustments (FHLB advances)	**—**	—	—	**—**	—	—	**—**	—	—	**(13)**	(22)	(23)
Amortization of deferred basis adjustments of available-for-sale securities	**—**	—	—	**(4)**	(7)	(3)	**—**	—	—	**—**	—	—
Interest for qualifying accounting hedges of available-for-sale securities	**—**	—	—	**(6)**	(6)	2	**—**	—	—	**—**	—	—
Amortization of deferred loan basis adjustments	**(46)**	(49)	(28)	**—**	—	—	**—**	—	—	**—**	—	—
Interest for qualifying accounting hedges of consumer automotive loans held for investment	**(122)**	(121)	22	**—**	—	—	**—**	—	—	**—**	—	—
Total (loss) gain on fair value hedging relationships	**(168)**	(170)	(6)	**(10)**	(13)	(1)	**—**	—	—	**(4)**	(10)	2
(Loss) gain on cash flow hedging relationships												
Interest rate contracts												
Interest for qualifying accounting hedges of deposit liabilities	**—**	—	—	**—**	—	—	**—**	—	(1)	**—**	—	—
Interest for qualifying accounting hedges of variable-rate commercial loans	**—**	1	1	**—**	—	—	**—**	—	—	**—**	—	—
Total gain (loss) on cash flow hedging relationships	**$ —**	$ 1	$ 1	**$ —**	$ —	$ —	**$ —**	$ —	$ (1)	**$ —**	$ —	$ —

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Interest rate contracts			
(Loss) gain recognized in other comprehensive (loss) income	**$ (61)**	$ 105	$ (23)

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

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Foreign exchange contracts (a) (b)			
Loss recognized in other comprehensive (loss) income	**$ —**	$ (4)	$ (6)

(a) There were no amounts excluded from effectiveness testing for the years ended December 31, 2021, 2020, or 2019.

(b) Gains and losses reclassified from accumulated other comprehensive income are reported as other income, net of losses, in the Consolidated Statement of Income. There were no amounts reclassified for the years ended December 31, 2021, 2020, or 2019.

22. Income Taxes

The significant components of income tax expense from continuing operations were as follows.

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Current income tax expense (benefit)			
U.S. federal	**$ 502**	$ —	$ (2)
Foreign	**4**	6	4
State and local	**168**	80	65
Total current expense	**674**	86	67
Deferred income tax expense (benefit)			
U.S. federal	**151**	280	178
Foreign	**—**	1	2
State and local	**(35)**	(39)	(1)
Total deferred expense	**116**	242	179
Total income tax expense from continuing operations	**$ 790**	$ 328	$ 246

A reconciliation of income tax expense from continuing operations with the amounts at the statutory U.S. federal income tax rate is shown in the following table.

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Statutory U.S. federal tax expense	**$ 810**	$ 297	$ 413
Change in tax resulting from			
State and local income taxes, net of federal income tax benefit	**106**	36	50
Valuation allowance change, excluding expirations	**(78)**	(3)	(219)
Tax credits, excluding expirations	**(58)**	(29)	(27)
Nondeductible expenses	**30**	37	29
Other, net	**(20)**	(10)	—
Total income tax expense from continuing operations	**$ 790**	$ 328	$ 246

For the year ended December 31, 2021, consolidated income tax expense from continuing operations was largely driven by pretax earnings for the year, partially offset by a tax benefit from the release of valuation allowance on foreign tax credit carryforwards during the second quarter of 2021. For the year ended December 31, 2020, consolidated income tax expense from continuing operations was largely driven by pretax earnings for the year. For the year ended December 31, 2019, consolidated income tax expense from continuing operations was driven by pretax earnings for the year, partially offset by the release of valuation allowance on foreign tax credit carryforwards during the second quarter of 2019.

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

The significant components of deferred tax assets and liabilities are reflected in the following table.

December 31, *($ in millions)*	**2021**	2020
Deferred tax assets		
Tax credit carryforwards	**$ 1,014**	$ 1,786
Adjustments to loan value	**920**	923
U.S. federal tax loss carryforwards (b)	**256**	—
State and local taxes	**233**	191
Other	**604**	366
Gross deferred tax assets	**3,027**	3,266
Valuation allowance	**(839)**	(835)
Deferred tax assets, net of valuation allowance	**2,188**	2,431
Deferred tax liabilities		
Lease transactions	**1,385**	1,809
Deferred acquisition costs	**403**	391
Other	**156**	229
Gross deferred tax liabilities	**1,944**	2,429
Net deferred tax assets (a)	**$ 244**	$ 2

(a) Amounts include $254 million and $94 million of net deferred tax assets included in other assets on our Consolidated Balance Sheet for tax jurisdictions in a total net deferred tax asset position at December 31, 2021, and 2020, respectively, and $10 million and $92 million included in accrued expenses and other liabilities on our Consolidated Balance Sheet for tax jurisdictions in a total net deferred tax liability position.
(b) Primarily the result of a 100% bonus depreciation election for 2021 operating lease originations.

The following table summarizes net deferred tax assets including related valuation allowances at December 31, 2021.

($ in millions)	**Deferred tax asset (liability)**		**Valuation allowance**	**Net deferred tax asset (liability)**	**Years of expiration**
Tax credit carryforwards					
Foreign tax credits	**$ 1,014**		**$ (709)**	**$ 305**	**2022–2031**
Tax loss carryforwards					
Net operating losses — federal	**256**	**(a)**	**—**	**256**	**2027–Indefinite**
Net operating losses — state	**166**	**(b)**	**(130)**	**36**	**2022–Indefinite**
Total U.S. federal and state tax loss carryforwards	**422**		**(130)**	**292**	
Other net deferred tax liabilities	**(353)**		**—**	**(353)**	**n/a**
Net deferred tax assets (liabilities)	**$ 1,083**		**$ (839)**	**$ 244**	

(a) Federal net operating loss carryforwards are included in the U.S. federal tax loss carryforwards total disclosed in our deferred inventory table above.
(b) State net operating loss carryforwards are included in the state and local taxes and other liabilities totals disclosed in our deferred inventory table above.

As of December 31, 2021, we have recognized negligible deferred tax liabilities for incremental U.S. federal taxes that stem from temporary differences related to investment in foreign subsidiaries or corporate joint ventures as there is no assertion of indefinite reinvestment outside of the United States.

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits.

($ in millions)	**2021**	2020	2019
Balance at January 1,	**$ 53**	$ 48	$ 44
Additions based on tax positions related to the current year	**—**	—	—
Additions for tax positions of prior years	**7**	5	11
Reductions for tax positions of prior years	**(7)**	—	(5)
Settlements	**—**	—	(2)
Expiration of statute of limitations	**—**	—	—
Balance at December 31,	**$ 53**	$ 53	$ 48

Included in the unrecognized tax benefits balances are some items, the recognition of which would not affect the effective tax rate, such as the tax effect of certain temporary differences and the portion of gross state unrecognized tax benefits that would be offset by the tax benefit of the associated U.S. federal deduction. The balance of unrecognized tax benefits that, if recognized, would affect our effective tax rate is $42 million for both the years ended December 31, 2021, and 2020 and $38 million for the year ended December 31, 2019.

We recognize accrued interest and penalties related to uncertain income tax positions in interest expense and other operating expenses, respectively. For each of the years ended December 31, 2021, 2020, and 2019, the cumulative accrued balance for interest and penalties was $1 million or less and interest and penalties of less than $1 million were accrued each year.

It is reasonably possible that the unrecognized tax benefits will decrease by up to $52 million over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdictions.

We file tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. Our most significant operations are in the United States and Canada. The oldest tax years that remain subject to examination for those jurisdictions are 2018 and 2011, respectively.

