Ally Financial Inc.
Form 10-Q
October 29, 2015
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 30, 2015, 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.)

200 Renaissance Center
P.O. Box 200, Detroit, Michigan
48265-2000
(Address of principal executive offices)
(Zip Code)
(866) 710-4623
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files).
Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o	Smaller reporting company o
	(Do not check if a smaller reporting company)		

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

At October 28, 2015, the number of shares outstanding of the Registrant's common stock was 481,752,179 shares.

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Item 1. Financial Statements
Condensed Consolidated Statement of Comprehensive Income (unaudited)
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($ in millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Financing revenue and other interest income				
Interest and fees on finance receivables and loans	$1,166	$1,114	$3,358	$3,345
Interest on loans held-for-sale	2	—	40	1
Interest and dividends on available-for-sale investment securities	102	94	283	282
Interest on cash and cash equivalents	2	2	6	6
Operating leases	830	899	2,586	2,653
Total financing revenue and other interest income	2,102	2,109	6,273	6,287
Interest expense				
Interest on deposits	181	166	530	495
Interest on short-term borrowings	13	12	36	40
Interest on long-term debt	410	493	1,258	1,576
Total interest expense	604	671	1,824	2,111
Depreciation expense on operating lease assets	528	549	1,713	1,600
Net financing revenue	970	889	2,736	2,576
Other revenue				
Servicing fees	12	6	32	22
Insurance premiums and service revenue earned	236	246	706	736
(Loss) gain on mortgage and automotive loans, net	(2)	—	45	6
Loss on extinguishment of debt	—	—	(354)	(46)
Other gain on investments, net	6	45	106	129
Other income, net of losses	80	78	251	214
Total other revenue	332	375	786	1,061
Total net revenue	1,302	1,264	3,522	3,637
Provision for loan losses	211	102	467	302
Noninterest expense				
Compensation and benefits expense	235	241	726	710
Insurance losses and loss adjustment expenses	61	97	239	353
Other operating expenses	378	404	1,128	1,213
Total noninterest expense	674	742	2,093	2,276
Income from continuing operations before income tax expense	417	420	962	1,059
Income tax expense from continuing operations	144	127	341	285
Net income from continuing operations	273	293	621	774
(Loss) income from discontinued operations, net of tax	(5)	130	405	199
Net income	268	423	1,026	973
Other comprehensive income (loss), net of tax	61	(55)	(56)	126
Comprehensive income	$329	$368	$970	$1,099

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

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Condensed Consolidated Statement of Comprehensive Income (unaudited)
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(in dollars) (a)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Basic earnings per common share				
Net income (loss) from continuing operations	$0.49	$0.47	$(1.52)	$1.19
(Loss) income from discontinued operations, net of tax	(0.01)	0.27	0.84	0.41
Net income (loss)	$0.48	$0.74	$(0.68)	$1.60
Diluted earnings per common share				
Net income (loss) from continuing operations	$0.49	$0.47	$(1.52)	$1.19
(Loss) income from discontinued operations, net of tax	(0.01)	0.27	0.84	0.41
Net income (loss)	$0.47	$0.74	$(0.68)	$1.60

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

Refer to Note 18 for additional earnings per share information, including the impact of preferred stock dividends recognized in connection with the partial redemption of the Series G Preferred Stock and the repurchase of the Series A Preferred Stock. The Notes to the Condensed Consolidated Financial Statements (unaudited) are an integral part of these statements.

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Condensed Consolidated Balance Sheet (unaudited)
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($ in millions, except share data)	September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents		
Noninterest-bearing	$1,666	$1,348
Interest-bearing	3,561	4,228
Total cash and cash equivalents	5,227	5,576
Investment securities (Refer to Note 5 for discussion of investment securities pledged as collateral)	18,758	16,137
Loans held-for-sale, net	37	2,003
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	107,991	99,948
Allowance for loan losses	(1,018)	(977)
Total finance receivables and loans, net	106,973	98,971
Investment in operating leases, net	17,292	19,510
Premiums receivable and other insurance assets	1,794	1,695
Other assets	6,024	7,302
Assets of operations held-for-sale	—	634
Total assets	$156,105	$151,828
Liabilities		
Deposit liabilities		
Noninterest-bearing	$91	$64
Interest-bearing	63,950	58,158
Total deposit liabilities	64,041	58,222
Short-term borrowings	5,378	7,062
Long-term debt	67,461	66,558
Interest payable	437	477
Unearned insurance premiums and service revenue	2,438	2,375
Accrued expenses and other liabilities	1,751	1,735
Total liabilities	141,506	136,429
Contingencies (refer to Note 26)		
Equity		
Common stock and paid-in capital ($0.01 par value, shares authorized 1,100,000,000; issued 482,552,750 and 480,136,039; and outstanding 481,750,247 and 480,094,891)	21,082	21,038
Preferred stock	813	1,255
Accumulated deficit	(7,158)	(6,828)
Accumulated other comprehensive loss	(122)	(66)
Treasury stock, at cost (802,503 shares)	(16)	—
Total equity	14,599	15,399
Total liabilities and equity	$156,105	$151,828

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

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

($ in millions)	September 30, 2015	December 31, 2014
Assets		
Finance receivables and loans, net		
Finance receivables and loans, net of unearned income	$27,165	$30,081
Allowance for loan losses	(191)	(179)
Total finance receivables and loans, net	26,974	29,902
Investment in operating leases, net	5,916	5,595
Other assets	1,410	2,010
Total assets	$34,300	$37,507
Liabilities		
Long-term debt	$21,946	$24,343
Accrued expenses and other liabilities	27	173
Total liabilities	$21,973	$24,516

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

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Condensed Consolidated Statement of Changes in Equity (unaudited)
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($ in millions)	Common stock and paid-in capital	Preferred stock	Accumulated deficit	Accumulated other comprehensive (loss) income	Treasury stock	Total equity
Balance at January 1, 2014	$20,939	$1,255	$(7,710)	$(276)	$—	$14,208
Net income			973			973
Preferred stock dividends			(200)			(200)
Share-based compensation	83					83
Other comprehensive income				126		126
Balance at September 30, 2014	$21,022	$1,255	$(6,937)	$(150)	$—	$15,190
Balance at January 1, 2015	$21,038	$1,255	$(6,828)	$(66)	$—	$15,399
Net income			1,026			1,026
Preferred stock dividends			(1,356) (a)			(1,356)
Series A preferred stock repurchase		(325)				(325)
Series G preferred stock redemption		(117)				(117)
Share-based compensation	44					44
Other comprehensive loss				(56)		(56)
Share repurchases related to employee stock-based compensation awards					(16)	(16)
Balance at September 30, 2015	$21,082	$813	$(7,158)	$(122)	$(16)	$14,599

(a) Preferred stock dividends include $1,193 million recognized in connection with the partial redemption of the Series G Preferred Stock and the repurchase of the Series A Preferred Stock. These dividends represent an additional return to preferred shareholders calculated as the excess consideration paid over the carrying amount derecognized. Refer to Note 16 for additional preferred stock information.

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

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Condensed Consolidated Statement of Cash Flows (unaudited)
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Nine months ended September 30, ($ in millions)	2015	2014
Operating activities		
Net income	$1,026	$973
Reconciliation of net income to net cash provided by operating activities		
Depreciation and amortization	2,130	2,133
Provision for loan losses	467	302
Gain on mortgage and automotive loans, net	(45)	(6)
Other gain on investments, net	(106)	(129)
Loss on extinguishment of debt	354	46
Originations and purchases of loans held-for-sale	(1,594)	—
Proceeds from sales and repayments of loans originated as held-for-sale	1,580	59
Impairment and settlement related to Residential Capital, LLC	—	(150)
(Gain) loss on sale of subsidiaries, net	(452)	7
Net change in		
Deferred income taxes	406	174
Interest payable	(40)	(346)
Other assets	528	42
Other liabilities	(212)	(529)
Other, net	(88)	(118)
Net cash provided by operating activities	3,954	2,458
Investing activities		
Purchases of available-for-sale securities	(10,011)	(4,117)
Proceeds from sales of available-for-sale securities	4,408	2,974
Proceeds from maturities and repayment of available-for-sale securities	3,141	1,877
Net increase in finance receivables and loans	(9,175)	(1,267)
Proceeds from sales of finance receivables and loans	2,665	1,557
Purchases of operating lease assets	(3,423)	(7,770)
Disposals of operating lease assets	3,855	4,505
Proceeds from sale of business units, net (a)	1,049	47
Net change in restricted cash	489	2,128
Other, net	(17)	71
Net cash (used in) provided by investing activities	(7,019)	5

Statement continues on the next page.

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

Nine months ended September 30, ($ in millions)	2015	2014
Financing activities		
Net change in short-term borrowings	(1,692)	(3,298)
Net increase in deposits	5,819	3,501
Proceeds from issuance of long-term debt	23,844	18,942
Repayments of long-term debt	(23,454)	(21,239)
Repurchase and redemption of preferred stock	(442)	—
Dividends paid on preferred stock	(1,356)	(200)
Net cash provided by (used in) financing activities	2,719	(2,294)
Effect of exchange-rate changes on cash and cash equivalents	(3)	(1)
Net (decrease) increase in cash and cash equivalents	(349)	168
Cash and cash equivalents at beginning of year	5,576	5,531
Cash and cash equivalents at September 30,	$5,227	$5,699
Supplemental disclosures		
Cash paid for		
Interest	$1,825	$2,380
Income taxes	95	13
Noncash items		
Finance receivables and loans transferred to loans held-for-sale	777	1,602
Other disclosures		
Proceeds from sales and repayments of mortgage loans held-for-investment originally designated as held-for-sale	61	29

(a) Cash flows of discontinued operations are reflected within operating, investing, and financing activities in the Condensed Consolidated Statement of Cash Flows. The cash balance of these operations is reported as assets of operations held-for-sale on the Condensed Consolidated Balance Sheet.

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

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

Ally Financial Inc. (referred to herein as Ally, we, our, or us) is a leading, independent, diversified financial services firm. Founded in 1919, we are a leading financial services company with more than 95 years of experience providing a broad array of financial products and services, primarily to automotive dealers and retail customers. We operate as a financial holding company (FHC) and a bank holding company (BHC). Our banking subsidiary, Ally Bank, is an indirect, wholly-owned subsidiary of Ally Financial Inc. and a leading franchise in the growing direct (internet, telephone, mobile, and mail) banking market.

Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP). Additionally, where applicable, the policies conform to the accounting and reporting guidelines prescribed by bank regulatory authorities. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and that affect income and expenses during the reporting period and related disclosures. In developing the estimates and assumptions, management uses all available evidence; however, actual results could differ because of uncertainties associated with estimating the amounts, timing, and likelihood of possible outcomes.

The Condensed Consolidated Financial Statements at September 30, 2015, and for the three months and nine months ended September 30, 2015, and 2014, are unaudited but reflect all adjustments that are, in management’s opinion, necessary for the fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements (and the related notes) included in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed on February 27, 2015, with the U.S. Securities and Exchange Commission (SEC).

Significant Accounting Policies

Income Taxes

In calculating the provision for interim income taxes, in accordance with Accounting Standards Codification (ASC) 740, Income Taxes, we apply an estimated annual effective tax rate to year-to-date ordinary income. At the end of each interim period, we estimate the effective tax rate expected to be applicable for the full fiscal year. This method differs from that described in Note 1 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K, which describes our annual significant income tax accounting policy and related methodology.