23. Share-based Compensation Plans

Awards of equity-based compensation to our named executive officers and other employees are governed by the Company's Incentive Compensation Plan (ICP), which was approved by the Company's stockholders and amended and restated effective as of May 4, 2021. These awards primarily take the form of (1) stock-settled and cash-settled PSUs that vest in whole on the third anniversary of the grant date, subject to the achievement of applicable performance goals and continued employment through that time, and (2) stock-settled RSUs that vest one-third on each of the first, second, and third anniversaries of the grant date, in each case, subject to continued employment through that time. Other awards—such as those granted under our #OwnIt Annual Grant Program—may take the form of RSUs that vest in whole on the third anniversary of the grant date, subject to continued employment through that time. For PSUs and RSUs, any dividends declared over the vesting period are accumulated and paid at or after the time of settlement. All awards under the ICP are structured to align with the Company's performance, prudent but not excessive risk-taking, long-term value creation for our stockholders, and other elements of our compensation philosophy. Awards also typically include provisions that address vesting and settlement in the case of a qualifying termination or retirement. The ICP is administered by the Compensation, Nominating, and Governance Committee of our Board.

At December 31, 2021, we had approximately 42.9 million shares available for future grants of equity-based awards under the ICP. Equity-based awards that settle in Ally common stock are classified as equity awards under GAAP, and the cost of the awards is ratably charged to compensation and benefits expense in our Consolidated Statement of Income over their applicable service period based on the grant date fair value of Ally common stock. Equity-based awards that settle in cash are subject to liability accounting, with the expense adjusted to fair value based on changes in the share price of Ally common stock up to the settlement date. We had non-vested stock-settled and cash-settled PSUs and RSUs outstanding of approximately 4.6 million and 1.0 million, respectively, at December 31, 2021. We recognized expense related to PSUs and RSUs of $140 million, $80 million, and $67 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The following table presents the changes in outstanding non-vested PSUs and RSUs activity for share-settled awards during 2021.

(in thousands, except per share data)	Number of units	Weighted-average grant date fair value per share
RSUs and PSUs		
Outstanding non-vested at January 1, 2021	**5,109**	**$ 29.73**
Modified awards to settle in cash (a)	**(493)**	**28.90**
Granted	**3,275**	**40.87**
Vested	**(2,999)**	**31.52**
Forfeited	**(324)**	**34.74**
Outstanding non-vested at December 31, 2021	**4,568**	**36.27**

(a) During 2021, certain non-vested PSUs were modified and reclassified to liability-based awards as we intend to settle them in cash upon vesting.

24. Fair Value

Fair Value Measurements

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

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

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

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

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

- ***Equity securities*** — We hold various marketable equity securities measured at fair value with changes in fair value recognized in net income. Measurements based on observable market prices are classified as Level 1.
- ***Available-for-sale securities*** — We carry our available-for-sale securities at fair value based on external pricing sources. We classify our securities as Level 1 when fair value is determined using quoted prices available for the same instruments trading in active markets. We classify our securities as Level 2 when fair value is determined using prices for similar instruments trading in active markets. We perform pricing validation procedures for our available-for-sale securities.
- ***Interests retained in financial asset sales*** — We retain certain noncertificated interests retained from the sale of automotive finance receivables. Due to inactivity in the market, valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate; therefore, we classified these assets as Level 3. The valuation considers recent market transactions, experience with similar assets, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we utilize various significant assumptions, including market observable inputs (for

example, forward interest rates) and internally developed inputs (for example, prepayment speeds, delinquency levels, and credit losses).

- ***Derivative instruments*** — We enter into a variety of derivative financial instruments as part of our risk-management strategies. Certain of these derivatives are exchange traded, such as equity options. To determine the fair value of these instruments, we utilize the quoted market prices for those particular derivative contracts; therefore, we classified these contracts as Level 1.

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

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

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

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

Recurring Fair Value

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

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

(a) Our direct investment in any one industry did not exceed 8%.
(b) Carried at fair value due to fair value option elections.

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

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

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

	Equity securities (a)		Available-for-sale securities		Mortgage loans held-for-sale (b) (c)		Finance receivables and loans, net (b) (d)		Interests retained in financial asset sales	
($ in millions)	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Assets										
Fair value at January 1,	**$ 7**	$ 8	**$ 7**	$ 2	**$ 91**	$ 30	**$ 8**	$ 11	**$ —**	$ 2
Net realized/unrealized gains (losses)										
Included in earnings	**4**	(1)	**—**	—	**64**	67	**2**	4	**—**	—
Included in OCI	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Purchases	**—**	—	**2**	5	**2,640**	2,734	**14**	18	**—**	—
Sales	**(3)**	—	**—**	—	**(2,693)**	(2,740)	**—**	—	**—**	—
Issuances	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Settlements	**—**	—	**—**	—	**—**	—	**(17)**	(25)	**—**	(2)
Transfers into Level 3	**1**	—	**—**	—	**—**	—	**—**	—	**—**	—
Transfers out of Level 3 (e)	**—**	—	**—**	—	**(102)**	—	**—**	—	**—**	—
Fair value at December 31,	**$ 9**	$ 7	**$ 9**	$ 7	**$ —**	$ 91	**$ 7**	$ 8	**$ —**	$ —
Net unrealized gains (losses) still held at December 31,										
Included in earnings	**$ 4**	$ (1)	**$ —**	$ —	**$ —**	$ 1	**$ —**	$ —	**$ —**	$ —
Included in OCI	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—

(a) Net realized/unrealized gains (losses) are reported as other gain on investments, net, in the Consolidated Statement of Income.
(b) Carried at fair value due to fair value option elections.
(c) Net realized/unrealized gains are reported as gain on mortgage and automotive loans, net, in the Consolidated Statement of Income.
(d) Net realized/unrealized gains are reported as other income, net of losses, in the Consolidated Statement of Income.
(e) During the year ended December 31, 2021, mortgage loans held for sale were transferred out of Level 3 and into Level 2 of the fair value hierarchy. This transfer reflects that the underlying assets are valued based on observable prices in an active market for similar assets, and is deemed to have occurred at the end of the third quarter of 2021.

	Derivative liabilities, net of derivative assets	
($ in millions)	**2021 (a)**	2020 (b)
Liabilities		
Fair value at January 1,	**$ 12**	$ (2)
Net realized/unrealized losses (gains)		
Included in earnings	**35**	(10)
Included in OCI	**—**	—
Purchases	**—**	—
Sales	**—**	—
Issuances	**5**	24
Settlements	**(1)**	—
Transfers into Level 3	**—**	—
Transfers out of Level 3 (c)	**2**	—
Fair value at December 31,	**$ 53**	$ 12
Net unrealized losses (gains) still held at December 31,		
Included in earnings	**$ 26**	$ (10)
Included in OCI	**—**	—

(a) Net realized/unrealized losses are reported as gain on mortgage and automotive loans, net, and other income, net of losses, in the Consolidated Statement of Income.
(b) Net realized/unrealized gains are reported as gain on mortgage and automotive loans, net, in the Consolidated Statement of Income.
(c) During the year ended December 31, 2021, certain derivative assets were transferred out of Level 3 and into Level 2 of the fair value hierarchy. This transfer reflects that the underlying assets are valued based on observable prices in an active market for similar assets, and is deemed to have occurred at the end of the third quarter of 2021.

Nonrecurring Fair Value

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

The following tables display assets and liabilities measured at fair value on a nonrecurring basis and still held at December 31, 2021, and December 31, 2020, respectively. The amounts are generally as of the end of each period presented, which approximate the fair value measurements that occurred during each period.