Refer to Note 1 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K regarding additional significant accounting policies.

Recently Adopted Accounting Standards

Receivables — Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (ASU 2014-04)

As of January 1, 2015, we adopted ASU (Accounting Standards Update) 2014-04. The amendments in this ASU clarify the timing for which an entity should reclassify a loan that has been foreclosed or where an in substance repossession has occurred to real estate owned. The guidance requires a reclassification to occur when the entity obtains legal title upon completion of foreclosure or the borrower conveys all interest in the residential real estate property to the entity to satisfy the loan through completion of a deed in lieu of foreclosure or similar legal agreement. In addition, the ASU clarifies that redemption rights of the borrower should be ignored for purposes of determining whether legal title has transferred. We adopted the guidance utilizing a modified retrospective approach. The adoption of this guidance did not have a material effect on our consolidated financial condition or results of operations.

Presentation of Financial Statements and Property, Plant, and Equipment — Reporting Discontinued Operations and Disclosure of Disposals of Components of an Entity (ASU 2014-08)

As of January 1, 2015, we adopted ASU 2014-08. The amendments in this ASU modify the requirements for the reporting of discontinued operations. In order to qualify as a discontinued operation, the disposal of a component of an entity, a group of components, or a business of an entity must represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results. The ASU further indicates that the timing for recording a discontinued operation is when one of the following occurs: the component, group of components, or business meets the criteria to be classified as held-for-sale; the component, group of components, or business is disposed of by sale; or the component, group of components, or business is disposed of other than by sale (for example abandonment or spinoff). In addition, the ASU also requires additional disclosure items about an entity's discontinued operations. The amendments were applied prospectively solely to newly identified disposals that qualify as discontinued operations after the effective date. Items previously reported as discontinued operations maintain their classification based on the prior guidance. The adoption of this guidance did not have a material effect on our consolidated financial condition or results of operations.

Transfers and Servicing — Repurchase-to-Maturity Transactions, Repurchase Financings and Disclosures (ASU 2014-11)

As of January 1, 2015, we adopted ASU 2014-11. The amendments in this ASU change the accounting for repurchase-to-maturity transactions and repurchase financing transactions such that both will be reported as secured borrowings. In addition to the changes to how these transactions are reported, the ASU also includes new disclosure requirements. The amendments were applied to all transactions that fall under the guidance as of the date of adoption with a cumulative effect adjustment recorded on the date of initial adoption. The adoption of this guidance did not have a material effect on our consolidated financial condition or results of operations.

Recently Issued Accounting Standards

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

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09. The purpose of this guidance is to streamline and consolidate existing revenue recognition principles in GAAP and to converge revenue recognition principles with International Financial Reporting Standards (IFRS). The core principle of the amendments is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services. The amendments include a five step process for consideration of the main principle, guidance on the accounting treatment for costs associated with a contract, and disclosure requirements related to the revenue process. As originally issued, the amendments in ASU 2014-09 were to be effective for us beginning on January 1, 2017. However, in August 2015, the FASB issued ASU 2015-14, which deferred the effective date of the guidance for us until January 1, 2018, and permitted early adoption as of the original effective date in ASU 2014-09. The amendments to the revenue recognition principles can be applied on adoption either through a full retrospective application or on a modified basis with a cumulative effect adjustment on the date of initial adoption with certain practical expedients. Management is assessing the impact of the adoption of this guidance.

Consolidation — Amendments to the Consolidation Analysis (ASU 2015-02)

In February 2015, the FASB issued ASU 2015-02. The amendments in this update modify the requirements of consolidation with respect to entities that are or are similar in nature to limited partnerships or are variable interest entities (VIEs). For entities that are or are similar to limited partnerships, the guidance clarifies the evaluation of kick-out rights, removes the presumption that the general partner will consolidate and generally states that such entities will be presumed to be VIEs unless proven otherwise. For VIEs, the guidance modifies the analysis related to the evaluation of servicing fees, excludes servicing fees that are deemed commensurate with the level of service required from the determination of the primary beneficiary and clarifies certain considerations related to the consolidation analysis when performing a related party assessment. The amendments are effective for us on January 1, 2016, with early adoption permitted. The amendments can be applied either through a full retrospective application or on a modified retrospective basis with a cumulative effect adjustment on the date of initial adoption. Based on our preliminary assessment within our ongoing implementation efforts, we are not anticipating a material impact to our consolidated financial condition or results of operations upon adoption.

Imputation of Interest — Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03) and Imputation of Interest — Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (ASU 2015-15)

In April 2015, the FASB issued ASU 2015-03. The amendments in this update require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Currently debt issuance costs are presented as a deferred charge and are therefore presented as an asset. The recognition and measurement requirements will not change as a result of this guidance. Additionally, in August 2015, the FASB issued ASU 2015-15 which codified comments made by the SEC that costs associated with revolving lines of credit may continue to be presented as an asset subsequent to the adoption of the guidance in ASU

2015-03. The amendments in ASU 2015-03 are effective for us on January 1, 2016, with early adoption permitted. The amendments must be applied with retrospective application, with each balance sheet period presented showing the impacts of applying the guidance. The guidance is not expected to have a material impact to our consolidated financial condition or results of operations.

2. Discontinued and Held-for-sale Operations

Discontinued Operations

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

Select Automotive Finance Operations

During the fourth quarter of 2012, we committed to sell our automotive finance operations in Europe and Latin America to General Motors Financial Company, Inc. (GMF). On the same date, we entered into an agreement with GMF to sell our 40% interest in a motor vehicle finance joint venture in China. During the second quarter of 2013, we completed the sale of our operations in Europe and the majority of Latin America. The transaction included European operations in Germany, the United Kingdom, Italy, Sweden, Switzerland, Austria, Belgium, France and the Netherlands, and Latin America operations in Mexico, Chile, and Colombia. During the fourth quarter of 2013, we completed the sale of our Latin American operations in Brazil.

On January 2, 2015, the sale of our interest in the motor vehicle finance joint venture in China was completed and an after-tax gain of approximately $400 million was recorded. The tax expense included in this gain was reduced by the release of the valuation allowance on our capital loss carryforward deferred tax asset that was utilized to offset capital gains stemming from this sale.

Other Operations

Other operations relate to previous discontinued operations for which we continue to have minimal residual costs.

Select Financial Information

Select financial information of discontinued operations is summarized below. The pretax income or loss, including direct costs to transact a sale, includes any impairment recognized to present the operations at the lower-of-cost or fair value. Fair value was based on the estimated sales price, which could differ from the ultimate sales price due to price volatility, changing interest rates, changing foreign-currency rates, and future economic conditions.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2015	2014	2015	2014
Select Automotive Finance operations				
Total net revenue	$—	$29	$—	$95
Pretax (loss) income including direct costs to transact a sale (a)	(1)	46	452	101
Tax expense (b)	3	—	68	4
Other operations				
Pretax (loss) income	$(1)	$5	$19	$25
Tax benefit	—	(79)	(2)	(77)

(a) Includes certain treasury and other corporate activity recognized by Corporate and Other.
(b) Includes certain income tax activity recognized by Corporate and Other.

Held-for-sale Operations

Assets of operations held-for-sale consisted of $634 million in other assets at December 31, 2014 related to the joint venture in China that was sold to GMF on January 2, 2015. No held-for-sale operations remain at September 30, 2015.

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3. Other Income, Net of Losses

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2015	2014	2015	2014
Remarketing fees	$25	$28	$78	$85
Late charges and other administrative fees	23	23	66	66
Income from equity-method investments	11	5	48	13
Other, net	21	22	59	50
Total other income, net of losses	$80	$78	$251	$214

4. Other Operating Expenses

Details of other operating expenses were as follows.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2015	2014	2015	2014
Insurance commissions	$95	$95	$283	$279
Technology and communications	65	77	198	255
Lease and loan administration	31	32	92	92
Advertising and marketing	26	27	80	81
Professional services	23	20	68	73
Premises and equipment depreciation	20	23	62	61
Regulatory and licensing fees	18	23	59	69
Vehicle remarketing and repossession	20	22	56	61
Occupancy	13	12	38	34
Non-income taxes	11	12	26	32
Other	56	61	166	176
Total other operating expenses	$378	$404	$1,128	$1,213

5. Investment Securities

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

	September 30, 2015				December 31, 2014			
	Amortized	Gross unrealized		Fair	Amortized	Gross unrealized		Fair
($ in millions)	cost	gains	losses	value	cost	gains	losses	value
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$1,805	$5	$(1)	$1,809	$1,195	$1	$(18)	$1,178
U.S. States and political subdivisions	635	17	(1)	651	389	17	—	406
Foreign government	176	8	—	184	224	8	—	232
Mortgage-backed residential (a)	11,560	130	(76)	11,614	10,431	119	(125)	10,425
Mortgage-backed commercial	519	—	(2)	517	254	—	(1)	253
Asset-backed	1,947	6	(2)	1,951	1,989	5	(3)	1,991
Corporate debt	1,043	13	(9)	1,047	734	14	(2)	746
Total debt securities (b) (c)	17,685	179	(91)	17,773	15,216	164	(149)	15,231
Equity securities	1,097	1	(113)	985	891	49	(34)	906
Total available-for-sale securities	$18,782	$180	$(204)	$18,758	$16,107	$213	$(183)	$16,137

(a) Residential mortgage-backed securities include agency-backed bonds totaling $8,536 million and $7,557 million at September 30, 2015, and December 31, 2014, respectively.

(b) Certain entities related to our Insurance operations are required to deposit securities with state regulatory authorities. Amounts deposited totaled $15 million at both September 30, 2015, and December 31, 2014.

(c) Investment securities with a fair value of $1,702 million and $801 million at September 30, 2015, and December 31, 2014, were pledged to secure short-term borrowings or repurchase agreements and for other purposes as required by contractual obligation or law. Under these agreements, Ally has granted the counterparty the right to sell or pledge the underlying investment securities.

The maturity distribution of available-for-sale debt securities outstanding is summarized in the following tables. Prepayments 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 (a)	
($ in millions)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
September 30, 2015										
Fair value of available-for-sale debt securities										
U.S. Treasury and federal agencies	$1,809	1.6 %	$7	5.0 %	$905	1.2 %	$897	2.1 %	$—	— %
U.S. States and political subdivisions	651	3.3	53	2.2	48	2.2	130	2.9	420	3.7
Foreign government	184	2.6	9	1.4	82	2.7	93	2.7	—	—
Mortgage-backed residential	11,614	2.8	—	—	38	2.1	40	2.5	11,536	2.8
Mortgage-backed commercial	517	1.9	—	—	—	—	3	2.7	514	1.9
Asset-backed	1,951	2.1	4	1.4	1,189	2.0	553	2.4	205	2.2
Corporate debt	1,047	2.9	48	3.1	601	2.5	368	3.3	30	5.5
Total available-for-sale debt securities	$17,773	2.6	$121	2.6	$2,863	1.9	$2,084	2.5	$12,705	2.8
Amortized cost of available-for-sale debt securities	$17,685		$120		$2,854		$2,067		$12,644	
December 31, 2014										
Fair value of available-for-sale debt securities										
U.S. Treasury and federal agencies	$1,178	1.5 %	$7	3.0 %	$677	1.2 %	$494	1.9 %	$—	— %
U.S. States and political subdivisions	406	3.7	34	1.9	12	2.1	106	3.0	254	4.3
Foreign government	232	2.7	—	—	128	2.5	104	2.9	—	—
Mortgage-backed residential	10,425	2.6	34	3.1	58	2.1	—	—	10,333	2.6
Mortgage-backed commercial	253	1.5	—	—	30	1.8	—	—	223	1.4
Asset-backed	1,991	1.9	—	—	1,311	1.9	463	2.0	217	2.2
Corporate debt	746	3.2	33	3.1	460	2.7	216	3.8	37	5.6
Total available-for-sale debt securities	$15,231	2.5	$108	2.7	$2,676	1.9	$1,383	2.4	$11,064	2.6
Amortized cost of available-for-sale debt securities	$15,216		$108		$2,674		$1,374		$11,060	

(a) Actual maturities may differ from contractual maturities due to call or prepayment options.

The balances of cash equivalents were $1.3 billion and $2.0 billion at September 30, 2015, and December 31, 2014, respectively, and were composed primarily of money market accounts and short-term securities, including U.S. Treasury bills.

The following table presents interest and dividends on available-for-sale securities.

($ in millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Taxable interest	$90	$87	$252	$256
Taxable dividends	7	6	18	18
Interest and dividends exempt from U.S. federal income tax	5	1	13	8
Interest and dividends on available-for-sale securities	$102	$94	$283	$282

The following table presents gross gains and losses realized upon the sales of available-for-sale securities and other-than-temporary impairment.

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2015	2014	2015	2014
Gross realized gains	$28	$48	$134	$150
Gross realized losses	(11)	(3)	(14)	(11)
Other-than-temporary impairment	(11)	—	(14)	(10)
Other gain on investments, net	$6	$45	$106	$129

Certain available-for-sale securities were sold at a loss in 2015 and 2014 as a result of market conditions within these respective periods (e.g., a downgrade in the rating of a debt security), in accordance with our risk management policies and practices. The table below summarizes available-for-sale securities in an unrealized loss position in accumulated other comprehensive income. Based on the methodology that was applied to these securities, we believe that the unrealized losses relate to factors other than credit losses in the current market environment. As of September 30, 2015, we did not have the intent to sell the debt securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As of September 30, 2015, we had the ability and intent to hold equity securities with an unrealized loss position in accumulated other comprehensive income, and it is not more likely than not that we will be required to sell these securities before recovery of their amortized cost basis. As a result, we believe that the securities with an unrealized loss position in accumulated other comprehensive income are not considered to be other-than-temporarily impaired at September 30, 2015. Refer to Note 1 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K for additional information related to investment securities and our methodology for evaluating potential other-than-temporary impairments.

	September 30, 2015				December 31, 2014			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
($ in millions)	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Available-for-sale securities								
Debt securities								
U.S. Treasury and federal agencies	$220	$—	$373	$(1)	$297	$(3)	$859	$(15)
U.S. States and political subdivisions	173	(1)	—	—	50	—	—	—
Foreign government	9	—	—	—	—	—	—	—
Mortgage-backed	1,731	(11)	2,517	(67)	1,172	(10)	3,098	(116)
Asset-backed	696	(2)	24	—	819	(3)	8	—
Corporate debt	449	(8)	10	(1)	132	(2)	11	—
Total temporarily impaired debt securities	3,278	(22)	2,924	(69)	2,470	(18)	3,976	(131)
Temporarily impaired equity securities	793	(84)	68	(29)	231	(24)	40	(10)
Total temporarily impaired available-for-sale securities	$4,071	$(106)	$2,992	$(98)	$2,701	$(42)	$4,016	$(141)

6. Loans Held-for-Sale, Net

Loans held-for-sale represent loans that we intend to sell. In situations where we have not identified the specific loans to be sold, we may classify a percentage of the entire loan balance as held-for-investment and a percentage as held-for-sale based on an allocation methodology of loans with similar characteristics. In addition, we may also designate a portion of our originations as held-for-sale based on a similar allocation methodology.

The composition of loans held-for-sale, net, was as follows.

($ in millions)	September 30, 2015	December 31, 2014
Consumer automotive	$—	$ 1,515
Consumer mortgage	—	452
Commercial and industrial — Other	37	36
Total loans held-for-sale, net	$37	$ 2,003

7. Finance Receivables and Loans, Net

The composition of finance receivables and loans, net, reported at carrying value before allowance for loan losses was as follows.

($ in millions)	September 30, 2015	December 31, 2014
Consumer automotive (a)	$63,610	$ 56,570
Consumer mortgage (b)(c)	9,770	7,474
Commercial		
Commercial and industrial		
Automotive	29,020	30,871
Other	2,289	1,882
Commercial real estate — Automotive	3,302	3,151
Total commercial	34,611	35,904
Total finance receivables and loans (d)	$107,991	$ 99,948

(a) Includes $107 million and $35 million of fair value adjustment for loans in hedge accounting relationships at September 30, 2015, and December 31, 2014, respectively. Refer to Note 20 for additional information.

(b) Includes loans originated as interest-only mortgage loans of $1.0 billion and $1.2 billion at September 30, 2015, and December 31, 2014, respectively, 8% of which are expected to start principal amortization in the remainder of 2015, 33% in 2016, 21% in 2017, 2% in 2018, and 4% thereafter.

(c) Includes consumer mortgages at a fair value of $1 million at both September 30, 2015, and December 31, 2014, as a result of fair value option election.

(d) Totals include a net increase of $43 million at September 30, 2015, compared to a net reduction of $266 million at December 31, 2014, for unearned income, unamortized premiums and discounts, and deferred fees and costs.

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

Three months ended September 30, 2015 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at July 1, 2015	$767	$119	$88	$974
Charge-offs	(220)	(10)	(1)	(231)
Recoveries	64	4	2	70
Net charge-offs	(156)	(6)	1	(161)
Provision for loan losses	200	6	5	211
Other (a)	(7)	—	1	(6)
Allowance at September 30, 2015	$804	$119	$95	$1,018

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

Three months ended September 30, 2014 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at July 1, 2014	$729	$302	$140	$1,171
Charge-offs	(188)	(13)	—	(201)
Recoveries	51	1	—	52
Net charge-offs	(137)	(12)	—	(149)
Provision for loan losses	112	(7)	(3)	102
Other (a)	(11)	—	—	(11)
Allowance at September 30, 2014	$693	$283	$137	$1,113

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

Nine months ended September 30, 2015 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2015	$685	$152	$140	$977
Charge-offs	(579)	(41)	(1)	(621)
Recoveries	195	12	3	210
Net charge-offs	(384)	(29)	2	(411)
Provision for loan losses	510	4	(47)	467
Other (a)	(7)	(8)	—	(15)
Allowance at September 30, 2015	$804	$119	$95	$1,018
Allowance for loan losses at September 30, 2015				
Individually evaluated for impairment	$22	$48	$19	$89
Collectively evaluated for impairment	782	71	76	929
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost at September 30, 2015				
Ending balance	$63,610	$9,769	$34,611	$107,990
Individually evaluated for impairment	285	268	75	628
Collectively evaluated for impairment	63,325	9,501	34,536	107,362
Loans acquired with deteriorated credit quality	—	—	—	—

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

Nine months ended September 30, 2014 ($ in millions)	Consumer automotive	Consumer mortgage	Commercial	Total
Allowance at January 1, 2014	$673	$389	$146	$1,208
Charge-offs	(511)	(38)	(5)	(554)
Recoveries	170	6	11	187
Net charge-offs	(341)	(32)	6	(367)
Provision for loan losses	372	(55)	(15)	302
Other (a)	(11)	(19)	—	(30)
Allowance at September 30, 2014	$693	$283	$137	$1,113
Allowance for loan losses at September 30, 2014				
Individually evaluated for impairment	$25	$180	$15	$220
Collectively evaluated for impairment	668	103	122	893
Loans acquired with deteriorated credit quality	—	—	—	—
Finance receivables and loans at historical cost at September 30, 2014				
Ending balance	$58,675	$7,594	$33,248	$99,517

Individually evaluated for impairment	289	904	73	1,266
Collectively evaluated for impairment	58,384	6,690	33,175	98,249
Loans acquired with deteriorated credit quality	2	—	—	2

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

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2015	2014	2015	2014
Consumer automotive	$704	$1,562	$704	$1,562
Consumer mortgage	2	—	75	40
Commercial	1	—	1	—
Total sales and transfers	$707	$1,562	$780	$1,602

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2015	2014	2015	2014
Consumer automotive	$272	$—	$272	$—
Consumer mortgage	990	83	3,640	98
Total purchases of finance receivables and loans	$1,262	$83	$3,912	$98

The following table presents an analysis of our past due finance receivables and loans, net, recorded at historical cost reported at carrying value before allowance for loan losses.

($ in millions)	30-59 days past due	60-89 days past due	90 days or more past due	Total past due	Current	Total finance receivables and loans
September 30, 2015						
Consumer automotive	$1,439	$310	$180	$1,929	$61,681	$ 63,610
Consumer mortgage	101	19	88	208	9,561	9,769
Commercial						
Commercial and industrial						
Automotive	—	—	6	6	29,014	29,020
Other	—	—	—	—	2,289	2,289
Commercial real estate — Automotive	—	—	—	—	3,302	3,302
Total commercial	—	—	6	6	34,605	34,611
Total consumer and commercial	$1,540	$329	$274	$2,143	$105,847	$ 107,990
December 31, 2014						
Consumer automotive	$1,340	$293	$164	$1,797	$54,773	$ 56,570
Consumer mortgage	76	25	124	225	7,248	7,473
Commercial						
Commercial and industrial						
Automotive	—	9	—	9	30,862	30,871
Other	—	—	—	—	1,882	1,882
Commercial real estate — Automotive	—	—	—	—	3,151	3,151
Total commercial	—	9	—	9	35,895	35,904
Total consumer and commercial	$1,416	$327	$288	$2,031	$97,916	$ 99,947

The following table presents the carrying value before allowance for loan losses of our finance receivables and loans recorded at historical cost on nonaccrual status.

($ in millions)	September 30, 2015	December 31, 2014
Consumer automotive	$413	$386
Consumer mortgage	149	177
Commercial		
Commercial and industrial		
Automotive	26	32
Other	45	46
Commercial real estate — Automotive	4	4
Total commercial	75	82
Total consumer and commercial finance receivables and loans	$637	$645

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

The following table presents performing and nonperforming credit quality indicators in accordance with our internal accounting policies for our consumer finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses. Nonperforming loans include finance receivables and loans on nonaccrual status when the principal or interest has been delinquent for 90 days or when full collection is determined not to be probable. Refer to Note 1 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K for additional information.

	September 30, 2015			December 31, 2014		
($ in millions)	Performing	Nonperforming	Total	Performing	Nonperforming	Total
Consumer automotive	$63,197	$413	$63,610	$56,184	$386	$56,570
Consumer mortgage	9,620	149	9,769	7,296	177	7,473

The following table presents pass and criticized credit quality indicators based on regulatory definitions for our commercial finance receivables and loans recorded at historical cost reported at carrying value before allowance for loan losses.

	September 30, 2015			December 31, 2014		
($ in millions)	Pass	Criticized (a)	Total	Pass	Criticized (a)	Total
Commercial						
Commercial and industrial						
Automotive	$27,423	$1,597	$29,020	$29,150	$1,721	$30,871
Other	1,856	433	2,289	1,509	373	1,882
Commercial real estate — Automotive	3,156	146	3,302	3,015	136	3,151
Total commercial	$32,435	$2,176	$34,611	$33,674	$2,230	$35,904

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

Impaired Loans and Troubled Debt Restructurings

Impaired Loans

Loans are considered impaired when we determine it is probable that we will be unable to collect all amounts due according to the terms of the loan agreement. For more information on our impaired finance receivables and loans, refer to Note 1 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K.