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

n/m = not meaningful
(a) We consider the applicable valuation allowance, allowance for loan losses, or cumulative impairment to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation reserve, loan loss allowance, or cumulative adjustment.
(b) Represents collateral-dependent loans held for investment for which a nonrecurring measurement was made. The related allowance for loan losses represents the cumulative fair value adjustments for those specific receivables.
(c) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

December 31, 2020 *($ in millions)*	Nonrecurring fair value measurements				Lower-of-cost-or-fair-value reserve, valuation reserve, or cumulative adjustments	Total gain (loss) included in earnings
	Level 1	Level 2	Level 3	Total		
Assets						
Loans held-for-sale, net	$ —	$ —	$ 315	$ 315	$ —	n/m (a)
Commercial finance receivables and loans, net (b)						
Automotive	—	—	27	27	(5)	n/m (a)
Other	—	—	54	54	(20)	n/m (a)
Total commercial finance receivables and loans, net	—	—	81	81	(25)	n/m (a)
Other assets						
Nonmarketable equity investments (c)	—	7	118	125	88	n/m (a)
Repossessed and foreclosed assets (d)	—	—	9	9	(1)	n/m (a)
Total assets	$ —	$ 7	$ 523	$ 530	$ 62	n/m

n/m = not meaningful
(a) We consider the applicable valuation allowance, allowance for loan losses, or cumulative impairment to be the most relevant indicator of the impact on earnings caused by the fair value measurement. Accordingly, the table above excludes total gains and losses included in earnings for these items. The carrying values are inclusive of the respective valuation reserve, loan loss allowance, or cumulative adjustment.
(b) Represents collateral-dependent loans held for investment for which a nonrecurring measurement was made. The related allowance for loan losses represents the cumulative fair value adjustments for those specific receivables.
(c) Primarily relates to an investment in one entity for which there was a subsequent funding round. This subsequent funding round resulted in an observable price change in the value of our investment in the entity.
(d) The allowance provided for repossessed and foreclosed assets represents any cumulative valuation adjustment recognized to adjust the assets to fair value.

Additionally, on April 30, 2020, we recognized a $50 million impairment of goodwill at Ally Invest. At the time of impairment, the fair value of goodwill at Ally Invest was classified as Level 3 under the fair value hierarchy. Refer to Note 13 for further discussion.

Fair Value Option for Financial Assets

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

Fair Value of Financial Instruments

The following table presents the carrying and estimated fair value of financial instruments, except for those recorded at fair value on a recurring basis presented in the previous section of this note titled *Recurring Fair Value.* When possible, we use quoted market prices to determine fair value. Where quoted market prices are not available, the fair value is internally derived based on appropriate valuation methodologies with respect to the amount and timing of future cash flows and estimated discount rates. However, considerable judgment is required in interpreting current market data to develop the market assumptions and inputs necessary to estimate fair value. As such, the actual amount received to sell an asset or the amount paid to settle a liability could differ from our estimates. Fair value information presented herein was based on information available at December 31, 2021, and December 31, 2020.

		Estimated fair value			
($ in millions)	Carrying value	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial assets					
Held-to-maturity securities	**$ 1,170**	**$ —**	**$ 1,204**	**$ —**	**$ 1,204**
Loans held-for-sale, net	**469**	**—**	**—**	**469**	**469**
Finance receivables and loans, net	**118,994**	**—**	**—**	**126,044**	**126,044**
FHLB/FRB stock (a)	**738**	**—**	**738**	**—**	**738**
Financial liabilities					
Deposit liabilities	**$ 40,953**	**$ —**	**$ —**	**$ 41,164**	**$ 41,164**
Long-term debt	**17,029**	**—**	**12,637**	**6,892**	**19,529**
December 31, 2020					
Financial assets					
Held-to-maturity securities	$ 1,253	$ —	$ 1,331	$ —	$ 1,331
Loans held-for-sale, net	315	—	—	315	315
Finance receivables and loans, net	115,243	—	—	122,156	122,156
FHLB/FRB stock (a)	725	—	725	—	725
Financial liabilities					
Deposit liabilities	$ 55,210	$ —	$ —	$ 55,932	$ 55,932
Short-term borrowings	2,136	—	—	2,136	2,136
Long-term debt	22,006	—	19,161	6,310	25,471

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

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

25. Offsetting Assets and Liabilities

Our derivative contracts and repurchase/reverse repurchase transactions are supported by qualifying master netting and master repurchase agreements. These agreements are legally enforceable bilateral agreements that (i) create a single legal obligation for all individual transactions covered by the agreement to the nondefaulting entity upon an event of default of the counterparty, including bankruptcy,

insolvency, or similar proceeding, and (ii) provide the nondefaulting entity the right to accelerate, terminate, and close-out on a net basis all transactions under the agreement and to liquidate or set off collateral promptly upon an event of default of the counterparty.

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

In certain instances, as it relates to our derivative instruments, we have the option to report derivative assets and liabilities as well as assets and liabilities associated with cash collateral received or delivered that is governed by a master netting agreement on a net basis as long as certain qualifying criteria are met. Similarly, for our repurchase/reverse repurchase transactions, we have the option to report recognized assets and liabilities subject to a master netting agreement on a net basis if certain qualifying criteria are met. At December 31, 2021, these instruments are reported as gross assets and gross liabilities on the Consolidated Balance Sheet. For additional information on derivative instruments and hedging activities, refer to Note 21.

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

December 31, *($ in millions)*	Gross amounts of recognized assets/ liabilities	Gross amounts offset on the Consolidated Balance Sheet	Net amounts of assets/ liabilities presented on the Consolidated Balance Sheet	Gross amounts not offset on the Consolidated Balance Sheet		Net amount
				Financial instruments	Collateral (a) (b) (c)	
2021						
Assets						
Derivative assets in net asset positions	**$ 1**	**$ —**	**$ 1**	**$ (1)**	**$ —**	**$ —**
Derivative assets with no offsetting arrangements	**6**	**—**	**6**	**—**	**—**	**6**
Total assets	**$ 7**	**$ —**	**$ 7**	**$ (1)**	**$ —**	**$ 6**
Liabilities						
Derivative liabilities in net liability positions	**$ 3**	**$ —**	**$ 3**	**$ —**	**$ (2)**	**$ 1**
Derivative liabilities in net asset positions	**1**	**—**	**1**	**(1)**	**—**	**—**
Derivative liabilities with no offsetting arrangements	**58**	**—**	**58**	**—**	**—**	**58**
Total liabilities	**$ 62**	**$ —**	**$ 62**	**$ (1)**	**$ (2)**	**$ 59**
2020						
Assets						
Derivative assets in net liability positions	$ 1	$ —	$ 1	$ (1)	$ —	$ —
Derivative assets with no offsetting arrangements	16	—	16	—	—	16
Total assets	$ 17	$ —	$ 17	$ (1)	$ —	$ 16
Liabilities						
Derivative liabilities in net liability positions	$ 5	$ —	$ 5	$ (1)	$ (1)	$ 3
Derivative liabilities with no offsetting arrangements	28	—	28	—	—	28
Total liabilities	$ 33	$ —	$ 33	$ (1)	$ (1)	$ 31

(a) Financial collateral received/pledged shown as a balance based on the sum of all net asset and liability positions between Ally and each individual derivative counterparty.

(b) Amounts disclosed are limited to the financial asset or liability balance and, accordingly, exclude excess collateral received or pledged and noncash collateral received. We do not record such collateral received on our Consolidated Balance Sheet unless certain conditions are met.

(c) Certain agreements grant us the right to sell or pledge the noncash assets we receive as collateral. We have not sold or pledged any of the noncash collateral received under these agreements.

26. Segment Information

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

We report our results of operations on a business-line basis through four operating segments: Automotive Finance operations, Insurance operations, Mortgage Finance operations, and Corporate Finance operations, with the remaining activity reported in Corporate and Other. The operating segments are determined based on the products and services offered, and reflect the manner in which financial information is currently evaluated by management. The following is a description of each of our reportable operating segments.

Automotive Finance operations — One of the largest full-service automotive finance operations in the United States providing automotive financing services to consumers, automotive dealers, companies, and municipalities. Our automotive finance services include providing retail installment sales contracts, loans and operating leases, offering term loans to dealers, financing dealer floorplans and other lines of credit to dealers, warehouse lines to automotive retailers, fleet financing, providing financing to companies and municipalities for the purchase or lease of vehicles, and vehicle-remarketing services.