The following table presents information about our impaired finance receivables and loans recorded at historical cost.

($ in millions)	Unpaid principal balance	Carrying value before allowance	Impaired with no allowance	Impaired with an allowance	Allowance for impaired loans
September 30, 2015					
Consumer automotive	$285	$285	$—	$285	$22
Consumer mortgage	271	268	63	205	48
Commercial					
Commercial and industrial					
Automotive	26	26	9	17	4
Other	45	45	—	45	15
Commercial real estate — Automotive	4	4	4	—	—
Total commercial	75	75	13	62	19
Total consumer and commercial finance receivables and loans	$631	$628	$76	$552	$89
December 31, 2014					
Consumer automotive	$282	$282	$—	$282	$23
Consumer mortgage	340	336	86	250	62
Commercial					
Commercial and industrial					
Automotive	32	32	4	28	5
Other	46	46	—	46	15
Commercial real estate — Automotive	4	4	1	3	1
Total commercial	82	82	5	77	21
Total consumer and commercial finance receivables and loans	$704	$700	$91	$609	$106

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

Three months ended September 30, ($ in millions)	2015 Average balance	2015 Interest income	2014 Average balance	2014 Interest income
Consumer automotive	$288	$4	$297	$5
Consumer mortgage	268	3	914	7
Commercial				
Commercial and industrial				
Automotive	36	—	32	—
Other	45	—	51	—
Commercial real estate — Automotive	6	—	3	—
Total commercial	87	—	86	—
Total consumer and commercial finance receivables and loans	$643	$7	$1,297	$12

Nine months ended September 30, ($ in millions)	2015 Average balance	2015 Interest income	2014 Average balance	2014 Interest income
Consumer automotive	$291	$13	$298	$14
Consumer mortgage	283	7	923	22
Commercial				
Commercial and industrial				
Automotive	35	1	68	1
Other	39	3	62	4
Commercial real estate — Automotive	5	—	7	—
Total commercial	79	4	137	5
Total consumer and commercial finance receivables and loans	$653	$24	$1,358	$41

Troubled Debt Restructurings

Troubled Debt Restructurings (TDRs) are loan modifications where concessions were granted to borrowers experiencing financial difficulties. For automotive loans, we may offer several types of assistance to aid our customers, including extension of the loan maturity date and rewriting the loan terms. Additionally, numerous initiatives 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. Refer to Note 1 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K for additional information.

Total TDRs recorded at historical cost and reported at carrying value before allowance for loan losses were $601 million and $681 million at September 30, 2015, and December 31, 2014, respectively. The decrease was primarily due to the whole-loan sale of consumer mortgage TDRs during the first quarter of 2015.

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

Three months ended September 30, ($ in millions)	2015 Number of loans	2015 Pre-modification carrying value before allowance	2015 Post-modification carrying value before allowance	2014 Number of loans	2014 Pre-modification carrying value before allowance	2014 Post-modification carrying value before allowance
Consumer automotive	4,612	$ 75	$ 66	4,361	$ 72	$ 63
Consumer mortgage	53	13	13	37	7	6
Commercial						
Commercial and industrial						
Automotive	—	—	—	—	—	—
Other	1	21	21	—	—	—
Commercial real estate — Automotive	1	3	3	—	—	—
Total commercial	2	24	24	—	—	—
Total consumer and commercial finance receivables and loans	4,667	$ 112	$ 103	4,398	$ 79	$ 69

Nine months ended September 30, ($ in millions)	2015 Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance	2014 Number of loans	Pre-modification carrying value before allowance	Post-modification carrying value before allowance
Consumer automotive	12,763	$ 202	$ 173	13,681	$ 223	$ 193
Consumer mortgage	169	42	40	350	71	66
Commercial						
Commercial and industrial						
Automotive	—	—	—	3	23	23
Other	1	21	21	3	48	48
Commercial real estate — Automotive	1	3	3	—	—	—
Total commercial	2	24	24	6	71	71
Total consumer and commercial finance receivables and loans	12,934	$ 268	$ 237	14,037	$ 365	$ 330

The following tables present information about finance receivables and loans recorded at historical cost that have redefaulted during the reporting period and were within 12 months or less of being modified as a TDR. Redefault is when finance receivables and loans meet the requirements for evaluation under our charge-off policy (Refer to Note 1 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K for additional information) except for commercial finance receivables and loans, where redefault is defined as 90 days past due.

Three months ended September 30, ($ in millions)	2015 Number of loans	Carrying value before allowance	Charge-off amount	2014 Number of loans	Carrying value before allowance	Charge-off amount
Consumer automotive	1,742	$ 21	$ 12	1,790	$ 22	$ 12
Consumer mortgage	2	1	—	5	1	—
Commercial	—	—	—	—	—	—
Total consumer and commercial finance receivables and loans	1,744	$ 22	$ 12	1,795	$ 23	$ 12

Nine months ended September 30, ($ in millions)	2015 Number of loans	Carrying value before allowance	Charge-off amount	2014 Number of loans	Carrying value before allowance	Charge-off amount
Consumer automotive	4,822	$ 58	$ 33	5,020	$ 62	$ 33
Consumer mortgage	9	1	—	10	2	—
Commercial	—	—	—	—	—	—
Total consumer and commercial finance receivables and loans	4,831	$ 59	$ 33	5,030	$ 64	$ 33

At September 30, 2015, and December 31, 2014, commercial commitments to lend additional funds to borrowers owing receivables whose terms had been modified in a TDR were $2 million and $4 million, respectively.

8. Investment in Operating Leases, Net

Investments in operating leases were as follows.

($ in millions)	September 30, 2015	December 31, 2014
Vehicles	$21,270	$23,144
Accumulated depreciation	(3,978)	(3,634)
Investment in operating leases, net	$17,292	$19,510

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2015	2014	2015	2014
Depreciation expense on operating lease assets (excluding remarketing gains)	$633	$654	$1,995	$1,982
Remarketing gains	(105)	(105)	(282)	(382)
Depreciation expense on operating lease assets	$528	$549	$1,713	$1,600

9. Securitizations and Variable Interest Entities

We are involved in several types of securitization and financing transactions that utilize special-purpose entities (SPEs). A SPE is an entity that is designed to fulfill a specified limited need of the sponsor. Our principal use of SPEs is to obtain liquidity by securitizing certain of our financial assets and operating lease assets.

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

We provide a wide range of consumer and commercial automotive loans, operating leases, and commercial loans to a diverse customer base. We often securitize these loans (also referred to as financial assets) and leases through the use of securitization entities, which may or may not be consolidated on our Condensed Consolidated Balance Sheet.

The pretax loss recognized on sales of financial assets into nonconsolidated securitization trusts and similar asset-backed financing entities for consumer automotive was $3 million for the three months and nine months ended September 30, 2015.

We provide long-term guarantee contracts to investors in certain nonconsolidated affordable housing entities and have extended a line of credit to provide liquidity and minimize our exposure under these contracts. Since we do not have control over the entities or the power to make decisions, we do not consolidate the entities and our involvement is limited to the guarantee and the line of credit.

We have involvement with various other nonconsolidated equity investments, including affordable housing entities and venture capital funds and loan funds. We do not consolidate these entities and our involvement is limited to our outstanding investment, additional capital committed to these funds plus any previously recognized low income housing tax credits that are subject to recapture.

Refer to Note 10 to the Consolidated Financial Statements in our 2014 Annual Report on Form 10-K for further description of our securitization activities and our involvement with VIEs.

Our involvement with consolidated and nonconsolidated VIEs in which we hold variable interests is presented below.

($ in millions)	Consolidated involvement with VIEs		Assets of nonconsolidated VIEs (a)		Maximum exposure to loss in nonconsolidated VIEs	
September 30, 2015						
On-balance sheet variable interest entities						
Consumer automotive	$29,429	(b)				
Commercial automotive	15,118					
Off-balance sheet variable interest entities						
Consumer automotive	—		$2,870		$2,870	(c)
Commercial other	197	(d)	—	(e)	445	(f)
Total	$44,744		$2,870		$3,315	
December 31, 2014						
On-balance sheet variable interest entities						
Consumer automotive	$31,994	(b)				
Commercial automotive	18,171					
Off-balance sheet variable interest entities						
Consumer automotive	—		$2,801		$2,801	(c)
Commercial other	146	(d)	—	(e)	362	(f)
Total	$50,311		$2,801		$3,163	

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

(b) Includes $10.2 billion and $12.7 billion of assets that are not encumbered by VIE beneficial interests held by third parties at September 30, 2015, and December 31, 2014, respectively. Ally or consolidated affiliates hold the interests in these assets which eliminate in consolidation.

(c) Maximum exposure to loss represents the current unpaid principal balance of outstanding loans based on our customary representation and warranty provisions. This measure is based on the unlikely event that all of the loans have underwriting defects or other defects that trigger a representation and warranty provision and the collateral supporting the loans are worthless. This required disclosure is not an indication of our expected loss.

(d) Includes $211 million and $164 million classified as other assets, offset by $14 million and $18 million classified as accrued expenses and other liabilities at September 30, 2015, and December 31, 2014, respectively.

(e) Includes VIEs for which we have no management oversight and therefore we are not able to provide the total assets of the VIEs.

(f) For certain nonconsolidated affordable housing entities, maximum exposure to loss represents the yield we guaranteed investors through long term guarantee contracts. The amount disclosed is based on the unlikely event that the underlying properties cease generating yield to investors and the yield delivered to investors in the form of low income tax housing credits is recaptured. For nonconsolidated equity investments, maximum exposure to loss represents our outstanding investment, additional committed capital, and low income housing tax credits subject to recapture. The amount disclosed is based on the unlikely event that our committed capital is funded, our investments become worthless, and the tax credits previously delivered to us are recaptured. This required disclosure is not an indication of our expected loss.

Cash Flows with Off-balance Sheet Variable Interest Entities

The following table summarizes cash flows received and paid related to securitization entities and asset-backed financings where the transfer is accounted for as a sale and we have a continuing involvement with the transferred assets (e.g., servicing) that were outstanding during the nine months ended September 30, 2015, and 2014. Additionally, this table contains information regarding cash flows received from and paid to nonconsolidated securitization entities that existed during each period.

Nine months ended September 30, ($ in millions)	Consumer automotive	Consumer mortgage
2015		
Cash proceeds from transfers completed during the period	$1,044	$—
Servicing fees	21	—
2014		
Cash proceeds from transfers completed during the period	$1,557	$—
Servicing fees	6	—
Representations and warranties obligations	—	(9)

Delinquencies and Net Credit Losses

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

	Total Amount		Amount 60 days or more past due	
($ in millions)	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
On-balance sheet loans				
Consumer automotive	$63,610	$58,085	$490	$457
Consumer mortgage	9,770	7,926	107	151
Commercial automotive	32,322	34,022	6	9
Commercial other	2,326	1,918	—	—
Total on-balance sheet loans	108,028	101,951	603	617
Off-balance sheet securitization entities				
Consumer automotive	2,870	2,801	8	5
Total off-balance sheet securitization entities	2,870	2,801	8	5
Whole-loan transactions (a)	2,030	929	15	33
Total	$112,928	$105,681	$626	$655

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

	Net credit losses			
	Three months ended September 30,		Nine months ended September 30,	
($ in millions)	2015	2014	2015	2014
On-balance sheet loans				
Consumer automotive	$156	$137	$384	$341
Consumer mortgage	6	12	29	32
Commercial automotive	—	—	—	1
Commercial other	(1)	—	(2)	(7)
Total on-balance sheet loans	161	149	411	367
Off-balance sheet securitization entities				
Consumer automotive	1	—	3	1
Total off-balance sheet securitization entities	1	—	3	1
Whole-loan transactions	—	1	—	5
Total	$162	$150	$414	$373

10. Servicing Activities

Automotive Finance Servicing Activities

We service consumer automotive contracts. Historically, we have sold a portion of our consumer automotive contracts. With respect to contracts we sell, we retain the right to service and earn a servicing fee for our servicing function. Typically, we conclude that the fee we are paid for servicing consumer automotive finance receivables represents adequate compensation, and consequently, we do not recognize a servicing asset or liability. We recognized automotive servicing fee income of $12 million and $32 million during the three months and nine months ended September 30, 2015, respectively, compared to $6 million and $22 million during the three months and nine months ended September 30, 2014.

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Automotive Finance Serviced Assets

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

($ in millions)	September 30, 2015	December 31, 2014
On-balance sheet automotive finance loans and leases		
Consumer automotive	$63,352	$ 58,085
Commercial automotive	32,322	34,022
Operating leases	16,955	19,510
Other	61	55
Off-balance sheet automotive finance loans		
Loans sold to third-party investors		
Securitizations	2,901	2,832
Whole-loan	2,027	887
Total serviced automotive finance loans and leases	$117,618	$ 115,391

11. Other Assets

The components of other assets were as follows.

($ in millions)	September 30, 2015	December 31, 2014
Property and equipment at cost	$648	$ 775
Accumulated depreciation	(436)	(550)
Net property and equipment	212	225
Restricted cash collections for securitization trusts (a)	1,791	2,221
Net deferred tax assets	1,459	1,812
Nonmarketable equity securities	313	271
Fair value of derivative contracts in receivable position (b)	299	263
Cash reserve deposits held-for-securitization trusts (c)	255	303
Unamortized debt issuance costs	230	238
Other accounts receivable	196	298
Collateral placed with counterparties	72	236
Other assets	1,197	1,435
Total other assets	$6,024	$ 7,302

(a) Represents cash collections from customer payments on securitized receivables. These funds are distributed to investors as payments on the related secured debt.
(b) For additional information on derivative instruments and hedging activities, refer to Note 20.
(c) Represents credit enhancement in the form of cash reserves for various securitization transactions.

12. Deposit Liabilities

Deposit liabilities consisted of the following.

($ in millions)	September 30, 2015	December 31, 2014
Noninterest-bearing deposits	$91	$ 64
Interest-bearing deposits		
Savings and money market checking accounts	33,839	26,769
Certificates of deposit	29,864	31,070
Dealer deposits	247	319
Total deposit liabilities	$64,041	$ 58,222

At September 30, 2015, and December 31, 2014, certificates of deposit included $12.0 billion and $13.0 billion, respectively, of certificates of deposit in denominations of $100 thousand or more.

13. Short-term Borrowings

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

	September 30, 2015			December 31, 2014		
($ in millions)	Unsecured	Secured (a)	Total	Unsecured	Secured (a)	Total
Demand notes	$3,374	$—	$3,374	$3,338	$—	$3,338
Federal Home Loan Bank	—	400	400	—	2,950	2,950
Securities sold under agreements to repurchase	—	1,520	1,520	—	774	774
Other	84	—	84	—	—	—
Total short-term borrowings	$3,458	$1,920	$5,378	$3,338	$3,724	$7,062

(a) Refer to Note 14 for further details on assets restricted as collateral for payment of the related debt.

We periodically enter into term repurchase agreements, short-term borrowing agreements in which we sell financial instruments to one or more investors while simultaneously committing to repurchase them at a specified future date, at the stated price plus accrued interest. As of September 30, 2015, the financial instruments sold under agreement to repurchase consisted of mortgage-backed residential securities with the following maturities: $1,371 million within the next 30 days and $149 million in greater than 90 days. Refer to Note 5 and Note 23 for further details on investment securities sold under agreements to repurchase.

The primary risk associated with these repurchase agreements is that the counterparty will be unable to perform under the terms of the contract. As the borrower, Ally is exposed to the excess market value of the securities pledged over the amount borrowed. Daily mark-to-market collateral management is designed to limit this risk to the initial margin. However, should a counterparty declare bankruptcy or become insolvent, Ally may incur additional delays and costs. As of September 30, 2015, we received cash collateral totaling $4 million from counterparties under these collateral arrangements associated with our repurchase agreements.

14. Long-term Debt

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

	September 30, 2015			December 31, 2014		
($ in millions)	Unsecured	Secured	Total	Unsecured	Secured	Total
Long-term debt						
Due within one year	$1,848	$11,565	$13,413	$4,809	$12,629	$17,438
Due after one year (a)	17,407	36,196	53,603	17,154	31,514	48,668
Fair value adjustment (b)	445	—	445	452	—	452
Total long-term debt (c)	$19,700	$47,761	$67,461	$22,415	$44,143	$66,558

(a) Includes $2.6 billion of trust preferred securities at both September 30, 2015, and December 31, 2014.

(b) Represents the fair value adjustment associated with the application of hedge accounting on certain of our long-term unsecured debt positions. Refer to Note 20 for additional information.

(c) Includes advances from the Federal Home Loan Bank of Pittsburgh (FHLB) of $6.4 billion and $2.8 billion at September 30, 2015, and December 31, 2014, respectively.

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The following table presents the scheduled remaining maturity of long-term debt, assuming no early redemptions will occur. The actual payment of secured debt may vary based on the payment activity of the related pledged assets.

Year ended December 31, ($ in millions)	2015	2016	2017	2018	2019	2020 and thereafter	Fair value adjustment	Total
Unsecured								
Long-term debt	$11	$1,934	$4,393	$2,951	$1,625	$9,741	$445	$21,100
Original issue discount	(17)	(74)	(86)	(97)	(34)	(1,092)	—	(1,400)
Total unsecured	(6)	1,860	4,307	2,854	1,591	8,649	445	19,700
Secured								
Long-term debt	3,731	10,150	14,403	8,913	5,521	5,043	—	47,761
Total long-term debt	$3,725	$12,010	$18,710	$11,767	$7,112	$13,692	$445	$67,461

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 and repurchase agreements.

	September 30, 2015		December 31, 2014	
($ in millions)	Total	Ally Bank (a)	Total	Ally Bank (a)
Investment securities (b)	$1,591	$—	$786	$786
Mortgage assets held-for-investment and lending receivables	9,746	9,746	7,541	7,541
Consumer automotive finance receivables	34,186	9,491	33,438	11,263
Commercial automotive finance receivables	18,122	17,681	20,605	20,083
Investment in operating leases, net	6,810	3,947	6,820	4,672
Total assets restricted as collateral (c) (d)	$70,455	$40,865	$69,190	$44,345
Secured debt (e)	$49,681	$23,686	$47,867	$27,134

(a) Ally Bank is a component of the total column.

(b) The investment securities are restricted under repurchase agreements. Refer to Note 13 for information on the repurchase agreements.

(c) 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 $13.0 billion and $10.7 billion at September 30, 2015, and December 31, 2014, respectively. These assets were composed primarily of consumer mortgage finance receivables and loans, net. Ally Bank has access to the Federal Reserve Bank Discount Window. Ally Bank had assets pledged and restricted as collateral to the Federal Reserve Bank totaling $3.0 billion and $3.2 billion at September 30, 2015, and December 31, 2014, respectively. These assets were composed of consumer automotive finance receivables and loans, net and investment in operating leases, net. 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 subsidiaries.

(d) Excludes restricted cash and cash reserves for securitization trusts recorded within other assets on the Condensed Consolidated Balance Sheet. Refer to Note 11 for additional information.

(e) Includes $1.9 billion and $3.7 billion of short-term borrowings at September 30, 2015, and December 31, 2014, respectively.

Funding Facilities

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

As of September 30, 2015, Ally Bank had exclusive access to $3.25 billion of funding capacity from a committed credit facility. Funding programs supported by the Federal Reserve and the FHLB, together with repurchase agreements, complement Ally Bank’s private collateralized funding vehicles.

The total capacity in our committed funding facilities is provided by banks and other financial institutions through private transactions. The committed secured funding facilities can be revolving in nature and allow for additional funding during the commitment period, or they can be amortizing and not allow for any further funding after the closing date. At September 30, 2015, $21.2 billion of our $21.7 billion of committed capacity was revolving. Our revolving facilities generally have an original tenor ranging from 364 days to two years. As of September 30, 2015, we had $17.4 billion of committed funding capacity from revolving facilities with a remaining tenor greater than 364 days.

Committed Funding Facilities

($ in millions)	Outstanding September 30, 2015	Outstanding December 31, 2014	Unused capacity (a) September 30, 2015	Unused capacity (a) December 31, 2014	Total capacity September 30, 2015	Total capacity December 31, 2014
Bank funding						
Secured	$3,015	$3,250	$235	$250	$3,250	$3,500
Parent funding						
Secured	17,154	15,030	1,256	3,425	18,410	18,455
Total committed facilities	$20,169	$18,280	$1,491	$3,675	$21,660	$21,955

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

15. Accrued Expenses and Other Liabilities

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

($ in millions)	September 30, 2015	December 31, 2014
Accounts payable	$487	$298
Employee compensation and benefits	236	298
Reserves for insurance losses and loss adjustment expenses	182	208
Fair value of derivative contracts in payable position (a)	176	252
Deferred revenue	126	151
Other liabilities	544	528
Total accrued expenses and other liabilities	$1,751	$1,735

(a) For additional information on derivative instruments and hedging activities, refer to Note 20.

16. Preferred Stock

The following table summarizes information about our Series A and Series G preferred stock.

	September 30, 2015	December 31, 2014
Series A preferred stock (a)		
Carrying value ($ in millions)	$696	$1,021
Par value (per share)	0.01	0.01
Liquidation preference (per share)	25	25
Number of shares authorized	40,870,560	40,870,560
Number of shares issued and outstanding	27,870,560	40,870,560
Dividend/coupon		
Prior to May 15, 2016	8.5 %	8.5 %
On and after May 15, 2016	Three month LIBOR + 6.243%	Three month LIBOR + 6.243%
Series G preferred stock		
Carrying value ($ in millions)	$117	$234
Par value (per share)	0.01	0.01
Liquidation preference (per share)	1,000	1,000
Number of shares authorized	2,576,601	2,576,601
Number of shares issued and outstanding	1,288,301	2,576,601
Dividend/coupon	7 %	7 %

(a) Nonredeemable prior to May 15, 2016.

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Series A Preferred Stock

On April 23, 2015, we announced a tender offer to purchase up to 13,000,000 shares of our outstanding Series A preferred stock for $26.65 per Series A share, which included an amount to cover accrued and unpaid dividends through the settlement date. The tender offer expired on May 20, 2015. On May 22, 2015, we repurchased 13,000,000 Series A Preferred Shares with an aggregate liquidation preference of $325 million for $347 million in cash. Upon repurchase of the tendered Series A Preferred shares on May 22, 2015, we derecognized the carrying value of $325 million and recognized the excess consideration paid of $22 million as an additional return to preferred shareholders. The remaining 27,870,560 Series A Preferred Shares following the repurchase were not impacted as a result of this transaction.