Insurance operations — A complementary automotive-focused business offering both consumer finance protection and insurance products sold primarily through the automotive dealer channel, and commercial insurance products sold directly to dealers. As part of our focus on offering dealers a broad range of consumer financial and insurance products, we provide VSCs, VMCs, and GAP products. We also underwrite select commercial insurance coverages, which primarily insure dealers' vehicle inventory.

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

Corporate Finance operations — Primarily provides senior secured leveraged cash flow and asset-based loans to mostly U.S.-based middle-market companies, with a focus on businesses owned by private equity sponsors. These loans are typically used for leveraged buyouts, refinancing and recapitalizations, mergers and acquisitions, growth, co-lending arrangements, turnarounds, and debtor-in-possession financings. We also provide, through our Lender Finance business, nonbank wholesale-funded managers with partial funding for their direct-lending activities, which is principally leveraged loans. Additionally, we offer a commercial real estate product to serve companies in the healthcare industry.

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

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

The information presented in our reportable operating segments is based in part on internal allocations, which involve management judgment.

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

Year ended December 31, *($ in millions)*	Automotive Finance operations	Insurance operations	Mortgage Finance operations	Corporate Finance operations	Corporate and Other	Consolidated (a)
2021						
Net financing revenue and other interest income	**$ 5,209**	**$ 59**	**$ 124**	**$ 308**	**$ 467**	**$ 6,167**
Other revenue	**251**	**1,345**	**94**	**128**	**221**	**2,039**
Total net revenue	**5,460**	**1,404**	**218**	**436**	**688**	**8,206**
Provision for credit losses	**53**	**—**	**(1)**	**38**	**151**	**241**
Total noninterest expense	**2,023**	**1,061**	**187**	**116**	**723**	**4,110**
Income (loss) from continuing operations before income tax expense	**$ 3,384**	**$ 343**	**$ 32**	**$ 282**	**$ (186)**	**$ 3,855**
Total assets	**$ 103,653**	**$ 9,381**	**$ 17,847**	**$ 7,950**	**$ 43,283**	**$ 182,114**
2020						
Net financing revenue and other interest income (loss)	$ 4,284	$ 42	$ 118	$ 299	$ (40)	$ 4,703
Other revenue	204	1,334	102	45	298	1,983
Total net revenue	4,488	1,376	220	344	258	6,686
Provision for credit losses	1,236	—	7	149	47	1,439
Total noninterest expense	1,967	1,092	160	107	507	3,833
Income (loss) from continuing operations before income tax expense	$ 1,285	$ 284	$ 53	$ 88	$ (296)	$ 1,414
Total assets	$ 104,794	$ 9,137	$ 14,889	$ 6,108	$ 47,237	$ 182,165
2019						
Net financing revenue and other interest income	$ 4,141	$ 54	$ 171	$ 239	$ 28	$ 4,633
Other revenue	249	1,274	22	45	171	1,761
Total net revenue	4,390	1,328	193	284	199	6,394
Provision for credit losses	962	—	5	36	(5)	998
Total noninterest expense	1,810	1,013	148	95	363	3,429
Income (loss) from continuing operations before income tax expense	$ 1,618	$ 315	$ 40	$ 153	$ (159)	$ 1,967
Total assets	$ 113,863	$ 8,547	$ 16,279	$ 5,787	$ 36,168	$ 180,644

(a) Net financing revenue and other interest income after the provision for credit losses totaled $5.9 billion, $3.3 billion and $3.6 billion for the years ended December 31, 2021, 2020, and 2019, respectively.

27. Parent Company Condensed Financial Information

The following tables present standalone condensed financial statements for Ally Financial Inc. (referred to within this section as the Parent). These condensed statements are provided in accordance with SEC rules, which require disclosure when the restricted net assets of consolidated subsidiaries exceed 25% of consolidated net assets, and should be read in conjunction with the Consolidated Financial Statements and the accompanying Notes to the Consolidated Financial Statements. For purposes of these condensed financial statements, the Parent's wholly-owned subsidiaries are presented in accordance with the equity method of accounting.

Condensed Statement of Comprehensive Income

Year ended December 31, *($ in millions)*	**2021**	2020	2019
Net financing loss and other interest income	**$ (1,070)**	$ (1,049)	$ (1,116)
Dividends from bank subsidiaries	**3,450**	1,150	1,950
Dividends from nonbank subsidiaries	**27**	66	436
Total other revenue	**243**	367	343
Total net revenue	**2,650**	534	1,613
Provision for credit losses	**(106)**	(68)	35
Total noninterest expense	**650**	693	626
Income (loss) from continuing operations before income tax benefit and undistributed income of subsidiaries	**2,106**	(91)	952
Income tax benefit from continuing operations (a)	**(412)**	(300)	(566)
Net income from continuing operations	**2,518**	209	1,518
Loss from discontinued operations, net of tax	**(5)**	(1)	(6)
Undistributed income of subsidiaries	**547**	877	203
Net income	**3,060**	1,085	1,715
Other comprehensive (loss) income, net of tax	**(789)**	508	654
Comprehensive income	**$ 2,271**	$ 1,593	$ 2,369

(a) There is a significant variation in the customary relationship between pretax income (loss) and income tax benefit due to our accounting policy elections and other adjustments.

Condensed Balance Sheet

December 31, *($ in millions)*	2021	2020
Assets		
Cash and cash equivalents (a)	**$ 3,647**	$ 4,482
Equity securities	**6**	—
Finance receivables and loans, net of unearned income (b)	**663**	913
Allowance for loan losses	**26**	(10)
Total finance receivables and loans, net	**689**	903
Investments in subsidiaries		
Bank subsidiaries	**16,728**	17,146
Nonbank subsidiaries	**5,890**	6,090
Intercompany receivables from subsidiaries	**216**	176
Investment in operating leases, net	**21**	5
Other assets	**1,157**	2,034
Total assets	**$ 28,354**	$ 30,836
Liabilities and equity		
Short-term borrowings	**$ —**	$ 2,136
Long-term debt (c)	**9,410**	12,014
Interest payable	**87**	111
Intercompany debt to subsidiaries	**1,040**	1,375
Intercompany payables to subsidiaries	**98**	91
Accrued expenses and other liabilities	**669**	406
Total liabilities	**11,304**	16,133
Total equity	**17,050**	14,703
Total liabilities and equity	**$ 28,354**	$ 30,836

(a) Includes $3.6 billion and $4.4 billion deposited by the Parent at Ally Bank as of December 31, 2021, and 2020, respectively. These funds are available to the Parent for liquidity purposes.
(b) The Parent advanced $207 million and $197 million to Ally Bank as of December 31, 2021, and 2020, respectively. These funds, included in finance receivables and loans, net, are available to the Parent for liquidity purposes.
(c) Includes $2.0 billion of the outstanding principal balance of senior notes fully and unconditionally guaranteed by subsidiaries of the Parent as of both December 31, 2021, and 2020.

Condensed Statement of Cash Flows

Year ended December 31, *($ in millions)*	2021	2020	2019
Operating activities			
Net cash provided by operating activities	**$ 3,753**	$ 848	$ 1,818
Investing activities			
Proceeds from sales of finance receivables and loans initially held-for-investment	**378**	1,187	548
Originations and repayments of finance receivables and loans held-for-investment and other, net	**189**	601	(253)
Net change in loans — intercompany	**(10)**	(36)	718
Purchases of equity securities	**(8)**	—	—
Disposals of operating lease assets	**—**	1	3
Capital contributions to subsidiaries	**—**	(8)	(2)
Returns of contributed capital	**24**	23	259
Net change in nonmarketable equity investments	**29**	(7)	(13)
Other, net	**44**	(15)	(4)
Net cash provided by investing activities	**646**	1,746	1,256
Financing activities			
Net change in short-term borrowings	**(2,136)**	(445)	104
Proceeds from issuance of long-term debt	**765**	2,885	801
Repayments of long-term debt	**(777)**	(2,444)	(2,173)
Net change in debt — intercompany	**(336)**	169	271
Repurchase of common stock	**(1,994)**	(106)	(1,039)
Preferred stock issuance	**2,324**	—	—
Trust preferred securities redemption	**(2,710)**	—	—
Common stock dividends paid	**(324)**	(290)	(273)
Preferred stock dividends paid	**(57)**	—	—
Net cash used in financing activities	**(5,245)**	(231)	(2,309)
Net (decrease) increase in cash and cash equivalents and restricted cash	**(846)**	2,363	765
Cash and cash equivalents and restricted cash at beginning of year	**4,526**	2,163	1,398
Cash and cash equivalents and restricted cash at end of year	**$ 3,680**	$ 4,526	$ 2,163

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

Year ended December 31, *($ in millions)*	2021	2020
Cash and cash equivalents on the Condensed Balance Sheet	**$ 3,647**	$ 4,482
Restricted cash included in other assets on the Condensed Balance Sheet (a)	**33**	44
Total cash and cash equivalents and restricted cash in the Condensed Statement of Cash Flows	**$ 3,680**	$ 4,526

(a) Restricted cash balances relate primarily to Ally securitization arrangements. Refer to Note 13 for additional details describing the nature of restricted cash balances.

28. Guarantees and Commitments

Guarantees

Guarantees are defined as contracts or indemnification agreements that contingently require us to make payments to third parties based on changes in the underlying agreements with the guaranteed parties. The following summarizes our outstanding guarantees, including those of our discontinued operations, made to third parties on our Consolidated Balance Sheet, for the periods shown.

	2021		2020	
December 31, *($ in millions)*	**Maximum liability**	**Carrying value of liability**	Maximum liability	Carrying value of liability
Standby letters of credit and other guarantees	**$ 234**	**$ 3**	$ 262	$ 4

Our Corporate Finance operations has exposure to standby letters of credit that represent irrevocable guarantees of payment of specified financial obligations. Third-party beneficiaries primarily accept standby letters of credit as insurance in the event of nonperformance by our borrowers. Our borrowers may request letters of credit under their revolving loan facility up to a certain sub-limit amount. We may also require collateral to be posted by our borrowers. We received no cash collateral related to these letters of credit at December 31, 2021. Expiration dates on letters of credit range from certain ongoing commitments that will expire during the upcoming year to terms of several years for certain letters of credit. If the beneficiary draws under a letter of credit, we will be liable to the beneficiary for payment of the amount drawn under such letter of credit, with our recourse being a charge to the borrower's loan facility or transfer of ownership to us of the related collateral. As many of these commitments are subject to borrowing base agreements and other restrictive covenants or may expire without being fully drawn, the stated amounts of the letters of credit are not necessarily indicative of future cash requirements.

In connection with our Ally Invest wealth management business, we introduce customer securities accounts to a clearing broker, which clears and maintains custody of all customer assets and account activity. We are responsible for obtaining from each customer funds or securities as are required to be deposited or maintained in their accounts. As a result, we are liable for any loss, liability, damage, cost, or expense incurred or sustained by the clearing broker as a result of the failure of any customer to timely make payments or deposits of securities to satisfy their contractual obligations. In addition, customer securities activities are transacted on either a cash or margin basis. In margin transactions, we may extend credit to the customer, through our clearing broker, subject to various regulatory rules and margin lending practices, collateralized by cash and securities in the customer's account. In connection with these activities, we also execute customer transactions involving the sale of securities not yet purchased. These transactions may expose us to credit risk in the event the customer's assets are not sufficient to fully cover losses, which the customer may incur. In the event the customer fails to satisfy its obligations, we will purchase or sell financial instruments in the customer's account in order to fulfill the customer's obligations. The maximum potential exposure under these arrangements is difficult to estimate; however, the potential for us to incur material losses pursuant to these arrangements is remote.

Commitments

Financing Commitments

The contractual commitments were as follows.

December 31, *($ in millions)*	**2021**	2020
Unused revolving credit line commitments and other (a)	**$ 6,337**	$ 6,142
Commitments to provide capital to investees (b)	**1,069**	778
Mortgage loan origination commitments (c)	**708**	760
Home equity lines of credit (d)	**168**	187
Construction-lending commitments (e)	**53**	101

(a) The unused portion of revolving lines of credit reset at prevailing market rates and, approximate fair value.
(b) We are committed to contribute capital to certain investees.
(c) Commitments with mortgage loan applicants in which the loan terms, including interest rate and price, are guaranteed for a designated period of time subject to the completion of underwriting procedures.
(d) We are committed to fund the remaining unused balances on home equity lines of credit.
(e) We are committed to fund the remaining unused balance while loans are in the construction period.

Revolving credit line commitments contain an element of credit risk. We manage the credit risk for unused revolving credit line commitments by applying the same credit policies in making commitments as we do for extending loans.

The information presented above excludes the unused portion of commitments that are unconditionally cancelable by us. We had $26.7 billion and $20.3 billion of unfunded commitments related to unconditionally cancelable arrangements at December 31, 2021, and 2020, respectively, which primarily consisted of wholesale floorplan financing.

Lease Commitments

For details about our future minimum payments under operating leases with noncancelable lease terms, refer to Note 10.

Contractual Commitments

We have entered into multiple agreements for sponsorship, information technology, voice and communication technology, and related maintenance. Many of the agreements are subject to variable price provisions, fixed or minimum price provisions, and termination or renewal provisions.

The following table presents our total future payment obligations expiring after December 31, 2021.

Year ended December 31, *($ in millions)*		
2022	$	102
2023		102
2024		18
2025		11
2026		8
2027 and thereafter		17
Total future payment obligations	$	258

29. Contingencies and Other Risks

Concentration with GM and Stellantis

While we continue to diversify our automotive finance and insurance businesses and to expand into other financial services, GM and Stellantis dealers and their retail customers continue to constitute a significant portion of our customer base. GM and its captive finance company compete vigorously with us and could take further actions that negatively impact the amount of business that we do with GM dealers and their customers. Additionally, through a recent acquisition, Stellantis has indicated its intention to develop a captive finance company in the United States that could impact the business that we do with Stellantis dealers and their customers.

A significant adverse change in GM's or Stellantis' business—including, for example, in the production or sale of GM or Stellantis vehicles, the quality or resale value of GM or Stellantis vehicles, GM's or Stellantis' relationships with its key suppliers, or the rate or volume of recalls of GM or Stellantis vehicles—could negatively impact our GM and Stellantis dealer and retail customer bases and the value of collateral securing our extensions of credit to them. Any future reductions in GM and Stellantis business that we are not able to offset could adversely affect our business and financial results.

Legal Matters and Other Contingencies

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

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

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

The course and outcome of legal matters are inherently unpredictable. This is especially so when a matter is still in its early stages, the damages sought are indeterminate or unsupported, significant facts are unclear or disputed, novel questions of law or other meaningful legal uncertainties exist, a request to certify a proceeding as a class action is outstanding or granted, multiple parties are named, or regulatory or other governmental entities are involved. Other contingent exposures and their ultimate resolution are similarly unpredictable for reasons that can vary based on the circumstances.

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

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

Descriptions of certain of our legal matters follow.

Purported and Certified Class Actions

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

30. Subsequent Events

Declaration of Common Dividend and Share Repurchase Authorization

On January 10, 2022, our Board declared a quarterly cash dividend of $0.30 per share on all common stock. The dividend was paid on February 15, 2022, to stockholders of record at the close of business on February 1, 2022. At the same time, our Board authorized a stock-repurchase program, permitting us to repurchase up to $2.0 billion of our common stock from time to time from the first quarter of 2022 through the fourth quarter of 2022.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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 December 31, 2021, that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Management's Report on Internal Control over Financial Reporting is included in Item 8, Financial Statements and Supplementary Data, and is incorporated herein by reference. The Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting also is included in Item 8, Financial Statements and Supplementary Data, and incorporated herein by reference.