Series G Preferred Stock

On March 11, 2015, we issued a Notice of Partial Redemption to the holders of the outstanding Series G Preferred Stock to redeem, on a pro-rata basis, 1,288,300 shares at a redemption price of $1,000 per share plus $10.50 per share of accrued and unpaid dividends through the redemption date. On April 10, 2015, we redeemed 1,288,300 shares of our outstanding Series G Preferred Stock, with an aggregate liquidation preference of approximately $1,288 million for approximately $1,302 million in cash, which included $14 million in accrued and unpaid dividends. Upon redemption of the Series G Preferred shares, we derecognized the carrying value of $117 million and recognized the excess consideration paid of $1,171 million as an additional return to preferred shareholders. The remaining 1,288,301 Series G Preferred Shares following the redemption were not impacted as a result of this transaction.

17. 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 on investment securities (a)	Translation adjustments and net investment hedges (b)	Cash flow hedges	Defined benefit pension plans	Accumulated other comprehensive loss
Balance at December 31, 2013	$(269)	$65	$5	$(77)	$ (276)
2014 net change	148	(27)	1	4	126
Balance at September 30, 2014	$(121)	$38	$6	$(73)	$ (150)
Balance at December 31, 2014	$(21)	$36	$7	$(88)	$ (66)
2015 net change	(35)	(21)	—	—	(56)
Balance at September 30, 2015	$(56)	$15	$7	$(88)	$ (122)

(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 20.

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

Three months ended September 30, 2015 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$106	$(41)	$65
Less: Net realized gains reclassified to income from continuing operations	6 (a)	(3) (b)	3
Net change	100	(38)	62
Translation adjustments			
Net unrealized losses arising during the period	(17)	5	(12)
	(1)	—	(1)

Less: Net realized losses reclassified to income from discontinued operations, net of tax			
Net change	(16)	5	(11)
Net investment hedges			
Net unrealized gains arising during the period	15	(5)	10
Other comprehensive income	$99	$(38)	$61

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

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

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Three months ended September 30, 2014 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized losses arising during the period	$(15)	$5	$(10)
Less: Net realized gains reclassified to income from continuing operations	45 (a)	(1) (b)	44
Net change	(60)	6	(54)
Translation adjustments			
Net unrealized losses arising during the period	(11)	4	(7)
Net investment hedges			
Net unrealized gains arising during the period	8	(3)	5
Cash flow hedges			
Net unrealized gains arising during the period	1	—	1
Other comprehensive loss	$(62)	$7	$(55)

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

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

Nine months ended September 30, 2015 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$53	$(21)	$32
Less: Net realized gains reclassified to income from continuing operations	106 (a)	(39) (b)	67
Net change	(53)	18	(35)
Translation adjustments			
Net unrealized losses arising during the period	(33)	11	(22)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	42	(20)	22
Net change	(75)	31	(44)
Net investment hedges			
Net unrealized gains arising during the period	31	(11)	20
Less: Net realized losses reclassified to income from discontinued operations, net of tax	(4)	1	(3)
Net change	35	(12)	23
Other comprehensive loss	$(93)	$37	$(56)

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

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

Nine months ended September 30, 2014 ($ in millions)	Before Tax	Tax Effect	After Tax
Investment securities			
Net unrealized gains arising during the period	$358	$(89)	$269
Less: Net realized gains reclassified to income from continuing operations	129 (a)	(8) (b)	121
Net change	229	(81)	148
Translation adjustments			
Net unrealized losses arising during the period	(21)	8	(13)
Less: Net realized gains reclassified to income from discontinued operations, net of tax	23	(3)	20
Net change	(44)	11	(33)
Net investment hedges			
Net unrealized gains arising during the period	10	(4)	6
Cash flow hedges			
Net unrealized gains arising during the period	1	—	1
Defined benefit pension plans			
Less: Net losses reclassified to income from continuing operations	(7) (c)	3 (b)	(4)
Other comprehensive income	$203	$(77)	$126

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

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

(c) Includes losses reclassified to compensation and benefits expense in our Condensed Consolidated Statement of Comprehensive Income.

18. Earnings per Common Share

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

	Three months ended September 30,		Nine months ended September 30,	
($ in millions, except share data) (a)	2015	2014	2015	2014
Net income from continuing operations	$273	$293	$621	$774
Preferred stock dividends (b)	(38)	(67)	(1,356)	(200)
Net income (loss) from continuing operations attributable to common shareholders	235	226	(735)	574
(Loss) income from discontinued operations, net of tax	(5)	130	405	199
Net income (loss) attributable to common shareholders	$230	$356	$(330)	$773
Basic weighted-average common shares outstanding (c)	483,073,329	481,611,138	482,725,342	480,916,395
Diluted weighted-average common shares outstanding (c) (d)	484,399,091	482,506,091	482,725,342	481,545,506
Basic earnings per common share				
Net income (loss) from continuing operations	$0.49	$0.47	$(1.52)	$1.19
(Loss) income from discontinued operations, net of tax	(0.01)	0.27	0.84	0.41
Net income (loss)	$0.48	$0.74	$(0.68)	$1.60
Diluted earnings per common share				
Net income (loss) from continuing operations	$0.49	$0.47	$(1.52)	$1.19
(Loss) income from discontinued operations, net of tax	(0.01)	0.27	0.84	0.41
Net income (loss)	$0.47	$0.74	$(0.68)	$1.60

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

(b) Preferred stock dividends for the nine months ended September 30, 2015, include $1,193 million recognized in connection with the partial redemption of the Series G Preferred Stock and the repurchase of the Series A Preferred Stock. These dividends represent an additional return to preferred shareholders calculated as the excess consideration paid over the carrying amount derecognized. Refer to Note 16 for additional preferred stock information.

(c) Includes shares related to share-based compensation that vested but were not yet issued for the three months and nine months ended September 30, 2015, and 2014, respectively.

(d) Due to antidilutive effect of the net loss from continuing operations attributable to common shareholders for the nine months ended September 30, 2015, basic weighted-average common shares outstanding were used to calculate basic and diluted earnings per share.

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19. Regulatory Capital and Other Regulatory Matters

As a BHC, we and our wholly-owned state-chartered banking subsidiary, 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. A risk-based capital ratio is a ratio of a banking organization's regulatory capital to its risk-weighted assets. A leverage capital ratio is a ratio of a banking organization's regulatory capital to a measure of assets or exposures that is not risk-weighted. As of January 1, 2015, Ally and Ally Bank became subject to the rules implementing the 2010 Basel III capital framework in the United States (U.S. Basel III), which reflect new and higher capital requirements, capital buffers, and new regulatory capital definitions, deductions and adjustments. Certain aspects of U.S. Basel III, including the new capital buffers and regulatory capital deductions, will be phased in over several years.

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 Condensed 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 prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our 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, are also subject to qualitative judgments by the regulators about the components of capital, the risk-weightings of our assets and other exposures, and other factors. The U.S. banking regulators also use 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 a FHC, Ally and its bank subsidiary, Ally Bank, must remain "well-capitalized" and "well-managed," as defined under applicable law. Effective January 1, 2015, the "well-capitalized" standard for insured depository institutions, such as Ally Bank, was revised to reflect the new and higher capital requirements under U.S. Basel III.

Under U.S. Basel III, Ally 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 requirements, Ally will also be subject to a Common Equity Tier 1 capital conservation buffer of more than 2.5%, subject to a phase-in period from January 1, 2016 through December 31, 2018. Failure to maintain the full amount of the buffer will result in restrictions on Ally's ability to make capital distributions, including dividend payment and stock repurchases and redemptions, and to pay discretionary bonuses to executive officers. In addition to these new risk-based capital standards, U.S. Basel III subjects all U.S. banking organizations, including Ally, to a minimum Tier 1 leverage ratio of 4%, the denominator of which takes into account only on-balance sheet assets.

In addition to introducing new capital ratios, U.S. Basel III revises the eligibility criteria for regulatory capital instruments and provides for the phase-out of existing capital instruments that do not satisfy the new criteria. Subject to certain exceptions (e.g., for certain debt or equity issued to the U.S. government under the Emergency Economic Stabilization Act), trust preferred and other "hybrid" securities will be phased out from a banking organization's Tier 1 capital by January 1, 2016. Also, subject to a phase-in schedule, certain new items will be deducted from Common Equity Tier 1 capital, and certain other deductions from regulatory capital will be modified. Among other things, U.S. Basel III requires significant investments in the common shares of unconsolidated financial institutions, mortgage servicing rights, and certain deferred tax assets that exceed specified individual and aggregate thresholds to be deducted from Common Equity Tier 1 capital. U.S. Basel III also revises the standardized approach for calculating risk-weighted assets by, among other things, modifying certain risk weights and introducing new methods for calculating risk-weighted assets for certain types of assets and exposures.

Ally is subject to the U.S. Basel III standardized approach for counterparty credit risk. It is not subject to the U.S. Basel III advanced approaches for counterparty credit risk. Ally is currently not subject to the U.S. market risk capital rule, which applies only to banking organizations with significant trading assets and liabilities.

During 2010, Ally, IB Finance Holding Company, LLC (IB Finance), Ally Bank, and the Federal Deposit Insurance Corporation (FDIC) entered into a Capital and Liquidity Maintenance Agreement (CLMA). The CLMA was restated on July 13, 2015. The CLMA requires capital at Ally Bank to be maintained at a level such that Ally Bank's leverage ratio is at least 15%. For this purpose, the leverage ratio is determined in accordance with the FDIC's regulations related to capital maintenance.

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

($ in millions)	Under Basel III September 30, 2015 (a) Amount	Ratio		Under Basel I December 31, 2014 (b) Amount	Ratio		Required minimum		Well-capitalized minimum	
Risk-based capital										
Common Equity Tier 1 (to risk-weighted assets) (c)										
Ally Financial Inc.	$13,444	10.05	%	$12,588	9.64	%	4.50	%	(d)	
Ally Bank	16,311	17.50		16,022	16.89		4.50		6.50	%
Tier 1 (to risk-weighted assets)										
Ally Financial Inc.	$16,087	12.02	%	$16,389	12.55	%	6.00	%	6.00	%
Ally Bank	16,311	17.50		16,022	16.89		6.00		8.00	
Total (to risk-weighted assets)										
Ally Financial Inc.	$17,327	12.95	%	$17,294	13.24	%	8.00	%	10.00	%
Ally Bank	16,739	17.96		16,468	17.36		8.00		10.00	
Tier 1 leverage (to adjusted quarterly average assets) (e)										
Ally Financial Inc.	$16,087	10.43	%	$16,389	10.94	%	4.00	%	(d)	
Ally Bank	16,311	15.35		16,022	15.44		15.00	(f)	5.00	%

(a) U.S. Basel III became effective for us on January 1, 2015, subject to transitional provisions primarily related to deductions and adjustments impacting Common Equity Tier 1 capital and Tier 1 capital.
(b) Capital ratios as of December 31, 2014 are presented under the U.S. Basel I capital framework.
(c) Previously referred to as Tier 1 Common Equity under the U.S. Basel I capital framework.
(d) Currently, there is no ratio component for determining whether a BHC is "well-capitalized."
(e) Federal regulatory reporting guidelines require the calculation of adjusted quarterly average assets using a daily average methodology.
(f) Ally Bank, in accordance with the CLMA, is required to maintain a Tier 1 leverage ratio of at least 15%.