Item 9B. Other Information

On February 24, 2022, each of Katryn (Trynka) Shineman Blake and John J. Stack—members of the Board of Directors (Board) of Ally Financial Inc. (Company)—notified the Company of the decision not to stand for re-election at its 2022 Annual Meeting of Stockholders (Annual Meeting). Ms. Shineman concluded her service on the Board on that date, and Mr. Stack expects to serve through the Annual Meeting. Ms. Shineman and Mr. Stack confirmed that their decisions were based on professional and personal priorities and did not cite any disagreement on any matter relating to the Company's operations, policies, or practices.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

Item 10. Directors, Executive Officers, and Corporate Governance

Executive Officers and Other Significant Employees

Jeffrey J. Brown — Named Chief Executive Officer of Ally Financial Inc. in February 2015, and also serves on its Board of Directors. Mr. Brown, 48, is driving Ally's evolution as a leading digital financial services company. Under his leadership, Ally is building on its strengths in automotive financing, retail deposits, and corporate financing, as well as diversifying its offerings to include digital wealth management and online brokerage, mortgage products, consumer credit cards, and point-of-sale lending. Mr. Brown has deep financial services experience, previously serving in a variety of executive leadership positions at Ally and other leading financial institutions. Prior to being named CEO, Mr. Brown was President and CEO of Ally's Dealer Financial Services business where he oversaw the automotive finance, insurance, and automotive servicing operations. Mr. Brown joined Ally in March 2009 as Corporate Treasurer and, in 2011, was named Executive Vice President of Finance and Corporate Planning, leading finance, treasury, and corporate strategy initiatives. Mr. Brown received a bachelor's degree in economics from Clemson University and an executive master's degree in business from Queens University in Charlotte. He serves on the board of the Clemson University Foundation and is Chairman of the Queens University of Charlotte Board of Trustees. Mr. Brown previously served as president of the Federal Advisory Council (FAC) for 2021. In 2018, he was appointed by the Board of Directors of the Federal Reserve Bank of Chicago as representative for the Seventh Federal Reserve District - he completed four years of service in 2021. Passionate about diversity and inclusion, he joined the first 150 members of the CEO Action for Diversity & Inclusion pledge, advancing diversity and inclusion in the workplace as a competitive and societal issue. Mr. Brown was honored as CEO of the year by the Thurgood Marshall College Fund in 2019. He received a 2016 Father of the Year award by the Father's Day Council and benefiting the American Diabetes Association for his commitment to family, career and community. He is also a member of the Charlotte Executive Leadership Council, which focuses on improving economic mobility and education issues in Mecklenburg County, N.C. Mr. Brown joined the Charlotte Sports Foundation Board for 2022.

David J. DeBrunner — Vice President, Controller, and Chief Accounting Officer of Ally since September 2007. In this role, Mr. DeBrunner, 55, is responsible for all accounting, tax, financial reporting, financial controls, and strategic sourcing and supply chain. Prior to joining Ally, Mr. DeBrunner spent 15 years at Fifth Third Bancorp, where he most recently held the title of senior vice president, chief accounting officer, and controller. His responsibilities included accounting, financial controls and systems, financial reporting, and finance shared services. Prior to serving as the chief accounting officer, he served as the chief financial officer of their commercial division and held various finance and operational leadership positions throughout the company beginning in 1992. Prior to joining Fifth Third, he worked in audit services for Deloitte and Touche in their Chicago and Cincinnati offices. Mr. DeBrunner earned a bachelor's degree in accounting from the Kelley School of Business at Indiana University. He is a member of the American Institute of Certified Public Accountants and the Ohio Society of Public Accountants. He is a board member and past Chairman of the Board of Directors for the Detroit Institute for Children, which provides services for Michigan's children with special needs and their families. He also serves on the Family Leadership Council of the Indiana University Kelley School of Business.

Jennifer A. LaClair — Chief Financial Officer of Ally Financial since March 2018. In this role, she is responsible for the oversight of the company's finance, accounting, treasury, capital markets, investor relations, supply chain, and modeling and analytics functions. Prior to joining Ally, Ms. LaClair, 50, spent ten years at PNC Financial Services where she held various business line and finance leadership roles, including chief financial officer of PNC's business lines. Most recently, she served as the head of PNC's business bank where she was charged with setting strategy, leading a large sales force to drive growth and performance, and managing risk. Earlier in her career, Ms. LaClair was a consultant with McKinsey and Company where she specialized in strategy, performance improvement, and operational transformations. She began her career in international development working on economic development and education programs in Eastern Europe, the Middle East, and West Africa. Ms. LaClair currently serves on the public company Board of Whirlpool Corporation and is a member of the Richmond Federal Reserve Bank board where she serves as the chair of the National Information Technology Committee. Ms. LaClair has a Master of Business Administration from the Case Western Reserve University where she was the Class of 2001 Alumni Scholar and earned the Scott S. Cowen Outstanding Leadership award. She graduated summa cum laude from the State University of New York at Buffalo. In 2022, Institutional Investor ranked Ms. LaClair "Best CFO" as part of its All-America Executive Team rankings within the consumer finance sector.

Diane E. Morais — President, Consumer & Commercial Banking Products at Ally Bank since March 2017. Ms. Morais, 56, is responsible for driving the growth, profitability, and digital evolution of Ally's consumer and commercial banking division. She has oversight of the Deposits, Online Brokerage and Wealth Management, Mortgage, Ally Lending, and corporate-finance businesses. In addition, Ms. Morais oversees the company's digital and customer care channels, as well as the Community Reinvestment Act (CRA) program. Ms. Morais was instrumental in the creation and launch of the Ally brand in 2009. Under Ms. Morais' leadership, Ally Bank has achieved double-digit retail deposit growth each year, and now has over 2.5 million customers and over $135 billion in retail deposits. Ally has received numerous third-party accolades, including being named "Best Online Bank" in America by Money® Magazine, as well as "Best Internet Bank" and "Best for Millennials" by Kiplinger's Personal Finance. Prior to holding key leadership positions of increasing responsibility at Ally, Ms. Morais achieved a number of significant professional accomplishments in the financial services sector. During a career spanning 12 years at Bank of America, she served in senior roles in deposit and debit products, national customer experience, card services marketing, and consumer mortgage vendor management. Ms. Morais also spent nine years at Citibank's credit card division in a variety of marketing, risk, and finance roles. A native of Pittsburgh, PA, Ms. Morais holds a bachelor's degree from Pennsylvania State University. She is a member of the Board of Directors for Junior Achievement of Central Carolinas, Charlotte Center City Partners, and YMCA of Greater Charlotte. Ms. Morais has been named to American Banker Magazine's '25 Most Powerful Women in Banking' list for the sixth consecutive year. Ms. Morais was also named one of the top 25 outstanding business women in the Charlotte Business Journal's 2018 Women in Business Awards.

She is active in the Charlotte community, serving as an 'Executive in Residence' for Queens University and volunteer for Habitat for Humanity, Charlotte Catholic schools, Dress for Success, and the Salvation Army.

Jason E. Schugel — Chief Risk Officer of Ally since April 2018. In this role, Mr. Schugel, 48, has overall responsibility for execution of Ally's independent risk management. He has responsibility for the enterprise risk-management framework, establishment of risk-management processes, ensuring that Ally targets an appropriate balance between risk and return, mitigating unnecessary risk, and protecting the company's financial returns. Mr. Schugel was previously deputy chief risk officer for the company since 2017, leading various risk-management activities. Prior to that role, he was general auditor for Ally, responsible for the company's internal audit function as well as administrative oversight for Ally's loan review function. He joined Ally in 2009, overseeing the company's financial planning and analysis team, which is responsible for Ally's financial performance reporting, enterprise-wide forecasting, and planning. He also served as lead finance executive for Ally's global functions. Before joining Ally, he was vice president of financial planning and analysis, and investor relations at LendingTree, LLC. Prior to that, he worked in investment banking for Wachovia and began his career at First Plus Financial, specializing in mergers and acquisitions. He earned a bachelor's degree in business administration from Southern Methodist University in Dallas and a master's degree in business administration from the Babcock Graduate School of Management at Wake Forest University. Mr. Schugel is the Chairman of the board of the Allegro Foundation, an organization that is a champion for children with disabilities.

Scott A. Stengel — General Counsel of Ally since May 2016. Mr. Stengel, 50, oversees all of Ally's legal affairs and is also responsible for Ally's corporate-secretarial and government-relations functions. He joined Ally from Kansas City, Mo.-based UMB Financial Corporation, where he served as executive vice president, general counsel, and corporate secretary. Before that, he was a partner at King & Spalding LLP and Orrick, Herrington & Sutcliffe LLP in Washington, DC, with a practice focused on banking, capital markets, and government relations. He began his career as a law clerk to the Honorable Douglas O. Tice, Jr. in Richmond, Va. He received a bachelor's degree in economics, with highest honors, from the University of Notre Dame and a juris doctorate, magna cum laude, from the Notre Dame Law School. He sits on the board of directors of MadaKids Inc. and actively supports and volunteers with Roof Above in Charlotte, NC.

Douglas R. Timmerman — President of Dealer Financial Services of Ally since August 2021. In this role, Mr. Timmerman, 59, is responsible for deepening Ally's relationships with more than 21,000 dealer customers and further optimizing the full spectrum of automotive finance and insurance services for dealer and consumer customers. Previously, he was president of Automotive Finance since 2018, and served as president of Ally's Insurance business since 2014. Mr. Timmerman's thirty-plus years at Ally, spanning leadership positions across the automotive finance and insurance business, make his understanding of this dynamic industry unparalleled. Prior to leading the insurance business, Mr. Timmerman was Vice President of Automotive Finance for the southeast region in Atlanta. In that capacity, he was responsible for sales, risk management, and portfolio management for more than 4,000 dealer relationships across 11 states. Since joining Ally in 1986, he has held a variety of leadership roles in different areas including commercial lending, consumer lending, collections, sales, and marketing. His experience also includes a broad geographical reach, holding assignments that have touched nearly every state. The Nebraska native began his career with Ally shortly after earning his master's degree in business administration from the University of Nebraska. He also holds a bachelor's degree from the University of Nebraska. Mr. Timmerman supports several organizations and research efforts associated with finding a cure for Type 1 diabetes. He is an active volunteer and supporter of Children's Hospital of Atlanta and the Juvenile Diabetes Research Foundation.

Additional Information

Additional information in response to this Item 10 can be found in the Company's 2022 Proxy Statement under "Proposal 1 — Election of Directors," "The Board's Leadership Structure," "Code of Conduct and Ethics," and "Transactions with Related Persons." That information is incorporated into this item by reference.

Item 11. Executive Compensation

Items in response to this Item 11 can be found in the Company's 2022 Proxy Statement under "Executive Compensation." That information is incorporated into this item by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table provides information about the securities authorized for issuance under our equity compensation plans as of December 31, 2021.

Plan category	(1) Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) *(in thousands)*	(2) Weighted-average exercise price of outstanding options, warrants and rights	(3) Number of securities remaining available for further issuance under equity compensation plans (excluding securities reflected in column (1)) (b) *(in thousands)*
Equity compensation plans approved by security holders	5,436	—	37,505
Total	5,436	—	37,505

(a) Includes restricted stock units outstanding under the Incentive Compensation Plan and deferred stock units outstanding under the Non-Employee Directors Equity Compensation Plan.

(b) Includes 30,784,766 securities available for issuance under the plans identified in (a) above and 6,719,876 securities available for issuance under Ally's Employee Stock Purchase Plan.

Additional items required by this Item 12 can be found in the Company's 2022 Proxy Statement under "Security Ownership of Certain Beneficial Owners," and "Executive Compensation." That information is incorporated into this item by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Items in response to this Item 13 can be found in the Company's 2022 Proxy Statement under "Director Qualifications and Responsibilities," "Code of Conduct and Ethics," and "Transactions with Related Persons." That information is incorporated into this item by reference.

Item 14. Principal Accountant Fees and Services

Information about aggregate fees billed to us by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34) for services performed can be found in the Company's 2022 Proxy Statement under "Audit Committee Report." That information is incorporated into this item by reference.

Item 15. Exhibits and Financial Statement Schedules

The exhibits listed on the accompanying Index of Exhibits are filed or incorporated by reference as a part of this report. This Index is incorporated herein by reference. Certain financial statements schedules have been omitted because prescribed information has been incorporated into the Consolidated Financial Statements or notes thereto.

Exhibit	Description	Method of Filing
3.1	Form of Amended and Restated Certificate of Incorporation	Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated as of March 14, 2014, (File No. 1-3754), incorporated herein by reference.
3.2	Ally Financial Inc. Amended and Restated Bylaws	Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated as of October 11, 2019, (File No. 1-3754), incorporated herein by reference.
4.1	Form of Indenture dated as of July 1, 1982, between the Company and Bank of New York (Successor Trustee to Morgan Guaranty Trust Company of New York), relating to Debt Securities	Filed as Exhibit 4(a) to the Company's Registration Statement No. 2-75115, incorporated herein by reference.
4.1.1	Form of First Supplemental Indenture dated as of April 1, 1986, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(g) to the Company's Registration Statement No. 33-4653, incorporated herein by reference.
4.1.2	Form of Second Supplemental Indenture dated as of June 15, 1987, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(h) to the Company's Registration Statement No. 33-15236, incorporated herein by reference.
4.1.3	Form of Third Supplemental Indenture dated as of September 30, 1996, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(i) to the Company's Registration Statement No. 333-33183, incorporated herein by reference.
4.1.4	Form of Fourth Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(j) to the Company's Registration Statement No. 333-48705, incorporated herein by reference.
4.1.5	Form of Fifth Supplemental Indenture dated as of September 30, 1998, supplementing the Indenture designated as Exhibit 4.1	Filed as Exhibit 4(k) to the Company's Registration Statement No. 333-75463, incorporated herein by reference.
4.2	Form of Indenture dated as of September 24, 1996, between the Company and The Chase Manhattan Bank, Trustee, relating to Term Notes	Filed as Exhibit 4 to the Company's Registration Statement No. 333-12023, incorporated herein by reference.
4.2.1	Form of First Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.2	Filed as Exhibit 4(a)(1) to the Company's Registration Statement No. 333-48207, incorporated herein by reference.
4.2.2	Form of Second Supplemental Indenture dated as of June 20, 2006, supplementing the Indenture designated as Exhibit 4.2	Filed as Exhibit 4(a)(2) to the Company's Registration Statement No. 333-136021, incorporated herein by reference.
4.2.3	Form of Third Supplemental Indenture dated as of August 24, 2012, supplementing the Indenture designated as Exhibit 4.2	Filed as Exhibit 4.1.3 to the Company's Registration Statement No. 333-183535, incorporated herein by reference.
4.2.4	Form of Fourth Supplemental Indenture dated as of August 24, 2012, supplementing the Indenture designated as Exhibit 4.2	Filed as Exhibit 4.1.4 to the Company's Registration Statement No. 333-183535, incorporated herein by reference.
4.3	Form of Indenture dated as of October 15, 1985, between the Company and U.S. Bank Trust (Successor Trustee to Comerica Bank), relating to Demand Notes	Filed as Exhibit 4 to the Company's Registration Statement No. 2-99057, incorporated herein by reference.
4.3.1	Form of First Supplemental Indenture dated as of April 1, 1986, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(a) to the Company's Registration Statement No. 33-4661, incorporated herein by reference.
4.3.2	Form of Second Supplemental Indenture dated as of June 24, 1986, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(b) to the Company's Registration Statement No. 33-6717, incorporated herein by reference.
4.3.3	Form of Third Supplemental Indenture dated as of February 15, 1987, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(c) to the Company's Registration Statement No. 33-12059, incorporated herein by reference.
4.3.4	Form of Fourth Supplemental Indenture dated as of December 1, 1988, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(d) to the Company's Registration Statement No. 33-26057, incorporated herein by reference.