At September 30, 2015, Ally and Ally Bank were “well-capitalized” and met all capital requirements to which each was subject.

Capital Planning and Stress Tests

As a BHC with $50 billion or more of consolidated assets, Ally is required to conduct periodic company-run stress tests, is subject to an annual supervisory stress test conducted by the Board of Governors of the Federal Reserve System (FRB), and must submit an annual capital plan to the FRB. In addition, as an insured state nonmember bank with $50 billion or more in total consolidated assets, Ally Bank is required to conduct annual company-run stress tests.

Ally’s capital plan must include a description of all planned capital actions over a nine-quarter planning horizon. The capital plan must also include a discussion of how Ally will maintain capital above the minimum regulatory capital ratios and above a Tier 1 common equity-to-total risk-weighted assets ratio of 5% under baseline, adverse, and severely adverse economic scenarios, and serve as a source of strength to Ally Bank. The FRB must approve Ally's capital plan before Ally may take any capital action. Even with an approved capital plan, Ally must seek the approval of the FRB before making a capital distribution if, among other factors, Ally would not meet its regulatory capital requirements after making the proposed capital distribution.

On January 5, 2015, Ally submitted the results of its semi-annual stress test and its proposed capital actions to the FRB, and Ally Bank submitted the results of its annual company-run stress test to the FDIC. On March 6, 2015, Ally and Ally Bank publicly disclosed summary results of the stress test under the most severe scenario in accordance with regulatory requirements. On March 11, 2015, Ally received a non-objection to its capital plan from the FRB, including the proposed capital actions contained in our submission. As a result, we redeemed $1.3 billion in Series G preferred securities in April 2015, and repurchased $325 million in Series A preferred securities in May 2015, pursuant to a tender offer. In addition, on July 6, 2015, Ally submitted to the FRB the results of our company-run mid-year stress test conducted under multiple macroeconomic scenarios. We disclosed the results of this stress test under the most severe scenario on July 15, 2015, in accordance with regulatory requirements.

20. Derivative Instruments and Hedging Activities

We enter into interest rate, foreign-currency, and equity swaps, futures, forwards, options, and swaptions in connection with our market risk management activities. Derivative instruments are used to manage interest rate risk relating to specific groups of assets and liabilities, including automotive loan assets and debt. We use foreign exchange contracts to mitigate foreign-currency risk associated with foreign-currency-denominated debt, foreign exchange transactions, and our net investment in foreign subsidiaries. In addition, we also enter into equity option contracts to manage our exposure to the equity markets. Our primary objective for utilizing derivative financial instruments is to manage interest rate risk associated with our fixed- and variable-rate assets and liabilities, foreign exchange risks related to our foreign-currency denominated assets and liabilities, and market risks related to our investment portfolio and certain of our executive share-based compensation plans.

Interest Rate Risk

We monitor our mix of fixed- and variable-rate assets and liabilities. When it is cost-effective to do so, we may enter into interest rate swaps, forwards, futures, options, and swaptions to achieve our desired mix of fixed- and variable-rate assets and liabilities. We execute interest rate swaps, forwards, futures, options, and swaptions 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.

Derivatives qualifying for hedge accounting consist of receive-fixed swaps designated as fair value hedges of specific fixed-rate debt obligations, pay-fixed swaps designated as fair value hedges of specific portfolios of fixed-rate held-for-investment retail automotive loan assets, and pay-fixed swaps designated as cash flow hedges of the expected future cash flows in the form of interest payments on certain outstanding variable-rate borrowings associated with our secured debt.

We also execute economic hedges, which consist of interest rate swaps and interest rate caps held to mitigate interest rate risk associated with our debt portfolio. We also use interest rate swaps to economically hedge our net fixed-versus-variable interest rate exposure. We enter into economic hedges in the form of short-dated, exchange-traded Eurodollar futures to hedge the interest rate exposure of our fixed-rate automotive loans, as well as forwards, options, and swaptions to economically hedge our net fixed-versus-variable interest rate exposure.

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 investments 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 (loss) income.

Our remaining foreign subsidiaries in wind-down maintain both assets and liabilities in local currencies. These local currencies are generally the subsidiaries' functional currencies for accounting purposes. Foreign-currency exchange-rate gains and losses arise when the assets or liabilities of our subsidiaries are denominated in currencies that differ from its functional currency.

We utilized a cross-currency swap to economically hedge foreign exchange exposure on foreign-currency-denominated debt by converting the funding currency to our functional currency. This swap was entered into concurrent with the debt issuance with the terms of the derivative matching the terms of the underlying debt. This swap matured during the second quarter of 2015.

We also enter into foreign currency forwards to economically hedge our foreign denominated debt, our centralized lending program, and foreign-denominated third party loans. The hedge of foreign denominated debt was entered into concurrent with the debt issuance with the terms of the derivative matching the terms of the underlying debt. The centralized lending program manages liquidity for our subsidiary businesses, but as of September 30, 2015, this activity is immaterial. Foreign-currency-denominated loan agreements are executed with our foreign subsidiaries in their local currencies. We evaluate our foreign-currency exposure resulting from intercompany lending and manage our currency risk exposure by entering into foreign-currency derivatives with external counterparties. Our remaining foreign-currency derivatives, such as hedges of foreign-denominated third party loans, are recorded at fair value with changes recorded as income offsetting the gains and losses on the associated foreign-currency transactions.

Market Risk

We enter into equity options to economically hedge our exposure to the equity markets. We purchase options to assume a long position on certain equities and write options to assume a short position.

We have also entered into prepaid equity forward contracts to economically hedge the price risk associated with certain of our executive share-based compensation plans. The prepaid equity forward contracts are hybrid instruments containing an embedded forward contract, which is considered a derivative instrument. The embedded derivative instrument is bifurcated from the host contract and is recorded at fair value with changes in fair value recorded in compensation and benefits expense. The balance of the prepaid component of these equity forward contracts was $47 million as of September 30, 2015, and was recorded within other assets on the Condensed Consolidated Balance Sheet.

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.

To mitigate the risk of counterparty default, 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 value of our total obligation to each other. Contractual terms provide for standard and customary exchange of collateral based on changes in the market value of the outstanding derivatives. The securing party posts additional collateral when their obligation rises or removes collateral when it falls.

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 third quarter of 2015.

We placed cash collateral totaling $72 million and securities collateral totaling $111 million at September 30, 2015, and $221 million and $15 million at December 31, 2014, respectively, in accounts maintained by counterparties. This amount primarily relates to collateral posted to support our derivative positions. This amount also excludes cash and securities pledged as collateral under repurchase agreements. Refer to Note 13 for details on the repurchase agreements. The receivables for cash collateral placed are included in our Condensed Consolidated Balance Sheet in other assets.

We received cash collateral from counterparties totaling $129 million at September 30, 2015 to support these derivative positions. We received cash collateral from counterparties totaling $71 million at December 31, 2014. The payables for cash collateral received are included on our Condensed Consolidated Balance Sheet in accrued expenses and other liabilities. In certain circumstances, we receive or post securities as collateral with counterparties. We do not record such collateral received on our Condensed Consolidated Balance Sheet unless certain conditions are met. At September 30, 2015, and December 31, 2014, we received noncash collateral of $8 million and $15 million, respectively. 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 fair value amounts of derivative instruments reported on our Condensed Consolidated Balance Sheet. The fair value 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. Notional amounts are reference amounts from which contractual obligations are derived and are not recorded on the balance sheet. In our view, derivative notional is not an accurate measure of our derivative exposure when viewed in isolation from other factors, such as market rate fluctuations and counterparty credit risk.

($ in millions)	September 30, 2015 Derivative contracts in a receivable position (a)	September 30, 2015 Derivative contracts in a payable position (b)	September 30, 2015 Notional amount	December 31, 2014 Derivative contracts in a receivable position (a)	December 31, 2014 Derivative contracts in a payable position (b)	December 31, 2014 Notional amount
Derivatives qualifying for hedge accounting						
Interest rate contracts						
Swaps (c) (d)	$182	$33	$17,204	$118	$7	$18,554
Foreign exchange contracts						
Forwards	2	—	233	—	—	210
Total derivatives qualifying for hedge accounting	184	33	17,437	118	7	18,764
Economic hedges						
Interest rate contracts						
Swaps	50	71	6,353	40	65	11,979
Futures and forwards	5	4	7,850	4	2	18,886
Written options	—	56	18,007	—	94	14,823
Purchased options	55	—	18,086	94	—	15,159
Total interest rate risk	110	131	50,296	138	161	60,847
Foreign exchange contracts						
Swaps	—	—	—	—	74	1,210
Futures and forwards	1	1	161	5	4	304
Total foreign exchange risk	1	1	161	5	78	1,514
Equity contracts						
Forwards	—	8	47	—	3	74
Written options	—	3	1	—	3	1
Purchased options	4	—	—	2	—	—
Total equity risk	4	11	48	2	6	75
Total economic hedges	115	143	50,505	145	245	62,436
Total derivatives	$299	$176	$67,942	$263	$252	$81,200

(a) Derivative contracts in a receivable position are classified as other assets on the Condensed Consolidated Balance Sheet, and includes accrued interest of $34 million and $50 million at September 30, 2015, and December 31, 2014, respectively.

(b) Derivative contracts in a liability position are classified as accrued expenses and other liabilities on the Condensed Consolidated Balance Sheet, and includes accrued interest of $9 million and $17 million at September 30, 2015, and December 31, 2014, respectively.

(c) Includes fair value hedges consisting of receive-fixed swaps on fixed-rate debt obligations with $182 million and $97 million in a receivable position, $0 million and $1 million in a payable position, and a $5.7 billion and $4.7

billion notional amount at September 30, 2015, and December 31, 2014, respectively. Of the hedge notional amount at September 30, 2015, $2.2 billion is associated with debt maturing in five or more years.

(d) Other fair value hedges include pay-fixed swaps on portfolios of held-for-investment automotive loan assets with $0 million and $21 million in a receivable position, $33 million and $6 million in a payable position, and an $11.5 billion and $13.9 billion notional amount at September 30, 2015, and December 31, 2014, respectively.

Statement of Comprehensive Income Presentation

The following table summarizes the location and amounts of gains and losses on derivative instruments reported in our Condensed Consolidated Statement of Comprehensive Income.

($ in millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Derivatives qualifying for hedge accounting				
(Loss) gain recognized in earnings on derivatives				
Interest rate contracts				
Interest and fees on finance receivables and loans (a)	$(34)	$28	$(50)	$22
Interest on long-term debt (b)	132	(39)	121	102
Gain (loss) recognized in earnings on hedged items				
Interest rate contracts				
Interest and fees on finance receivables and loans (c)	38	(15)	73	14
Interest on long-term debt (d)	(135)	49	(128)	(90)
Total derivatives qualifying for hedge accounting	1	23	16	48
Economic derivatives				
(Loss) gain recognized in earnings on derivatives				
Interest rate contracts				
Loss on mortgage and automotive loans, net	(2)	—	(2)	—
Other income, net of losses	—	(5)	(9)	(24)
Total interest rate contracts	(2)	(5)	(11)	(24)
Foreign exchange contracts (e)				
Interest on long-term debt	(1)	(108)	(139)	(117)
Other income, net of losses	1	8	9	8
Total foreign exchange contracts	—	(100)	(130)	(109)
Equity contracts				
Compensation and benefits expense	(4)	(6)	(7)	(6)
Total equity contracts	(4)	(6)	(7)	(6)
Loss recognized in earnings on derivatives	$(5)	$(88)	$(132)	$(91)

(a) Amounts exclude losses related to interest for qualifying accounting hedges of retail automotive loans held-for-investment, which are primarily offset by the fixed coupon payments of the loans. The losses were $18 million and $16 million for the three months ended September 30, 2015, and 2014, respectively, and $50 million and $43 million for the nine months ended September 30, 2015, and 2014, respectively.