Exhibit	Description	Method of Filing
4.3.5	Form of Fifth Supplemental Indenture dated as of October 2, 1989, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(e) to the Company's Registration Statement No. 33-31596, incorporated herein by reference.
4.3.6	Form of Sixth Supplemental Indenture dated as of January 1, 1998, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(f) to the Company's Registration Statement No. 333-56431, incorporated herein by reference.
4.3.7	Form of Seventh Supplemental Indenture dated as of June 9, 1998, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4(g) to the Company's Registration Statement No. 333-56431, incorporated herein by reference.
4.3.8	Form of Eighth Supplemental Indenture dated as of January 4, 2012, supplementing the Indenture designated as Exhibit 4.3	Filed as Exhibit 4.1.8 to the Company's Registration Statement No. 333-178919, incorporated herein by reference.
4.4	Indenture, dated as of December 31, 2008, between the Company and The Bank of New York Mellon, Trustee	Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated as of January 2, 2009, (File No. 1-3754), incorporated herein by reference.
4.5	Amended and Restated Indenture, dated March 1, 2011, between the Company and The Bank of New York Mellon, Trustee	Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated as of March 4, 2011, (File No. 1-3754), incorporated herein by reference.
4.6	Form of Guarantee Agreement related to Ally Financial Inc. Senior Unsecured Guaranteed Notes	Filed as Exhibit 4.10 to the Company's Registration Statement No. 333-193070, incorporated herein by reference.
4.7	Form of Fixed Rate Senior Unsecured Note	Filed as Exhibit 4.8 to the Company's Registration Statement No. 333-193070, incorporated herein by reference.
4.8	Form of Floating Rate Senior Unsecured Note	Filed as Exhibit 4.9 to the Company's Registration Statement No. 333-193070, incorporated herein by reference.
4.9	Form of Subordinated Indenture to be entered into between the Company and The Bank of New York Mellon, as Trustee	Filed as Exhibit 4.11 to the Company's Registration Statement No. 333-193070, incorporated herein by reference.
4.10	Form of Subordinated Note	Included in Exhibit 4.9.
4.11	Second Amended and Restated Declaration of Trust by and between the trustees of each series of GMAC Capital Trust I, Ally Financial Inc., as Sponsor, and by the holders, from time to time, of undivided beneficial interests in the relevant series of GMAC Capital Trust I, dated as of March 1, 2011	Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated as of March 4, 2011, (File No. 1-3754), incorporated herein by reference.
4.12	Series 2 Trust Preferred Securities Guarantee Agreement between Ally Financial Inc. and The Bank of New York Mellon, dated as of March 1, 2011	Filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated as of March 4, 2011, (File No. 1-3754), incorporated herein by reference.
4.13	Indenture, dated as of November 20, 2015, between the Company and The Bank of New York Mellon, Trustee	Filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated as of November 20, 2015, (File No. 1-3754), incorporated herein by reference.
4.14	Form of Subordinated Note	Included in Exhibit 4.13.
4.15	Description of Securities	Filed as Exhibit 4.15 to the Company's Annual Report for the period ended December 31, 2019, on Form 10-K (File No. 1-3754), incorporated herein by reference.
4.16	Form of Fixed Rate Senior Unsecured Note	Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated as of April 8, 2020, (File No. 1-3754), incorporated herein by reference.
4.17	Form of Fixed Rate Senior Unsecured Note	Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated as of June 3, 2020 (File No. 1-3754), incorporated herein by reference.
4.18	Form of Fixed Rate Senior Unsecured Note	Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated as of September 18, 2020, (File No. 1-3754), incorporated herein by reference.
10.2	Ally Financial Inc. Incentive Compensation Plan	Filed herewith.
10.3	Ally Financial Inc. Annual Incentive Plan	Filed as Exhibit 10.3 to the Company's Annual Report for the period ended December 31, 2019, on Form 10-K (File No. 1-3754), incorporated herein by reference.
10.4	Ally Financial Inc. Employee Stock Purchase Plan	Filed herewith.

Exhibit	Description	Method of Filing
10.5	Ally Financial Inc. Non-Employee Directors Equity Compensation Plan	Filed herewith.
10.6	Ally Financial Inc. Severance Plan, Plan Document and Summary Plan Description	Filed as Exhibit 10.6 to the Company's Annual Report for the period ended December 31, 2018, on Form 10-K (File No. 1-3754), incorporated herein by reference.
10.7	Ally Financial Inc. Non-Employee Directors Deferred Compensation Plan	Filed as Exhibit 10.6 to the Company's Annual Report for the period ended December 31, 2017, (File No. 1-3754), incorporated herein by reference.
10.8	Form of Award Agreement related to the issuance of Performance Stock Units (Section 16 Executive Officers)	Filed as Exhibit 10.8 to the Company's Annual Report for the period ended December 31, 2020, (File No. 1-3754), incorporated herein by reference.
10.9	Form of Award Agreement related to the issuance of Performance Stock Units	Filed as Exhibit 10.9 to the Company's Annual Report for the period ended December 31, 2020, (File No. 1-3754), incorporated herein by reference.
10.10	Form of Award Agreement related to the issuance of Restricted Stock Units	Filed as Exhibit 10.10 to the Company's Annual Report for the period ended December 31, 2020, (File No. 1-3754), incorporated herein by reference.
10.11	Form of Award Agreement related to the issuance of Key Contributor Stock Units	Filed as Exhibit 10.11 to the Company's Annual Report for the period ended December 31, 2020, (File No. 1-3754), incorporated herein by reference.
21	Ally Financial Inc. Subsidiaries as of December 31, 2021	Filed herewith.
22.1	Subsidiary Guarantors	Filed as Exhibit 22 to the Company's Quarterly Report for the period ended March 31, 2020, on Form 10-Q (File No. 1-3754), incorporated herein by reference.
23.1	Consent of Independent Registered Public Accounting Firm	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	The following information from our 2021 Annual Report on Form 10-K, formatted in Inline XBRL: (i) Consolidated Statement of Income, (ii) Consolidated Statement of Comprehensive Income, (iii) Consolidated Balance Sheet, (iv) Consolidated Statement of Changes in Equity, (v) Consolidated Statement of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements.	Filed herewith.
104	The cover page of our 2021 Annual Report on Form 10-K, (formatted in Inline XBRL and contained in Exhibit 101)	Filed herewith.

Item 16. Form 10-K Summary

None.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, this 25th day of February, 2022.

Ally Financial Inc.
(Registrant)

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, this 25th day of February, 2022.

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Chief Executive Officer

/S/ JENNIFER A. LACLAIR

Jennifer A. LaClair
Chief Financial Officer

/S/ DAVID J. DEBRUNNER

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

/S/ FRANKLIN W. HOBBS

Franklin W. Hobbs
Ally Chairman

/S/ KENNETH J. BACON

Kenneth J. Bacon
Director

/S/ MAUREEN A. BREAKIRON-EVANS

Maureen A. Breakiron-Evans
Director

/S/ JEFFREY J. BROWN

Jeffrey J. Brown
Chief Executive Officer and Director

/S/ WILLIAM H. CARY

William H. Cary
Director

/S/ MAYREE C. CLARK

Mayree C. Clark
Director

/S/ KIM S. FENNEBRESQUE

Kim S. Fennebresque
Director

/S/ MARJORIE MAGNER

Marjorie Magner
Director

/S/ BRIAN H. SHARPLES

Brian H. Sharples
Director

/S/ JOHN J. STACK

John J. Stack
Director

/S/ MICHAEL F. STEIB

Michael F. Steib
Director

Company information.

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