(b) Amounts exclude gains related to interest for qualifying accounting hedges of debt, which are primarily offset by the fixed coupon payment on the long-term debt. The gains were $24 million and $27 million for the three months ended September 30, 2015, and 2014, respectively, and $71 million and $89 million for the nine months ended September 30, 2015, and 2014, respectively.

(c) Amounts exclude losses related to amortization of deferred loan basis adjustments on the de-designated hedged item of $1 million for the three months ended September 30, 2015, and $1 million for the nine months ended September 30, 2015.

(d) Amounts exclude gains related to amortization of deferred basis adjustments on the de-designated hedged item of $14 million and $38 million for the three months ended September 30, 2015, and 2014, respectively, and $59 million and $120 million for the nine months ended September 30, 2015, and 2014, respectively.

(e) Amounts exclude gains related to the revaluation of the related foreign-denominated debt or receivable of $1 million and $102 million for the three months ended September 30, 2015, and 2014, respectively, and $134 million and $112 million for the nine months ended September 30, 2015, and 2014, respectively.

The following table summarizes derivative instruments used in cash flow and net investment hedge accounting relationships.

($ in millions)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash flow hedges				
Interest rate contracts				
Loss reclassified from accumulated other comprehensive income to interest on long-term debt	$—	$(1)	$—	$(1)
Total interest on long-term debt	$—	$(1)	$—	$(1)
Gain recognized in other comprehensive income	$—	$1	$—	$1
Net investment hedges				
Foreign exchange contracts				
Loss reclassified from accumulated other comprehensive loss to income from discontinued operations, net	$—	$—	$(4)	$—
Total loss from discontinued operations, net	$—	$—	$(4)	$—
Gain recognized in other comprehensive income (a)	$15	$8	$35	$10

(a) The amounts represent the effective portion of net investment hedges. There are offsetting amounts recognized in accumulated other comprehensive income related to the revaluation of the related net investment in foreign operations, including the tax impacts of the hedge and related net investment, as disclosed separately in Note 17. There were losses of $16 million and losses of $10 million for the three months ended September 30, 2015, and 2014, respectively. There were losses of $56 million and $37 million for the nine months ended September 30, 2015, and 2014, respectively.

21. Income Taxes

We recognized total income tax expense from continuing operations of $144 million and $341 million for the three months and nine months ended September 30, 2015, compared to income tax expense of $127 million and $285 million for the same periods in 2014. The increase in income tax expense for the three months ended September 30, 2015, compared to the same period in 2014, was primarily driven by decreases in capital gains resulting in less tax benefit on the release of the valuation allowance against capital loss carryforwards and a reduction in tax credits. The increase in income tax expense for the nine months ended September 30, 2015, compared to the same period in 2014, was primarily driven by a non-recurring tax benefit in the second quarter of 2014 related to the reduction in the liability for unrecognized tax benefits as a result of the completion of the U.S. federal audit related to our 2009 through 2011 tax years.

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 credits 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.

It is reasonably possible the unrecognized tax benefits disclosed in our 2014 Annual Report will decrease by up to $180 million over the next 12 months if certain tax matters ultimately settle with the applicable taxing jurisdiction as anticipated.

22. 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. Fair value is based on the assumptions 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.
Transfers	Transfers into or out of any hierarchy level are recognized at the end of the reporting period in which the transfer occurred. There were no transfers between any levels during the nine months ended September 30, 2015.

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.

- Available-for-sale securities — All classes of available-for-sale securities are carried at fair value based on observable market prices, when available. If observable market prices are not available, our valuations are based on internally developed discounted cash flow models (an income approach) that use a market-based discount rate and consider recent market transactions, experience with similar securities, current business conditions, and analysis of the underlying collateral, as available. To estimate cash flows, we are required to utilize various significant assumptions including market observable inputs (e.g., forward interest rates) and internally developed inputs (including prepayment speeds, delinquency levels, and credit losses).
- Mortgage loans held-for-sale, net — Certain of our mortgage loans held-for-sale are accounted for at fair value because of fair value option elections. Mortgage loans held-for-sale are typically pooled together and sold into certain exit markets depending on underlying attributes of the loan, such as eligibility with the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), or the Government National Mortgage Association (Ginnie Mae) (collectively, the Government-sponsored Enterprises, or GSEs), product type, interest rate, and credit quality. Mortgage loans previously classified as Level 2 were mainly GSE-eligible mortgage loans carried at fair value due to fair value option election, which were valued predominantly using published forward agency prices. It also included any domestic loans where recently negotiated market prices for the loan pool exist with a counterparty (which approximates fair value) or quoted market prices for similar loans are available. These mortgage loans were transferred into Level 3 as of December 31, 2014, based on decreased observability of significant inputs resulting from no longer being an active seller of mortgage loans to GSEs. As a result, at December 31, 2014, they were valued based on a discounted cash flow basis utilizing cash flow projections from internally developed models that utilized prepayment, default, and discount rate assumptions.

Refer to the section within this note titled Fair Value Option for Financial Assets for further information about the fair value elections.

- Interests retained in financial asset sales — The interests retained are in securitization trusts and deferred purchase prices on the sale of whole-loans. 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 (e.g., forward interest rates) and internally developed inputs (e.g., 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 Eurodollar futures, options of Eurodollar futures, and equity options. To determine the fair value of these instruments, we utilize the quoted market prices for the particular derivative contracts; therefore, we classified these contracts as Level 1.

We also execute over-the-counter (OTC) and centrally-cleared derivative contracts, such as interest rate swaps, a cross-currency swap, swaptions, foreign-currency denominated forward contracts, prepaid equity forward contracts, caps, floors, and agency to-be-announced securities. For OTC contracts, we utilize third-party-developed valuation models that are widely accepted in the market to value these OTC 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 OTC derivative contracts as Level 2 because all significant inputs into these models were market observable. For centrally-cleared contracts, we utilize unadjusted prices obtained from the clearing house as the basis for valuation, and they are also classified as Level 2.
Historically, we had a cross-currency swap and interest rate caps accounted for as derivative instruments that were classified as Level 3. However, at September 30, 2015, and December 31, 2014, we did not have any positions 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 credit valuation adjustment (CVA), if warranted. The CVA calculation utilizes the credit default swap spreads of the counterparty.

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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			
September 30, 2015 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$1,114	$695	$—	$1,809
U.S. State and political subdivisions	—	651	—	651
Foreign government	10	174	—	184
Mortgage-backed residential	—	11,614	—	11,614
Mortgage-backed commercial	—	517	—	517
Asset-backed	—	1,951	—	1,951
Corporate debt securities	—	1,047	—	1,047
Total debt securities	1,124	16,649	—	17,773
Equity securities (a)	985	—	—	985
Total available-for-sale securities	2,109	16,649	—	18,758
Other assets				
Interests retained in financial asset sales	—	—	29	29
Derivative contracts in a receivable position (b)				
Interest rate	5	287	—	292
Foreign currency	—	3	—	3
Other	4	—	—	4
Total derivative contracts in a receivable position	9	290	—	299
Total assets	$2,118	$16,939	$29	$19,086
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position (b)				
Interest rate	$(4)	$(160)	$—	$(164)
Foreign currency	—	(1)	—	(1)
Other	(3)	(8)	—	(11)
Total derivative contracts in a payable position	(7)	(169)	—	(176)
Total liabilities	$(7)	$(169)	$—	$(176)

(a) Our investment in any one industry did not exceed 13%.

(b) For additional information on derivative instruments and hedging activities, refer to Note 20.

	Recurring fair value measurements			
December 31, 2014 ($ in millions)	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Available-for-sale securities				
Debt securities				
U.S. Treasury and federal agencies	$217	$961	$—	$1,178
U.S. State and political subdivisions	—	406	—	406
Foreign government	14	218	—	232
Mortgage-backed residential	—	10,425	—	10,425
Mortgage-backed commercial	—	253	—	253
Asset-backed	—	1,991	—	1,991
Corporate debt securities	—	746	—	746
Total debt securities	231	15,000	—	15,231
Equity securities (a)	906	—	—	906
Total available-for-sale securities	1,137	15,000	—	16,137
Mortgage loans held-for-sale, net (b)	—	—	3	3
Other assets				
Interests retained in financial asset sales	—	—	47	47
Derivative contracts in a receivable position (c)				
Interest rate	4	252	—	256
Foreign currency	—	5	—	5
Other	2	—	—	2
Total derivative contracts in a receivable position	6	257	—	263
Collateral placed with counterparties (d)	—	15	—	15
Total assets	$1,143	$15,272	$50	$16,465
Liabilities				
Accrued expenses and other liabilities				
Derivative contracts in a payable position (c)				
Interest rate	$(2)	$(166)	$—	$(168)
Foreign currency	—	(78)	—	(78)
Other	(2)	(4)	—	(6)
Total derivative contracts in a payable position	(4)	(248)	—	(252)
Total liabilities	$(4)	$(248)	$—	$(252)

(a) Our investment in any one industry did not exceed 16%.
(b) Carried at fair value due to fair value option elections.
(c) For additional information on derivative instruments and hedging activities, refer to Note 20.
(d) Represents collateral in the form of investment securities. Cash collateral was excluded.

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.

	Level 3 recurring fair value measurements									
		Net realized/unrealized gains								
($ in millions)	Fair value at July 1, 2015	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out of Level 3	Fair value at September 30, 2015	Net unrealized gains included in earnings still held at September 30, 2015
Assets										
Mortgage loans held-for-sale, net	$4	$—	$—	$—	$(4)	$—	$—	$—	$—	$—
Other assets										
Interests retained in financial asset sales	32	1 (a)	—	—	—	1	(5)	—	29	—
Total assets	$36	$1	$—	$—	$(4)	$1	$(5)	$—	$29	$—

(a) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

	Level 3 recurring fair value measurements									
		Net realized/unrealized gains								
($ in millions)	Fair value at July 1, 2014	included in earnings	included in OCI	Purchases	Sales	Issuances	Settlements	Transfers out of Level 3	Fair value at September 30, 2014	Net unrealized gains included in earnings still held at September 30, 2014
Assets										
Other assets										
Interests retained in financial asset sales	$74	$4 (a)	$—	$—	$—	$—	$(17)	$—	$61	$—
Total assets	$74	$4	$—	$—	$—	$—	$(17)	$—	$61	$—

(a) Reported as other income, net of losses, in the Condensed Consolidated Statement of Comprehensive Income.

	Level 3 recurring fair value measurements								
	Fair Value at	Net realized/unrealized	Purchases	Sales	Issuances	Settlements	Transfers out of	Fair value at	Net unrealized

($ in millions)	Jan. 1, 2015	gains included in earnings	included in OCI	Level 3	September 30, 2015	gains included in earnings still held at September 30, 2015
Assets						